

Using NewsHour Extra Feature Stories

STORY

Sliding U.S. Dollar Packs a Wallop to Wallets Worldwide, 12/18/07

http://www.pbs.org/newshour/extra/features/july-dec07/dollar_12-18.html

Estimated Time: One 45-minute class period with possible extension

[Student Worksheet](#) (reading comprehension and discussion questions without answers)

PROCEDURE

1. WARM UP

Use initiating questions to introduce the topic and find out how much your students know.

2. MAIN ACTIVITY

Have students read NewsHour Extra's feature story and answer the reading comprehension and discussion questions on the student handout.

3. DISCUSSION

Use discussion questions to encourage students to think about how the issues outlined in the story affect their lives and express and debate different opinions.

INITIATING QUESTIONS

1. Is the U.S. economy strong or weak right now? How can you tell?

2. What does "the value of the dollar" mean? How can we tell if the value of the dollar is rising or falling?

3. What are some other currencies out there? What is the euro, the yen, the pound?

READING COMPREHENSION QUESTIONS – [Student Worksheet](#)

1. What has happened to the value of the U.S. dollar?

ANSWER

When measured against a collection of other leading worldwide currencies -- like the European euro, the Japanese yen and the Canadian dollar -- the U.S. dollar has lost a quarter of its value over the last five years, according to the Economist magazine.

2. How has the value of the dollar affected U.S. citizens and businesses?

ANSWER

While this makes it more expensive for Americans to travel outside the country and to buy goods from foreign nations, it makes it easier for U.S. companies to sell their goods overseas, because now they are cheaper.

3. Why is the dollar losing value?

ANSWER

The dollar is losing value because of several factors: the federal deficit, the trade deficit and most recently, the weakening economy due to the housing and mortgage crunches.

For several years, the dollar has fallen due to the large amount of money the federal government borrows to pay its bills. In addition, America buys more goods from other countries than it makes and sells -- creating a trade deficit that sucks money out of the country.

4. What is wrong with the housing market?

ANSWER

Over the past decade, a large number of Americans purchased expensive homes due to low interest rates and the ease of obtaining a large home loan. In some cases, banks loosened their rules on who they loaned money to and encouraged people to buy bigger and bigger houses because the prices kept going up, making it seem like a good investment.

5. How is the Federal Reserve trying to relieve the housing crisis?

ANSWER

This recent development has threatened to send the entire U.S. economy into a recession and has also spurred the Federal Reserve to cut the interest rate for borrowing U.S. dollars.

The Federal Reserve also released more money to the banking system to encourage banks to keep lending money.

6. How did the Federal Reserve changes affect the dollar?

ANSWER

Because currency traders would rather hold currencies with high interest rates, this has further lowered the value of the dollar.

Various countries that hold American dollars as an investment now have more of an incentive to sell those dollars, creating a larger supply of U.S. dollars in the worldwide market, which decreases their value.

7. What are economists afraid might happen in the international marketplace to further decrease the value of the dollar?

ANSWER

Countries like China and Japan, which both hold trillions of dollars worth of U.S. currency, could dump their investments and send the dollar plummeting.

This would cause prices to rise, called inflation, making it more expensive for Americans to buy groceries and gas.

DISCUSSION QUESTIONS (more research might be needed)

1. Pick the role of either a U.S. business owner, a parent in charge of purchases for a household, or a musician who works both in the United States and overseas. How does the falling value of the dollar affect you? What actions would you take or what do you want to see happen to improve your situation?

2. Explain how the problem with subprime loans is changing the value of the dollar.

3. Should the Federal Reserve have cut the interest rate and released more currency? Why or why not? What are the pros and cons of each decision?

4. How do economists judge the health of the economy? What debates are there between different schools of economics?

Extension Activity

Have students write a 300-500 word essay on this topic providing clear examples. Send your completed editorial to NewsHour Extra (extra@newshour.org). Exceptional essays might be published on our Web site.