

**Economics 304**  
**Daily Problem #10**

**Fall 2013**  
**September 30**

1. Why is the real exchange rate more important than the nominal exchange rate when people make decisions about whether to buy foreign or domestic products?
2. Evaluate the following statement: “The very low (and sometimes negative) inflation rate in Japan in the last 20 years should have been associated with a rising nominal value of the yen (nominal exchange rate), but not necessarily with a rising real value of the yen (real exchange rate).”