

**Day 2 Hour 2**  
**Discussion and Comments on Exchange Rates**

- #1. Under what conditions will money "flow into a country" from abroad?
- #2. What do we mean by risk when investing internationally?
- #3. How does risk and liquidity affect capital flows?
- #4. What is the single most important factor determining exchange rates and why?
- #5. How do national saving rates affect exchange rates?
- #6. Why is the American national saving rate so low?
- #7. Other than capital flows and saving, what other factors affect the exchange rate?