16.12: Assignment- Exchange Rates and International Finance

Microeconomic Question:

When a U.S. domestic producer begins selling exports, they typically need to worry about the foreign exchange market, since often the revenues an exporter earns are foreign currencies that then need to be traded into dollars. Because the foreign exchange value of the dollar tends to fluctuate, this adds an additional level of risk to the exporter's business. What are some factors that would make a domestic producer willing to take on this extra and new type of risk?

Rubric

Criteria	Not Evident	Developing	Proficient	Distinguished	Weight
What additional expertise would a producer need to trade successfully in the export market and the foreign exchange market? To what extent is this different from the expertise necessary to sell domestically?					6
How could a producer benefit from a larger market for its products?					6
What additional benefits might a producer obtain from exporting?					6
Write up your analysis using correct language, explaining all your work					2
					Total: 20

Macroeconomic Question:

Changes in the value of a nation's currency affect the nation's net exports, and thus GDP. How might this make a large country, like the U.S., more willing to adopt a flexible exchange rate regime than a small country, like Belgium?

Rubric

Criteria	Not Evident	Developing	Proficient	Distinguished	Weight
Why do large countries, like the U.S., typically have a lower portion of their GDP as exports and imports, than a small country like Belgium?					4
How does the size of a nation's trade sector affect the stability of its GDP?					3
How do exchange rate fluctuations affect a nation's GDP?					4

Why might a large country be more willing to adopt a flexible exchange rate than a small country would?					6
Write up your analysis using correct language, explaining all your work					3
					Total: 20