ECON: Exchange Rates

Even though it can feel like things would be easier if the world had one currency, different countries have different currencies so they can make economic decisions without affecting other countries. In this activity you will discuss what makes a currency strong, demonstrate how an exchange rate between two currencies works, and apply what you've learned to a real-life situation where you must think about/use two different currencies.

Part I: Strength of Currencies
You can measure the relative strength of a currency by calculating how much of another currency you would receive in exchange.

> To convert U.S. dollars to another currency, multiply the U.S. dollar amount by the applicable exchange rate.
>
> To convert another currency to U.S. dollars you would need to divide the non-US currency amount by the exchange rate.

1. In 2023, the exchange rate between the U.S. dollar and the Canadian dollar was 1.350. Explain which currency was stronger and why.

2. In 2023, the exchange rate between the U.S. dollar and the euro was 0.924. Explain which currency was stronger and why.

Part II: Exchange Rates and Personal Spending
One of the most common ways we are affected by exchange rates is when we travel internationally and have to exchange our currency for another in order to make purchases. Since we could be getting considerably more or less currency in exchange, it's important to calculate how much we're spending so we can make sure we're making good financial decisions.

Take a look at the exchange rate between the U.S. dollar and the Mexican peso over the last five years.

3. What was the U.S. dollar to peso exchange rate on Jan 2, 2024?

4. Pretend you had planned a trip to Mexico in 2024. You'd already paid for your travel expenses in USD and had $500 left over to convert to pesos for your trip. How many pesos would you have received if you exchanged your money on January 1, 2024?

5. If you landed in Mexico and bought a camera on the same date for 1,000 pesos, what would that have cost you in U.S. Dollars?

6. Another factor to consider when planning your spending while traveling internationally is the price of goods and services at your destination. Even if a destination gives you a favorable exchange rate, explain how prices could still impact your spending plan.

Part III: Let's Eat!
Pretend you and three friends are planning to take a vacation to Cancún, Mexico. Your friends have entrusted you with the task of planning one of the meals at a restaurant called La 3a Ronda.

7. First, open this exchange rate calculator to find the current exchange rate and enter it below.

8. Browse the menu and plan a meal for you and your friends to see how much each item and the total meal would cost in pesos. Assume each person orders something different for their appetizer and entree. Then, use the exchange rate calculator to convert those prices to U.S. dollars.

Person Ordering	Food Order (appetizer, entree, drink)	Price (Pesos)	Price (U.S. Dollars)
You			
Friend #1			
Friend #2			
Friend #3			
TOTAL PRICE:			

Part IV: Reflection

9. Now that you've learned about how exchange rates work, how do you think this might help if you travel outside the country:
