

Unit 5: Open Economy- International Trade and Finance

Content Area:

Course(s):

Time Period: **Year**

Length: **180**

Status: **Published**

Summary

Unit 5 introduces students to the concept of an open economy in which a country interacts with the rest of the world through both product and financial markets. Economic activity between nations must be facilitated by currency exchange, which introduces another market to be considered when analyzing macroeconomic situations. Changes in economic activity affect the supply of and demand for a nation's currency and subsequently the value of that currency. Adopted from AP Macroeconomics Course and Exam Description, adopted Fall 2022.

Standards

H/SS.MACE.VII	Open Economy: International Trade and Finance
H/SS.MACE.VII.A	Balance of payments accounts
H/SS.MACE.VII.A.1	Balance of trade

Priority Content Standards

ECON.12.5	Trade
ECON.12.5.1	Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.
ECON.12.5.2	Negotiate exchanges and identify the gains to themselves and others. Compare the benefits and costs of policies that alter trade barriers between nations, such as tariffs and quotas.
ECON.12.20	Fiscal and Monetary Policy
ECON.12.20.1	Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

Supplemental Content Standards

Interdisciplinary Connections (Standards)

Please select relevant "Standards for Mathematical Practice (2023)", science and engineering practice

standards "Grades 9-12/6-8 (2023)", ELA anchor statements, Social Studies practice standards. (3-6 total are suggested)

Planning and Carrying Out Investigations
Obtaining, Evaluating, and Communicating Information
Using Mathematics and Computational Thinking
Developing and Using Models
Constructing Explanations and Designing Solutions
Analyzing and Interpreting Data
Engaging in Argument from Evidence
Asking Questions and Defining Problems

Career Readiness, Life Literacies, and Key Skills PRACTICES

These practices should be taught and reinforced in all content areas with increasingly higher levels of complexity and expectation as a student advances through a program of study.

WRK.K-12.P.1	Act as a responsible and contributing community members and employee.
WRK.K-12.P.2	Attend to financial well-being.
WRK.K-12.P.3	Consider the environmental, social and economic impacts of decisions.
WRK.K-12.P.4	Demonstrate creativity and innovation.
WRK.K-12.P.5	Utilize critical thinking to make sense of problems and persevere in solving them.
WRK.K-12.P.6	Model integrity, ethical leadership and effective management.
WRK.K-12.P.7	Plan education and career paths aligned to personal goals.
WRK.K-12.P.8	Use technology to enhance productivity increase collaboration and communicate effectively.
WRK.K-12.P.9	Work productively in teams while using cultural/global competence.

Climate Change Standards

Select the Performance Expectations.

ClimateChange Education

Stage I: Desired Results

STAGE I Desired Results

Learning Objective

Students will be able to independently use their learning to...

- Explain the determinants of currency demand and supply.
- Explain how changes in demand and supply in the foreign exchange market affect the equilibrium exchange rate.
- Explain the relationship between the exchange rate and the quantity of currency demanded (supplied).
- Calculate the value of one currency relative to another

Mastery

Enduring Understanding

Students will understand that...

- The current account (CA) records net exports, net income from abroad, and net unilateral transfers.
- The CA is not always balanced; it may show a surplus or a deficit. A nation's balance of trade (i.e., net exports) is part of the current account and may also show a surplus or a deficit.
- In the foreign exchange market, one currency is exchanged for another; the price of one currency in terms of the other is the exchange rate.
- The demand for a currency in a foreign exchange market arises from the demand for the country's goods, services, and financial assets and shows the inverse relationship between the exchange rate and the quantity demanded of a currency.
- In an open economy, differences in real interest rates across countries change the relative values of domestic and foreign assets. Financial capital will flow toward the country with the relatively higher interest rate.

Essential Questions/ Big Ideas

- Why does the balance of payments balance?
- Why does the price of one nation's currency relative to another nation's currency change?
- How do changes in the value of a country's currency affect that country's economy?

Acquisition

Essential Knowledge . . .

- Define the current account (CA), the capital and financial account (CFA), and the balance of payments (BOP).
- Define the exchange rate, currency appreciation, and currency depreciation.
- Define the foreign exchange market, demand for currency, and supply of currency.
- Define the equilibrium exchange rate.

Suggested skills . . .

- Identifying an economic concept, principle, or model using quantitative data or calculations.
- Demonstrating the effect of a change in an economic situation on an accurately labeled graph or visual.
- Determining the outcome of an economic situation using economic concepts, principles, or models.

- Explain how differences in real interest rates across countries affect financial capital flows, foreign exchange markets, and loanable funds markets.

Stage II: Assessment Evidence

For

STAGE II Assessment Evidence	
Practices	Assessments
AP Progress Check Exchange rate practice Interest rate activity	Foreign exchange market simulation Unit 5 Test

Modifications

Additional time on assessments

Guided notes

Audio/video examples

Study guides

Acceleration

Additional graphing practice

Supplemental readings

Additional free response question practice

Stage III: Learning Plan

Unit 5: 2 weeks

- Lesson 1.1: Balance of Payment Accounts/Exchange Rates

- Lesson 1.2: Foreign Exchange Market (changes, policies, net exports)
- Lesson 1.3: Real Interest Rates and Capital Flows (April 13/14)
- Lesson 2.1: Foreign exchange market simulation
- Lesson 2.2: Unit 5 Test

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Diversity, Equity, & Inclusion

This unit examples how policies impact individuals of various backgrounds and identities. The unit also tackles inequalities in wealth.

Specific Resources for Unit

[jacob clifford youtube channel](#) & [website](#)

[Jason Welker youtube channel](#) (has useful videos aligned to the course and a ton of videos about graphs)

[Review Econ \(Jacob Reed\) youtube channel](#)

[Heimler History AP Macro](#)

[MRU online course](#)* (has not only review videos but teacher resources, review games, etc to use)

[Federal Reserve Education](#) (can filter the site based on unit/topic and it will provide lesson plans that you can

download as a PDF or link to google classroom)

[AP practice exams.com](#) (useful platform with practice questions, links to helpful videos/youtube channels)

[The Economist youtube channel](#) (various videos pertaining to economics)

[Economics Explained](#) (various videos pertaining to economics)

[Think Econ](#) (great resource with many videos pertaining to the course)

[One minute economics](#) (short videos about different economic topics)

[UMASS Amherst economics](#) (videos from professors)

[Department of Economics Oxford U](#)

[Crash course economics](#) (same as the John Green network making these crash course videos)

[AP Macro Khan Academy](#)

Links to helpful websites

[PBS learning](#)

[curious economist](#)

[science journal for kids](#)

Technology Integration

Northern supports the integration of the [SAMR Model](#): a framework which extends learning through the use of technology. The installation of interactive boards, the purchase of softwares and subscriptions, and the investment in 1:1 laptops and various other instructional technologies are examples of Northern's commitment to enhancing students' learning and preparing the 21st century learner for college and careers.