**Each Response needs to be at least 350 words**

**How Can Persistently Weak Currencies Be Stabilized?**

**Point**:
The currencies of some Latin American countries depreciate against the U. S. dollar on a consistent basis. The governments of these countries need to attract more capital flows by raising interest rates and making their currencies more attractive. They also need to insure bank deposits so that foreign investors who invest in large bank deposits do not need to worry about default risk. In addition, they could impose capital restrictions on local investors to prevent capital outflows.

**Counter- Point**Some Latin American countries have had high inflation, which encourages local firms and consumers to purchase products from the United States instead. Thus, these countries could relieve the downward pressure on their local currencies by reducing inflation. To reduce inflation, a country may have to reduce economic growth temporarily. These countries should not raise their interest rates in order to attract foreign investment because they will still not attract funds if investors fear that there will be large capital outflows upon the first threat of continued depreciation.

**Who Is Correct?**Use the Internet to learn more about this issue. Which argument do you support? Offer your own opinion on this issue.

Currency derivatives, as part of hedging strategies, are an important and complex component of modern currency markets. Many argue that the modern system exhibits efficiency and that the derivative markets merely communicate clear price signals so that market participants, both buyers and sellers, can maximize their personal positions. Others argue that the system creates grand inefficiencies and misinformation and that the world would be better off with a Gold Standard to eliminate such inefficiencies.

With which side do you agree? Why?