1. ***What is the difference between "absolute" and "comparative" advantages? What are the main implications of these two theories? [i.e. what do they suggest?]***

Absolute advantage is the ability to produce better and more goods than another person. Comparative advantage is the ability to produce goods and services at an opportunity cost and at a low cost, this isn't done in huge volume or quality.

2. ***The table below shows the amount of productions that one worker in each country can produce. Assume that each contrary has 5 workers. Draw a PPF and show that both countries will benefit from trade***

	Thailand	***Malaysia***
Beer	***4***	***1***
Wine	***1***	***4***

3. ***What do "current account surplus" and "capital account deficit" represent? What is the "balance of payment identity"?***

Capital account is a record that shows the inflows and outflows of capital and how this affects the nation's foreign assets and liabilities. It also looks at the international trade transactions of both citizens of one country to another.

Current account surplus is about the positive current balances, which is when a country has more exports than the importance of goods. This means that there is a low domestic demand which will result in a drop in imports due to a recession.

The balance of payments has 2 parts to it. The first is the current account and the second capital account. This showcases a country's net income.

4. ***Suppose the current market exchange rate is $0.3/1 baht. Use the foreign exchange market diagram to explain how the central bank of Thailand can "devalue" Thai baht to $0.2/1 baht under the fixed exchange rate regime***

5. ***How does the floating exchange rate regime work? Under such a regime, how does each of the following events affect Thai Baht [assumed to be a domestic currency]?***

The floating exchange rate regime work happens in the open market. This is where the price is driven by speculation and the forces of supply and demand.

- ***The rest of the world imports more than Thailand***

>> more D of USD = more S of TBH

- ***More Thai investors invest abroad***

Higher supply of TBH

- ***Thailand will leave ASEAN [similar to the UK leaving the EU]***

6. ***In the floating exchange rate regime, why might inflation cause a currency to appreciate and depreciate?***

Due to higher demand for TBH and higher supply of TBH.

7. ***Suppose an iPhoneX is priced at 400 USD in the US and 300 GBP in the UK. calculate the PPP exchange rate between USD and GBP***

200$

8. ***Suppose the nominal exchange rate is 40 TBH/ 1 GBP. one apple costs 20 TBH in Thailand, but costs 1 GDP in the UK. calculate the real exchange rate***

40/1 x 20/1

9. ***What assumptions are required for the Law of One Price to hold?***

- Free competition in the markets
- Absence of trade restrictions
- Price flexibility