

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

- 1) (30 points) Use the supply and demand for telephones (US export) priced in Taka to derive either the supply or demand curve for Taka. Explain how you knew which curve you were deriving and how you derived it. Draw the curve you derived.
- 2) (15 points) Without using any numbers, explain why the supply of a currency may be upward sloping or downward sloping.
- 3) (20 points) Use the Marshall-Lerner condition to explain the J-curve.
- 4) (20 points) Draw the supply and demand for a currency such that they cross three times. Determine which equilibrium (equilibria) is (are) stable. Explain your logic.
- 5) (15 points) Are the elasticities of supply and demand greater in the short-run or long-run? Why?