Name:

Date:

Facilitator:

School:

7.02 Foreign Exchange Rates

**Directions**

For each situation, explain if supply and demand would *increase, decrease, need to increase* or *need to decrease* for A) US dollars and B) Foreign dollars.

**1. The number of tourists to the US increases.**

*Part A= US Dollars*

a. What would happen to supply (increase, decrease, need to increase or need to decrease)

b. What would happen to demand (increase, decrease, need to increase or need to decrease)

*Part B= Foreign Dollars*

c. What would happen to supply (increase, decrease, need to increase or need to decrease)

d. What would happen to demand (increase, decrease, need to increase or need to decrease)

**2. The Federal Reserve of the United States raises interest rates which are higher than foreign countries.**

*Part A= US Dollars*

a. What would happen to supply (increase, decrease, need to increase or need to decrease)

b. What would happen to demand (increase, decrease, need to increase or need to decrease)

*Part B= Foreign Dollars*

c. What would happen to supply (increase, decrease, need to increase or need to decrease)

d. What would happen to demand (increase, decrease, need to increase or need to decrease)

**3. The federal reserve of the United States lowers interest rates which are now lower than foreign countries.**

*Part A= US Dollars*

a. What would happen to supply (increase, decrease, need to increase or need to decrease)

b. What would happen to demand (increase, decrease, need to increase or need to decrease)

*Part B= Foreign Dollars*

c. What would happen to supply (increase, decrease, need to increase or need to decrease)

d. What would happen to demand (increase, decrease, need to increase or need to decrease)

**4. The price level of goods and services in the US decreases relative to foreign countries.**

*Part A= US Dollars*

a. What would happen to supply (increase, decrease, need to increase or need to decrease)

b. What would happen to demand (increase, decrease, need to increase or need to decrease)

*Part B= Foreign Dollars*

c. What would happen to supply (increase, decrease, need to increase or need to decrease)

d. What would happen to demand (increase, decrease, need to increase or need to decrease)

**5. US citizens begin traveling abroad in greater numbers.**

*Part A= US Dollars*

a. What would happen to supply (increase, decrease, need to increase or need to decrease)

b. What would happen to demand (increase, decrease, need to increase or need to decrease)

*Part B= Foreign Dollars*

c. What would happen to supply (increase, decrease, need to increase or need to decrease)

d. What would happen to demand (increase, decrease, need to increase or need to decrease)

**6. The price level of US goods and services increases relative to other foreign nations.**

*Part A= US Dollars*

a. What would happen to supply (increase, decrease, need to increase or need to decrease)

b. What would happen to demand (increase, decrease, need to increase or need to decrease)

*Part B= Foreign Dollars*

c. What would happen to supply (increase, decrease, need to increase or need to decrease)

d. What would happen to demand (increase, decrease, need to increase or need to decrease)