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for IMF School
Program
5th & 6th Grade



All About Money

5th-6th Grade Lesson Plans

[Pre-Lesson \(Part 1\): Self To Country](#)

Living in a global economy, it is important for students to understand the international influences between countries. (or between the U.S. and countries.)

[Pre-Lesson \(Part 2\): International](#)

Living in a global economy, it is important for students to understand the international influences among their own country and other countries.

[The IMF, Money, International Trade and Cooperation](#)

In a world that is increasingly interconnected by trade, technology and travel, it is important for people to promote and practice cooperation. The mission of the IMF is to work with countries from around the world to help foster economic growth.

[Cooperation](#)

The theme of cooperation is relevant to all aspects of life. Begin a conversation/dialogue about the meaning and importance of cooperation.

[Glossary](#)

[Teacher's Aid](#)

Concepts to discuss with students prior to visiting the Center

[Download entire curriculum as PDF](#)

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For further information or to schedule a visit to the IMF Center please contact:

[IMF Center](#)

Attention: Lessons Plans

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Pre-Lesson (Part 1): Self To Country

(Activity: Five Rings)

Theme: International

Objectives:

1. Enable students to work together and individually to explore geography on a local and international level.
2. Students will demonstrate object-based learning and make connections between objects and geography.

Rationale: Living in a global economy, it is important for students to understand the international influences between countries. (or between the U.S. and countries.)

LESSON PLAN

The Five Rings Activity

Divide the class into four groups. Assign each group one of the following rings:

1. self
2. family
3. your home town
4. country (the fifth ring is the world and is discussed later)

To help the class appreciate the activity and the relationship of the five groups, display the poster of the Five Rings.

Directions for brainstorming: each group is responsible for identifying three to six ideas that will explain your ring. Encourage students to think of both personal and universal objects.

Helpful questions to pose to each group:

- **Self**

- A. An object from your room
- B. An object that represents your favorite hobby
- C. An object that you have made

- **Family**

- A. An object from your home
- B. A photograph of your family
- C. Memorabilia from a family activity/trip

- **Your Home Town**

- A. Is there a popular sports team from your hometown?
What object would you choose to represent this sport?
- B. Is there a special food from your hometown?

C. Is there a trademark or an outdoor sculpture in your hometown?

- **Country**

A. What piece of cloth is identified as from your country?

B. What do we use to pay for goods?

C. Can you think of an object in a museum or around the country that is special to your country?

Allow 5 - 10 minutes for group work and ask each group to report their lists of objects to the class.

Recommended homework assignment: In preparation for the second pre-lesson, ask each student to bring to class a small object from their home that was made in another country.



Pre-Lesson (Part 2): International

(Activity: Fifth Ring)

Theme: International

Objectives:

1. Enable students to work together and individually to explore geography on a local and international level.
2. Students will demonstrate object-based learning and make connections between objects and geography.

Rationale: Living in a global economy, it is important for students to understand the international influences among their own country and other countries.

LESSON PLAN:

Recap of Pre-Lesson (part 1):

Where did all the objects that we discussed yesterday come from? These objects were either made in the United States or in other countries. But also think about the raw materials to make the objects. For example, someone might have selected a photograph to define his or her family. Where was the camera made that took the picture? Where were the film, photo-graphy paper and development chemicals made? Japan is known for making and export-ing cameras — possibly many of these objects were made in Japan.

Let's now look at the fifth ring — the world. Your homework assignment was to bring to class an object from another country. Everyone will have an opportunity to share his or her object with the class and to point on the world map where the object is from. By sharing our objects from other countries, we will see how international and integrated our world is. (This exercise can also be illustrated by having all the students look at the labels in their clothing.)

When we do the International Monetary Fund activities, we will explore how goods are traded from one country to another and learn about the role of the IMF in international trade and cooperation.



The IMF, Money, International Trade and Cooperation

(Activities: Cornerstones of the IMF and Trading Around the World)

Themes: Trade, Cooperation, Money and the International Monetary Fund

Objectives:

1. Students will enhance their comprehension of international trade and the role of the IMF.
2. Students will raise their awareness about the benefits of cooperation.
3. Students will be able to participate in a collaborative learning environment where the students teach and learn from each other.

Rationale: In a world that is increasingly interconnected by trade, technology and travel, it is important for people to promote and practice cooperation. The mission of the IMF is to work with countries from around the world to help foster economic growth.

LESSON PLAN:

1. ADVANCED ORGANIZER

- A. Visit lobby with flags - emphasize the international nature of the Fund.
- B. Brief introduction to the purpose of the IMF.
- C. Revisit students' understanding of "international" from pre-lesson:
 - A. Can you recap the Five Ring activity?.
 - B. What kinds of objects did you bring from home?
 - C. the IMF has designed two fun activities for you today. One is called the "Cornerstones of the IMF" four ways to understand what the IMF is all about. The second activity is called "Trading Around the World" where you will get an opportunity to buy and sell goods from all over the world.



2. CORNERSTONES OF THE IMF (40 minutes)

Divide the class into 4 groups and assign a teacher to each group. Each group will get 20 minutes to work together to "solve" the activity. Afterwards, each group will present their findings to the class as a whole (each group will have 5 minutes).

- [Group #1: Past and Present Forms of Money](#)
- [Group #2: Development of Money](#)
- [Group #3: The IMF](#)
- [Group #4: Membership Benefits](#)

3. **TRADING AROUND THE WORLD (20 minutes)**

Divide the class into 5 teams (each group will represent a continent as well as 2 products). The objective of the game is to buy and sell as many products as possible, using the least amount of currency. Each team will begin with an equivalent amount of currencies and are responsible for setting prices to selling and buying goods.

After 10 minutes of trading, each group will explain their strategy in selling and buying the products. First report: what products did they export, what products did they import, how will they use the new imports, and how much profit or loss did the team make.

CONTINENT	EXPORT	CURRENCY
 Printable Asia	 Printable Rice  Printable Silk	 Printable Asian currency
 Printable Europe	 Printable Tractors  Printable Wheat	 Printable European currency
 Printable Africa	 Printable Cocoa Beans  Printable Peanuts	 Printable African currency



4. **SUMMARIZER**

Cooperation

A. Emphasize how the group activities during "today's visit" are dependent on cooperation from classmates. Just as you have demonstrated cooperation during today's "visit" to IMF, the IMF practices cooperation as well. Here are three ways the IMF shows cooperation:

1. Countries talk to each other and work together (no country should take economic measures that will hurt the economic well being of another country). Board of Directors (1 Managing Director, 3 Deputy Managing Directors, and 24 Executive Directors) meet 3 times a week to discuss economic issues affecting individual countries and their votes are cooperative with a majority rule (show picture of IMF Board Room). Most decisions are discussed until they reach a common agreement "consensus" and don't come to a vote.
2. A small, multi-national team of economists visits each member country once a year to make suggestions of how to keep that economy healthy.

3. IMF helps countries in economic need to develop their country's economic program. If the economy of a country suffers an economic problem, the country goes to the IMF to ask for help. The result of this cooperation is a program in which a country tells the IMF how they are going to cut their spending and strengthen their economy.

In addition to learning about cooperation, what else did you learn today about the IMF?

- A. The IMF is an international organization.
- B. The IMF helps to stabilize currencies, which helps to stabilize economies, which ultimately leads to improved living standards of people around the world.

Group #1:

Past and Present Forms of Money

Open the Red Treasure Chest of Currencies: everyone picks one to two forms of money. Let's see what we can learn from these money forms by using a visual framework about:

SHAPE, SIZE, COLOR, MATERIAL, FUNCTION

This framework can be applied to looking at any object whether it is a coin, toy, clothing, jewelry, etc. Everyone describes the shape, size, color, material and function of their money form(s). Then as a group, discuss how these objects are similar and how they are different.

To learn more about your particular money form(s), answer the following three questions:

1. what country/continent were these money form(s) from?
2. what time period were these money form(s) used?
3. what else is interesting about these money form(s)?

Treasure Chest of Currencies includes:



The Americas

- Cattle
- Shell Bead
- Wampum
- Cacao Beans
- Silver "Miracles"

[Printable Cattle](#)

Cacao Beans (Mexico) Pre-history to 1500s
 An important commodity in early Mexico, cacao beans were used to make liquid chocolate for royal and religious ceremonies. Sales of cacao, each holding 24,000 beans, served as money.

[Printable Cacao Beans](#)

Wampum
 The word Wampum is from the Narragansett word for white shell beads. Wampum beads are made in two colors: white and purple/black. Before European invasion, shell beads were larger and barrel shaped. They were scarce because drilling the material was difficult. Natives exchanged them only in ceremonial context. After the European invasion traders and politicians exploited the pre-existing Native gift exchange to gain Indian Wampum were quickly transformed into a formal currency due to the scarcity of metal coins in New England.

[Printable Shell Bead Wampum](#)

Silver Miracles (Mexico) 1800s to present
 Catholic supplicants use charms of this sort as votive offerings, pinning them to religious icons in church. These "miracles" have found their way into everyday commerce as small change.

[Printable Silver "Miracles"](#)

Africa

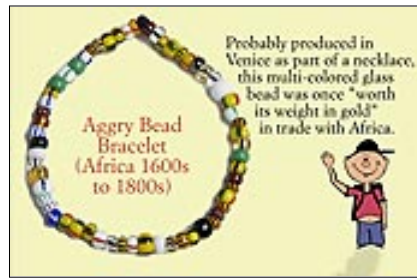
- Salt Money
- Cowrie Shell
- Money
- Aggry Bead Bracelet
- Cattle

Salt Money (Ethiopia)
 In the ancient world salt was highly prized and often valued on par with gold. Until the 1920s, bars of rock salt—bound in reeds to protect them from breakage—were used as currency in Africa. This particular salt was donated by Harvey Salt Co. in Baltimore. This salt is died red from some of the extra mineral added into the salt. These bricks are used as a supplement for animal feed mainly used for cows.

[Printable Salt Money](#)

1,200 BC: Cowrie Shells
 The first use of cowries, the shell of a mollusk that was widely available in the shallow waters of the Pacific and Indian Oceans, was in China. Historically, many societies have used cowries as money, and even as recently as the middle of this century, cowries have been used in some parts of Africa. The cowry is the most widely and longest used currency in history.

[Printable Cowrie Shell Money](#)



[Printable Aggry Bead Bracelet](#)

Europe Bead Necklace



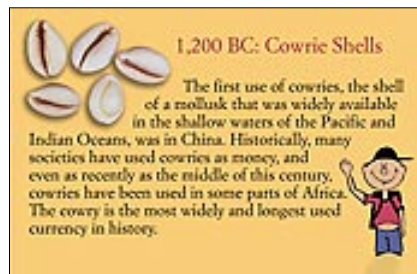
[Printable Bead Necklace](#)

Southeast Asia Glass Beads



[Printable Printable Glass Beads](#)

China and Japan Cowrie Shell Money
Chinese Coins



[Printable Cowrie Shell Money](#)



[Printable Chinese Coins](#)

Globally Coins and paper currency



[Printable Coins and paper currency](#)

SO WHAT? Group of students are to lead a discussion with the entire class using the following four questions:

1. What are the most common forms of money used today? (coins, paper currency, credit cards, checks, travelers checks)
2. How are ancient money forms different from money today? (Encourage the group to "show and tell" their money form(s) with the entire class.)
3. What are the advantages and conveniences of money forms today?
4. Can you think of any problems or disadvantages to today's money?

Group #2: Development of Money

Students will study both the "Money Wheel" and label text to understand money terms.

Money Wheel (shaped as coins with central arrow) includes 4 sections:

1. What is money? ➡➡ measure of value and medium of exchange
 - A. "money is anything that people will routinely accept as payment in exchange for goods and services."
2. How did barter develop? (using livestock and crops) ➡➡ to money
Illustrate barter with playground transaction, i.e. "I'll trade my pretzels for your chocolate chip cookies."
3. Development of money using precious metals ➡➡ coins ➡➡ paper money
4. Circulation of money ➡➡ need for convertible currencies



[Printable Money Wheel](#)

Act out the following 2 scenes that address the following concepts:

Hardships of Earlier forms of "Money:"

1. How do we determine the worth of bartered goods?
2. Were the precious metals and coins convenient for travel?
3. Without convertibility (explain convertibility) how can people spend their country's money in another country?

Conveniences of Modern Money:

(include modified version of Treasure Chest of Currencies)

1. How is money more efficient than barter?
2. Why is paper money more convenient than coins and precious metals?
3. What are the advantages of being able to convert money from country to country?

SO WHAT? It was the history of money that helped us to develop the current conveniences of money today. How do you think money will become even more convenient in the future? How money can be adapted for electronic transactions? What will money look like?

Group #3: The IMF

Create an architectural image that represents the IMF and convert to a magnetic puzzle. Students will overlay the answers onto the puzzle in response to the following question: "What are five important elements of the IMF?" Let's place them in a house to better visualize the IMF.

5 important elements: what are they?

1. When was the IMF founded? And where?
2. What are the "rules" of the IMF called?
3. How many staff/people work in the IMF today?
4. How many Executive Directors, Managing Directors and Deputy Managing Directors are there?
5. How many countries belong to the IMF membership?

Students can put the puzzle together as the IMF staff member speaks.



[Printable IMF House Puzzle front page](#)



[Printable IMF House Puzzle back page](#)

Answers are:

1. Founded in 1944 at Bretton Woods, NH
2. Articles of Agreement
3. 2700 staff members from 184 member countries
4. 1 Managing Director/3 Deputy Managing Directors/24 Executive Directors
5. 184 member countries represented by their Governors (Finance Ministers, Central Bankers)

IMF staff (or teacher if doing the exercise in a classroom setting) to explain the "flow" of how the IMF is organized. The roof is the 184 member countries represented by the Ministers of Finance (or Central Bankers) in their own home capitals around the world. They then delegate everyday work to the 24 Executive Directors (show picture of [Board Room](#)). The Executive Directors then delegate the work of the Fund to the staff (2,700 staff on the "ground floor" of the house.)

Encourage deductive thinking: "What are the differences between the beginning of the IMF and the IMF today?"

1. How old is the IMF today? (58 years)
2. What is one of the major activities of the Fund? (economic analysis-explain to students)
3. What is another major activity of the Fund? (technical assistance-explain to students)
4. What is a third major activity of the Fund? (lending to member countries that need financial assistance-explain to students)
5. How many more member countries are there today compared to 1945? ($184-44=140$)

SO WHAT? The "so what" of this exercise is to show that the IMF is the international guardian of economic stability; helps countries keep their economies on an even track; and that it is in partnership with all the member countries to make life better for all the member countries.

Group #4:

Membership Benefits and Obligations

Newland is a new country and wants to join the IMF. As a class, you will need to figure out two things: what are the obligations of Newland's new membership and what are the benefits Newland will enjoy as a member of the international financial community? Divide the class into two groups – GROUP A and GROUP B. Group A is responsible for researching the obligations of membership and reporting their findings to the class. Group B is responsible for researching the benefits of membership and reporting their findings to the class.

GROUP A: Obligations of Membership (IMF gold medallion)

As representatives of Newland, what will your country have to do to be a member of the IMF? Members are required to share information (cooperate) on economic data (banking and government spending, taxes and exchange rate policies) with other countries.

The four main obligations are as follows:

1. Agree to the code of conduct in the IMF Articles of Agreement
 - A. define "code of conduct"
 - B. define the IMF Articles of Agreement – "An international treaty that sets out the purposes, principles, and financial structure of the IMF." The Articles, which were entered into force in December 1945, were drafted by representatives of 45 nations at a conference held in Bretton Woods, New Hampshire.
2. Pay a quota
 - A. quota is like a membership subscription – "The amount that each member must pay to the IMF on joining."
3. Should allow the exchange of its currency (money) for foreign currency
 - A. Creates best conditions for good (efficient) international trade
4. Strive for openness in economic policies affecting other countries.
 - A. Helping countries develop strong economies that can make the most of an "open" world economy (this means encouraging the free flow of imports and exports i.e. international trade.)



[Printable Obligations of the IMF Membership](#)

GROUP B: Benefits of Membership (IMF gold medallion)

There are currently 184 countries that have voluntarily joined the IMF (almost every country in the world). The benefits are five-fold:

1. access to information on economic policies for all member countries
 - A. why beneficial? Because your economy is part of a global network of economies, knowing more about these economies helps you run your own economy better. Just as if you had a store in a shopping center, knowing about all other stores, about the rest of the shopping center, helps you to better run your own store.
2. opportunity to help to decide which are the best economic policies for everyone



[Printable Benefits of the IMF Membership](#)

- A. why important? All countries are represented in one forum, which is the Executive Board. These 24 representatives discuss everything openly, convince each other until they reach a consensus.
- 3. access to technical assistance in banking, fiscal affairs, (government spending, taxes and finance) and exchange rate policies.
 - A. why important? The IMF offers training and guidance in the most up to date developments in the fields of banking, fiscal affairs and exchange rates.
- 4. financial support for countries with financial difficulties
 - A. why important? Suppose you and your family form a club, and each contributes some money to it. One of the benefits of your club is that, should you lose your job, or your salary is suddenly reduced because your company is in bad shape, you can borrow from the pool of money, until you can stand on your feet again. Because this pool of money belongs to everyone, the loan would be given on condition that you do certain things to improve your ability to repay the money you borrowed (conditionality). The same money can then be borrowed by another member of the club who may need it. (the revolving character of Fund credit.)
- 5. increased opportunity for trade and investment – This is the result of the 4 previous points

WHOLE CLASS: Should Newland become a member of the IMF? Why or why not?

SO WHAT? Are any of you members of an organization, club, team? Why do you like being a member? Or why would you like to become a member?



Post-Lesson: Cooperation

(Activity: Comic Strip)

Theme: Cooperation

Objective: Students will be able to express their own meaning of cooperation.

Rationale: The theme of cooperation is relevant to all aspects of life.

LESSON PLAN:

Begin a conversation/dialogue about the meaning and importance of cooperation. Draw on examples from the visit to IMF and from the students' personal lives.

With paper and pens (supplies in IMF School Program Box), ask students to:

- Write a four-frame comic strip that represents cooperation.

Let students know that the [IMF Center](#) has reserved a wall in its website to display their art.



Glossary

[More detailed Glossary](#)

WHAT IS A COUNTRY'S BALANCE OF PAYMENTS?

A balance of payments is achieved when the amount of money leaving a country to purchase imports of goods and services and to invest in other countries equals the amount of money entering the country through the sale of exports and the inflow of investments. Deficits (shortfalls) or surpluses in the balance of payments can be brought into balance by increased trade and investment or by moving currency reserves between countries.

WHAT IS A COUNTRY'S BALANCE OF TRADE?

A balance of trade is the difference between the value of goods imported and the value of goods exported. A favorable balance of trade implies an excess in the value of exports over imports. An unfavorable balance of trade implies the reverse.

WHAT IS THE BRETTON WOODS SYSTEM?

The Bretton Woods System, conceived at Bretton Woods, New Hampshire in 1944, was implemented by the International Monetary Fund until the 1970s. This system provided for fixed exchange rates (based on the U.S. dollar pegged to gold) and aimed for the unrestricted conversion of one currency for another in settling current payments between member countries. Its purpose was to increase employment, assist trade, and encourage international prosperity. The system, abandoned in the 1970s when the U.S. government was no longer able to exchange gold for dollars at \$35.00 an ounce, has been replaced by the present regime of surveillance by the IMF over member countries' exchange policies.

WHAT IS CAPITAL?

Capital consists of man-made assets, either physical (e.g., machines) or financial (e.g., investments), that are capable of generating income.

WHAT IS THE CAPITAL ACCOUNT?

The capital account measures all international capital transfers (i.e., long- and short-term loans and grants that private individuals and governments make to or receive from foreign private individuals or foreign governments). Capital-account assets represent a country's investments abroad; liabilities the investment of foreigners in the country.

WHAT IS A CENTRAL BANK?

Central banks are institutions responsible for monitoring economic data, overseeing banking, accounting for monetary and gold reserves, and adjusting the money supply in order to keep the economy on course. In the United States, the Federal Reserve System performs these functions. Their charters usually make central banks independent of government so as to avoid unhelpful political influence.

WHAT ARE CENTRALLY PLANNED ECONOMIES?

In centrally planned economies, the state, rather than the free market, determines where investments will be made, what will be produced, what the level of wages and salaries will be, and how much products will cost. Centrally planned economies are inspired by a socialist, nonmarket philosophy.

WHAT IS CONVERTIBLE CURRENCY?

Convertible currency is currency that is accepted in exchange for another currency. A country with external convertibility allows nonresidents to exchange its currency for other currencies. A fundamental goal of the IMF is universal currency convertibility.

WHAT IS CURRENCY?

Currency consists of notes and coins used as a medium of exchange.

WHAT IS THE CURRENT ACCOUNT?

The current account comprises the entries in the balance of payments account that summarize exports and imports of goods and services by individuals and governments.

WHAT IS DEFICIT FINANCING?

Deficit financing occurs when a government spends more money than it can raise by taxation or other means. John Maynard Keynes advocated this policy during the Great Depression to increase employment and thereby inject purchasing power into the sluggish economy.

WHAT IS DEPRECIATION?

Depreciation is the reduction in the value of a currency in terms of other currencies under market conditions because of a decline in demand for that currency in relation to its supply.

WHAT IS DEVALUATION?

Devaluation is the attempt by a government to reduce its currency's value in terms of other currencies. Governments lower the value of their currency relative to other currencies in order to make their country's products more competitive on world markets and boost exports. Devaluation also makes imports less affordable and protects local industry against foreign competition. During the Great Depression of the 1930s, many countries devalued their currencies to help boost their economies at other countries' expense, a practice known as beggaring thy neighbor. Unfortunately, this lowered overall demand for imports and retarded a general recovery. The IMF was founded partially in response to this unfortunate practice.

WHAT IS A DEVELOPING COUNTRY?

Developing countries are partially industrialized countries that usually lack sufficient national income or domestic private capital to finance the investment required to reach modern industrial statehood. In the early stages of development these countries usually look to multilateral lending institutions for finance. As they become more economically self-sufficient they are able to tap the international capital markets for loans or finance further development.

WHAT IS ECONOMICS?

Economics is the study of the best way to allocate scarce resources to produce and distribute goods and services throughout society.

WHAT IS AN EMBARGO?

An embargo legally prohibits some or all trade with a foreign country. Governments resort to embargo to express displeasure with the policies of another country and to attempt to coerce the country to change its policies.

WHAT IS EXCESS LIQUIDITY?

Excess liquidity is the unusual condition of countries' having too much money. (Private individuals seldom experience this condition). In the late 1970s, the rise in oil prices brought in a flood of money (more than could be immediately spent) into the oil-producing countries. Prudently, these countries placed much of this excess money in banks, which soon found themselves in the unusual position of having excess liquidity: more money than they could conveniently lend.

WHAT IS FISCAL POLICY?

Fiscal Policy refers to the package of policy initiatives used by a government to achieve a satisfactory level of revenues and expenditures.

WHAT IS A FIXED DOLLAR-GOLD EXCHANGE RATE?

The dollar-gold exchange rate (\$35.00 = one ounce of gold) was established at the Bretton Woods conference in 1944. The value of other world currencies was expressed in dollars, and therefore by implication was also pegged to gold. Under the Bretton Woods system, any-one could redeem dollars for gold from the U.S. Treasury at the rate of \$35.00 per ounce. When inflation began to erode confidence in the value of the dollar, the rush to redeem dollars for gold threatened to wipe out the U. S. gold reserves.

WHAT ARE FISCAL OR BUDGET DEFICITS?

Fiscal or budget deficits occur when governments expenditures exceed revenues. The way out of a budget deficit may involve raising taxes, reducing government expenditure, or a combination of both. Obviously none of these solutions is popular with the electorate. For this reason, politicians are often loath to make the hard decisions required, the budget deficit worsens, and, in some cases, the government must seek assistance from international lenders.

WHAT ARE FIXED EXCHANGE RATES?

Fixed exchange rates are a system in which the exchange value of a currency is kept stable by tying the value of that currency to the value of another currency or basket of currencies (such as five pesos to a dollar). Maintaining a fixed exchange rate requires (a) that a country hold sufficient foreign exchange reserves to intervene in the market to reduce variations in the value of its currency and (b) that it implement fiscal and monetary policies that keep these variations small.

WHAT ARE FLEXIBLE EXCHANGE RATES?

Flexible exchange rates are a system in which the exchange value of a currency is allowed to seek its own level in response to market forces. The government issuing the currency engages in little or no market intervention to stabilize the exchange rate.

WHAT IS A FREE MARKET SYSTEM?

In a free market system, private investors, rather than the state, determine where investments will be made, what will be produced, what the level of wages and salaries will be, and how much products will cost. The free-market system is inspired by a capitalist philosophy.

WHAT IS FOREIGN INVESTMENT?

Foreign investment is the acquisition of assets in one country by government, institutions, or individuals in another country. Foreign investment can be indirect (buying shares of existing enterprises in other countries) or direct (setting up subsidiaries and new enterprises in other countries).

WHAT IS THE GDP?

The GDP is the gross domestic product: the value of all goods and services produced in a country during one year. The GDP per capita is the gross domestic product divided by the number of people in that country.

WHAT IS GLOBALIZATION?

Globalization is the integration of the financing, production, and marketing of goods and services across national boundaries.

WHAT ARE GOLD RESERVES?

Gold reserves are the gold bullion stocked by a country's central bank. Under the gold standard, paper currencies could be exchanged for gold on demand. Although the gold standard has been abandoned, many central banks still stock gold bullion.

WHAT ARE HARD AND SOFT CURRENCIES?

Hard currency is a currency widely accepted in foreign trade. Soft currency is a currency whose value is uncertain and which is therefore not widely accepted in foreign trade. When developing countries gained their independence from the European colonial powers, they instituted their own official "soft" currencies. With few reserves of hard

currencies, the newly independent countries found it difficult to import goods and services to spur economic growth.

WHAT IS AN IMF ADJUSTMENT PROGRAM?

An IMF adjustment program is a package of policy measures, agreed on between the IMF and a member country, designed to alleviate the member country's balance of payments problems.

WHAT WERE THE IMF'S OIL FACILITIES?

The two IMF Oil Facilities were Fund initiatives to channel borrowed money at below-market rates of interest to developing countries hardest hit by the rise in oil prices that began in 1973. They were temporary measures; eventually all countries have had to adjust to permanently higher (though fluctuating) oil prices.

WHAT IS IMF SURVEILLANCE?

IMF Surveillance involves an ongoing examination by the Fund of the economic, monetary, fiscal, and exchange policies of member countries, carried out with the cooperation of those countries. One result of this examination is an economic report on each country, which is discussed in the IMF's Executive Board and disclosed to the entire membership. Surveillance thus ensures the openness of each member's policies and intentions and assists all member countries in their economic dealings with one another.

WHAT IS INFLATION?

Inflation is the pursuit of too few goods by too much money. Normally, when governments see signs of inflation, they try to reduce the amount of money in circulation by raising interest rates. After World War II, rebuilding European industry in order to make more consumer goods available was seen as a necessary remedy for inflation.

WHAT ARE INTEREST RATES?

Interest rates are the cost of borrowing money. When a central bank (the institution in each country which adjusts the money supply and accounts for monetary and gold reserves) decides to change the interest rate on money it lends to banks, the banks respond with a corresponding change in the interest rate on money they lend to businesses and private individuals. Central banks raise short-term interest rates to discourage borrowing, slow economic growth, and hold inflation in check. They lower short-term interest rates to spur economic growth by encouraging business investment and consumer spending.

WHAT IS INTERNATIONAL CAPITAL?

International capital refers to assets that move from one country to another. In theory, international capital flows are economically efficient since investors tend to place their money only in viable enterprises where there is good reason to expect profit.

WHAT IS MONEY?

Money is any object widely accepted in payment for goods and services and in settling debts. Although in the past money has assumed many exotic forms (sticks, shells, beads), today it is primarily bills and coins. Money is not only a medium of exchange accepted in payment for goods and services, but also serves as a unit of account, in terms of which the price of every-thing else is stated, and as a store of value, which assists holders of money to conserve wealth.

WHAT IS MONETARY POLICY?

Monetary Policy is the package of policy initiatives adopted by the government to achieve a satisfactory supply of money, level of interest rates, and exchange rate for its currency.

WHAT IS A MONETARY RESERVE?

Monetary reserves are currencies held by a government usually in its central bank, in addition to its gold reserves. A shortage of gold in the 1960s led many governments to supplement their gold reserves with monetary reserves. Governments began to hoard U.S. dollars and British pounds which were accepted widely in trade and perceived to be stable in value.

WHAT IS A MONEY SHORTAGE?

Money shortage refers to a lack of currency acceptable as payment in world trade. During World War II, the European countries had sold off most of their gold reserves to finance the war. Since their economies were in ruin and their currencies of little value, they were said to be suffering a money shortage. After World War II, the United States held most of the world's money in the form of dollars and gold.

WHAT IS MULTILATERAL TRADE?

Multilateral trade refers to the exchange of goods and services among many countries. During the Great Depression it often happened that a country tried to protect itself from out-side competition by forming a trade alliance with another country (bilateralism) or with a group of countries (regional trading blocs). These alliances extended favorable trading conditions (low tariffs and high quotas) to their members, and thus erected trade barriers to countries outside the alliance.

WHAT ARE REAL PRICES?

Real prices are prices that have been adjusted for inflation. Separating the inflationary correspondent from the price often gives a more accurate and informative insight into the price trend over time.

WHAT IS A RESCHEDULING OF DEBT?

A country, finding itself able to pay its debt on time, can often negotiate with the lender a rescheduling of debt—allowing it a longer period in which to repay what it owes. Rescheduling is beneficial to both borrower and lender. The borrowing country avoids default (which can have drastic consequences for its credit rating) and, although it might have to pay more in interest charges, is not forced to take other, more damaging measures. The lender, considering the alternative of getting nothing back in the event of default, is generally happy to agree to a rescheduling.

WHAT IS AN SDR?

The SDR (Special Drawing Right) is a reserve asset created and distributed by the International Monetary Fund to supplement the reserves of its member countries. SDRs were first created in 1969 to free other reserve assets (convertible currencies and gold) for use in foreign trade and other international transactions. SDRs cannot be used in payment by private individuals. They exist only as electronic accounting balances and are either retained as reserves or exchanged to settle payments between the IMF and its members or between member countries themselves.

WHAT IS A SHORTAGE OF LIQUIDITY?

A shortage of liquidity refers to a condition in which the supply of hard currency or other assets is insufficient to meet the demands of world trade. During the 1960s, many feared that the United States would cut back on its imports to correct its burgeoning balance of payments deficit. If it did so, the diminished stream of dollars flowing abroad would result in an international liquidity shortage.

WHAT ARE TRADE BARRIERS?

Trade barriers are attempts to limit the import of foreign goods and services into a country. The most common barriers are quotas (limiting the quantity of foreign goods that can enter the country), tariffs (charging a tax on goods entering the country), and subsidies (paying local producers to lower the price of their goods relative to foreign competitors).

WHAT ARE TRADE DEFICITS?

Trade deficits occur when a country is spending more on imports than it receives from exports. As industries in Europe and Japan recovered from World War II, the United States began to develop balance of trade deficits with these countries since the value of goods bought from them exceeded the value of U.S. goods sold to them.

WHAT ARE THE TRANSITION ECONOMIES?

Transition economies are economies moving from central planning to a free-market system. Specifically, the term refers to Russia and other member countries of the former Soviet Union, as well as to the formerly nonmarket countries of Eastern and Central Europe.

Visit
for IMF School
Program
5th & 6th Grade



Teacher's Aid

**Concepts to discuss with students
prior to visiting the Center**

WHAT IS THE IMF

The IMF is a voluntary financial institution that encourages open and stable monetary relationships for the economic benefit of its entire membership. Representatives of each of the IMF's 184 member countries, in continual session at headquarters in Washington, keep one another informed of any change in their country's monetary or economic policies that might affect other member countries. Initiatives thought to be beneficial are encouraged. If an initiative is determined to be disruptive of the harmonious relations between members, the IMF attempts to dissuade the country from taking this step. At a member's request, IMF staff will work out with the country a program of reform so that the country can avoid initiating any policy that runs counter to the interests of the membership as a whole. If need be, the IMF will make a temporary loan to tide the country over the period of reform. The source of such loans is the membership fees that each country, in proportion to its economic strength, contributes to the IMF. The ultimate objective of the IMF is monetary stability that leads to open trade and economic growth in all its member countries.

WHAT DOES THE IMF DO?

The IMF gathers and publishes economic information on its member countries, encourages members to implement monetary and economic policies that will benefit the whole membership, provides technical assistance on monetary and fiscal matters and on banking, works out programs of economic reform with members having difficulties in keeping up payments to other countries, and occasionally lends large sums of money to help these members during the period of reform. Each year a team of IMF economists visits each member country to gather economic data and discuss economic policies with the government authorities. The team reports their findings for discussion by the IMF executive directors in Washington (representing the 184 member countries) who communicate to the member government their approval (or disapproval) of the country's policies. Technical assistance is offered to countries that require it. Countries with serious balance of payment problems can apply for help by IMF economists in working out a program of adjustment and reform, which may be accompanied by an IMF loan. The IMF maintains huge statistical data bases on its members' economies, much of which it makes available on its website. The IMF also puts out numerous publications that analyze member countries' economies and the world economy as a whole.













Bananas

Cocoa

Beans

Lumber

Cotton

Peanuts

Silk

Tractors

Trucks

Metals

Wheat

Wool

Rice

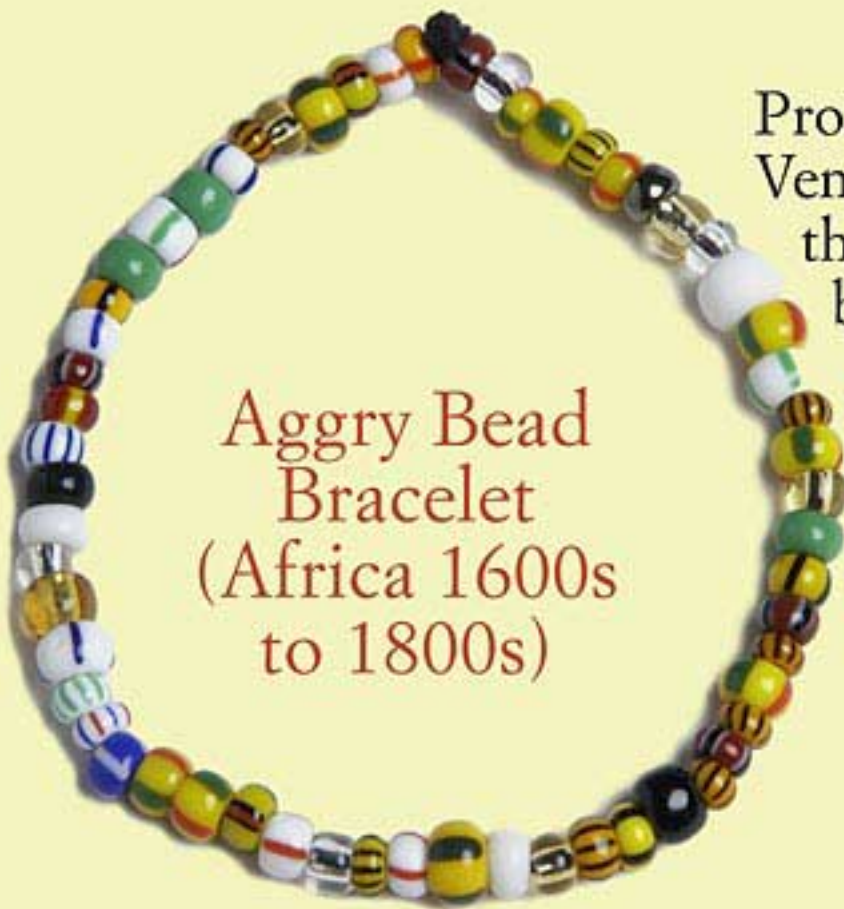






Probably produced in Venice as part of a necklace, this multi-colored glass bead was once "worth its weight in gold" in trade with Africa.

Aggry Bead Bracelet
(Africa 1600s to 1800s)



Bead Necklace (Italy) 1600s to 1900s

These Venetian glass beads were affectionately known as "whitehearts." Millions of these beads are strung into necklaces for use in trade with the indigenous peoples of Africa and the Americas.



Bronze Cash Coins (China) 300 BC to 1800s

China's earliest round coins were cash in clusters shaped like trees. The coins were snapped off the end of each branch, which left a ragged edge. The coins' square hole allowed a tool to be inserted and the coin held steady as it was filed smooth.



Cacao Beans (Mexico) Pre-history to 1500s

An important commodity in early Mexico, cacao beans were used to make liquid chocolate for royal and religious ceremonies. Sales of cacao, each holding 24,000 beans, served as money.





1,200 BC: Cowrie Shells

The first use of cowries, the shell of a mollusk that was widely available in the shallow waters of the Pacific and Indian Oceans, was in China. Historically, many societies have used cowries as money, and even as recently as the middle of this century, cowries have been used in some parts of Africa. The cowry is the most widely and longest used currency in history.



Glass Beads (Indonesia)

Bead necklaces were traded widely among the many cultures ringing the Indian Ocean and the Pacific Rim.





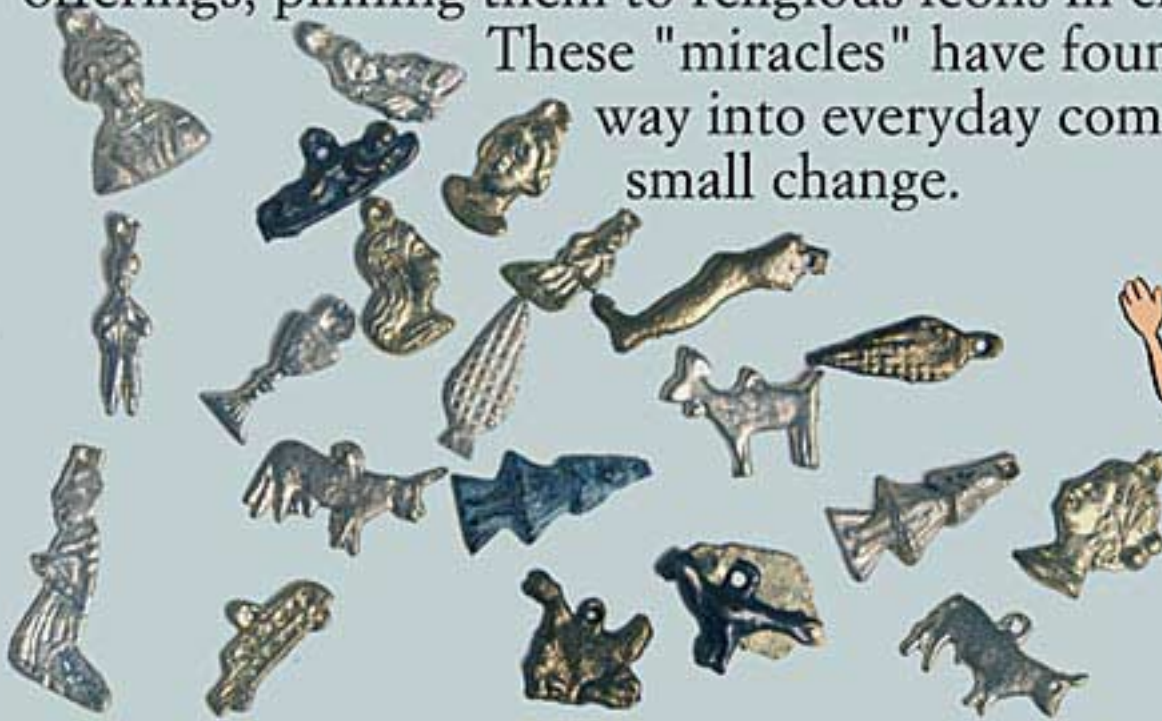
Salt Money (Ethiopia)

In the ancient world salt was highly prized and often valued on par with gold. Until the 1920s, bars of rock salt—bound in reeds to protect them from breakage—were used as currency in Africa. This particular salt was donated by Harvey Salt Co. in Baltimore. This salt is died red from some of the extra mineral added into the salt. These bricks are used as a supplement for animal feed mainly used for cows.



Silver Miracles (Mexico) 1800s to present
Catholic supplicants use charms of this sort as votive offerings, pinning them to religious icons in church.

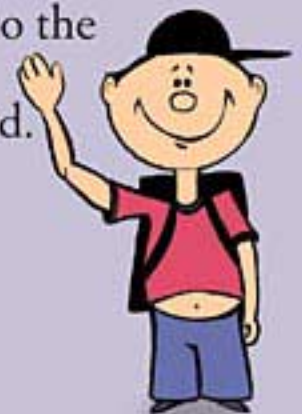
These "miracles" have found their way into everyday commerce as small change.



Wampum

The word Wampum is from the Narragansett word for white shell beads. Wampum beads are made in two colors: white and purple black. Before European invasion, shell beads were larger and barrel shaped. They were scarce because drilling the material was difficult. Natives exchanged them only in ceremonial context. After the European invasion traders and politicians exploited the pre-existing Native gift exchange to gain Indian favor or territory.

Wampums were quickly transformed into a formal currency due to the scarcity of metal coins in New England.





How did barter develop?
"I'll trade my pretzels for your cookies."
Long ago people would trade livestock, crops, objects and later money

What is money?
Money is anything that people routinely accept as payment in exchange for goods and services

Circulation of money
The need for convertible currencies arose

Dev. of money using precious metals
Coins and paper money

The IMF



~5~

**184 member countries
represented by
their Governors**



INTERNATIONAL MONETARY FUND

~4~

1 Man. Dir., 3 Deputy Man. Dirs., 24 Exec. Dirs.

~3~

**2700 staff
members from
133 countries**

~1~

**Founded in 1944 at
Bretton Woods, NH**

~2~

**Articles of
Agreement**



~5~

How many countries are members of the IMF?

~4~

How many Executive Directors, Managing Director and Deputy Managing Directors are there?

~3~

How many people work at the IMF?

~2~

What are the "rules" of the IMF called?

~1~

When and where was the IMF founded?



Group A

**Obligations
of the IMF
Membership**



Group B
**Benefits
of the IMF
Membership**