Chapter 6
EXCHANGE RATE HISTORY AND THE ROLE OF GOVERNMENTS

LEARNING OBJECTIVES

- E xplain the role of governments in the exchange rate regime.
- D escribe the various methods by which governments influence the exchange rate.
- U nderstand the impact of government intervention on economic conditions.

PART II
EXCHANGE RATE BEHAVIOUR

Part opening diagram
A diagram at the beginning of each part illustrates how the key concepts relate to one another.

Exhibits
These give a visual representation of key concepts or data.

Objectives
These define what you can expect to achieve as you read the chapter and what will be assessed by the exercises and other assessments as the chapter proceeds.

Using the web
Identifies websites that provide useful information related to key concepts.
**Summary** Found at the end of each chapter, the summary offers a useful method of reviewing knowledge for exams by reminding students of what they have learned so far.

**Critical debate** A controversial topic is introduced, two opposing views are provided and students must decide which view they support and why.

**Self tests** A self test at the end of each chapter challenges the students on the key concepts. The answers are provided in Appendix A.

**Questions and applications** A variety of questions and other applications is designed to give students a thorough familiarity with the chapter material and to open up areas of further discovery.
THAILAND CASE STUDY

BLADES PLC CASE STUDY

Consideration of Change abroad Investment

Throughout the period under review, Blades plc has been exploring the possibility of establishing a subsidiary or acquiring a foreign company to expand its operations into Thailand. The company is currently evaluating the potential of FDI in Thailand given the uncertain economic conditions and the need to diversify its market reach.

The Thai market presents several challenges, including the need to ensure adequate local sourcing of components and the potential for higher labor costs compared to the UK. However, the company recognizes the growing demand for high-quality sports products in Thailand, which could provide significant growth opportunities.

The company has assessed the costs associated with establishing a subsidiary in Thailand. While the high-quality components available in Thailand could reduce the cost of goods sold, the company must also consider the potential for higher rental and utility costs, as well as the need for additional marketing efforts to penetrate the local market.

The company has also considered the benefits of expanding into Thailand, including the potential for increased sales and the opportunity to reduce its reliance on the UK market. However, the company is concerned about the impact of exchange rate fluctuations on its profits.

CASE STUDIES

Case studies allow students to apply chapter concepts to a specific situation of an MNC.

SMALL BUSINESS DILEMMA

Small business dilemma students use the knowledge they have learned so far to make decisions about a small MNC.

INTEGRATIVE PROBLEM

Integrative problem found at the end of each part, this feature integrates the key concepts across chapters in that part.

ESSAYS/DISCUSSION AND ACADEMIC ARTICLES

Essays/discussion and academic articles at the end of each part, a list of articles allows students to access the literature and get essay practice.

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