

11th week: In-class Learning Activity

$e = 10$ pesos per \$

price of a tall Starbucks Latte $P = \$3$ in U.S., $P^* = 24$ pesos in Mexico

A. What is the price of a U.S. latte measured in pesos?

B. Calculate the real exchange rate, measured as Mexican lattes per U.S. latte.