

Homework #3

Answers

- 1a. credit
- 1b. debit
- 1c. debit
- 1d. debit
- 1e. credit

2a. Japan: $391 \text{ yen/bigmac} / 2.28 \text{ \$/bigmac} = 171.49 \text{ yen/dollar}$

2b. Russia: $780 \text{ ruble/bigmac} / 2.28 \text{ \$/bigmac} = 346.05 \text{ ruble/dollar}$

2c. Germany: $4.6 \text{ DM/bigmac} / 2.28 \text{ \$/bigmac} = 2.01 \text{ dm/dollar}$

2d. Mexico: $7.09 \text{ Peso/bigmac} / 2.28 \text{ \$/bigmac} = 3.11 \text{ peso/dollar}$

3a. Supply of dollars increases, the euro price of the dollar will fall, dollar depreciates.

3b. Demand for euros increases, the supply of dollars chasing euros increases, dollar depreciates.

3c. The lower interest rate reduces the demand for U.S. dollars, reduces the value of the dollar.