Exchange Rates		
Directions: Work in groups of up to for papers will be collected, but only one mer and all members of the group will receive with a group will result in a 20 percentage. Whenever you are asked to "illustrate graphical models, illustrate any changes in	nber's paper will be random the same grade. Failure to c e point penalty. and describe" you shoul	aly selected and graded complete the worksheet d show all appropriate
By signing below, you agree that the father group, and you are willing to accept a earned from this representation of your geterms to earn a non-zero grade for this as	as your own grade for the g group's work. Every memb	roup project the grade
Signature Group Member 1	Print Name	Date
Signature Group Member 2	Print Name	Date
Signature Group Member 3	Print Name	Date

Print Name

Name: _____

Date

ECO 120: Macroeconomics

Signature Group Member 4

In-class Exercise

1.	Suppose there	re is a	n increase	in the	ave	rage le	evel	of income	in the	e Unit	ed Stat	es,	while
	the average	level	of income	stays	the	same	in	countries	that u	ise the	e Euro	as	their
	currency.												

(a) Describe and illustrate the impact on the exchange rate between U.S. dollars and Euros.

(b) Did the U.S. dollar appreciate, depreciate or neither? Did the Euro appreciate, depreciate or neither? Which country had a higher growth rate of income? Was this what you expected?

- 2. Suppose American telecommunication companies reveal technological breakthroughs that will result in production of technological devices that are highly profitable. Suppose also that the American companies have patents on their products, so competing companies in Japan will not be able to produce similar products for years.
 - (a) Describe and illustrate the impact on the exchange rate between the U.S. dollar and Japanese Yen.

(b) Did the U.S. dollar appreciate, depreciate or neither? Did the Japanese Yen appreciate, depreciate or neither? Is this what you expected?
cc St	he most recent stimulus package included "Buy American" clauses which required instruction projects that used stimulus dollars to use materials produced in the United sates. Suppose this causes a reduction in demand by the U.S. construction industry r steel that is produced in India.
(a) Describe and illustrate the impact on the exchange rate between the U.S. dollar and Indian Rupee.
(b) Did the U.S. dollar appreciate, depreciate or neither? Did the Indian Rupee appreciate, depreciate or neither? Is this what you expected?
((c) Did the U.S. dollar appreciate, depreciate or neither? Did the Japanese Yen appreciate, depreciate or neither? Is this what you expected?

4.	Suppose th	ne U.S.	dollar vs.	Euro	exchange	rate is	currently	$1.25~\mathrm{USD}$	/Euro.
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(a) A European business is interested in buying \$1 million in telecommunications services from an American company. How much will it cost the European company in terms of Euros?

(b) Suppose the exchange rate changes to 1.31 USD/Euro. Did the U.S. dollar appreciate, depreciate or neither? Did the Euro appreciate, depreciate or neither?

(c) With an exchange rate of 1.25 USD/Euro. How much will the \$1 million in telecommunications services cost the European company in terms of Euros? Would this change in exchange rate likely cause to the European company to buy more telecommunication services from the United States, or less? Is this what you expected?