

## **ASSIGNMENT**

- Given constant income and price levels, what is the effect of exchange rate depreciation on the 'real' trade balance?
- Starting from a position of trade balance deficit, satisfaction of the Marshall-Lerner condition is sufficient to improve the trade balance measured in foreign exchange but not to improve the real trade balance. Explain why?
- How the deficits and surpluses in trade balance affects the exchange rate? Explain in detail.
- Why fixed exchange rate is replaced by flexible exchange rate in most of the countries?
- What is the difference between the terms of trade and the real exchange rate?