

# Exchange Rate 1

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Welcome

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**Teacher Orientation** : Activity Guides

### Expedition 6: Up or Down—What's in an Exchange Rate?

*Students trade dollars and yen and analyze how exchange rates influence the global economy.*

#### Rationale

The value of a nation's currency changes daily. Currency exchange rates in the world today change as market conditions change. The economic law of supply and demand determines the value of a nation's currency. If a nation's currency *increases* in value then all products imported become cheaper for that country's consumers and all products exported become more expensive for consumers in other countries. If a nation's currency *decreases* in value then the products it imports become more expensive and the products it exports become cheaper for other countries to buy. This activity introduces the concept of exchange rates and explores the relationship of currency fluctuations to trade.

#### Materials

- ["Up or Down—What's in an Exchange Rate?" worksheet](#)

#### Procedure

1. Introduce the activity and divide the class into small groups of 3 to 4 students. Provide adequate time for the groups to access Virtual Expeditions and complete the worksheet. If necessary, ask key questions of groups to support their process.
2. Debrief the activity by facilitating a class discussion.
  - What is the relationship between exchange rates and international trade?
  - What businesses benefit from an increase in the value of the US dollar? How do they benefit?

- What businesses benefit from a decline in the value of the US dollar? How do they benefit?

### **Extensions**

- *What's Up?* Invite a local banker or business person whose job involves tracking currency fluctuations to be a guest speaker.
- *Go Figure.* Track the value of the dollar compared to the yen and three other currencies over the course of one week or month. What trends and events might be influencing the value of the currencies?

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View this online at: <https://nautilus.org/pegasus/exchange-rate-1/>

Nautilus Institute

608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email:

[nautilus@nautilus.org](mailto:nautilus@nautilus.org)