



**Sam Houston State University  
Department of Economics and International Business  
Working Paper Series**

---

**Introduction to the World of Exchange Rates**

Carlos Vargas-Silva

SHSU Economics & Intl. Business Working Paper No. 09-04  
April 2009

**Abstract:**

In this paper we discuss the functioning of the foreign exchange rate system. We start by giving a historical account of the different exchange rate systems around the world. Next, we discuss the determinants of a currency's value according to the main theories of exchange rate determination. Subsequently, we discuss the difference between the nominal and real exchange rate. Finally, the paper ends with summary and conclusions and with a list of additional readings on the topic.