

Lesson Plan

# Monetary Policy: Economic Statecraft

## Length

One 45 minute period

## Grade Level

High School

## Learning Objectives

- Students will debate the use of various economic tools as part of achieving foreign policy goals in hypothetical situations.

[Monetary Policy: Economic Statecraft](#)



[Guided Reading Handout](#)



[Presentation](#)



## Homework

- Students will complete Parts 1 and 2 of the guided reading handout.

## Class

1. **(5 Minutes) Debrief Homework:** The key thing to highlight is that a tightly wound global economy allows economic tools to be used as a form of foreign policy. During class, students will be asked to consider two scenarios where financial incentives or pressures could be applied to achieve foreign policy goals of the U.S.
2. **(20 Minutes) Take a Stand:** *CFR Education Mini Simulation Economic Statecraft: Foreign Assistance*
  1. **Read:** “Overview”, “The Situation”, and “Policy Options” as a class.
  2. **Take a Stand:** Assign three corners of room for the policy options. Students will move to the corner they agree with.
    1. Option #1: *Offer assistance to Durhan, but require security cooperation in return*
    2. Option # 2: *Offer assistance to Durhan without requiring any conditions.*
    3. Option #3: *Provide no assistance to Durhan, but encourage other countries or international organizations to send help.*
  3. Give students a couple minutes with their groups to come up with the strongest arguments for their policy option. Have each group share their arguments and discuss as a class.
  4. Consider using some of these questions: *Why should the U.S. consider offering assistance to Durhan? Is it appropriate to place conditions on economic assistance for a country that is facing near-famine conditions? Should foreign aid always be conditional? Is it appropriate to leverage aid to one country to address security threats in another?*
3. **(20 Minutes) Take a Stand:** *CFR Education Mini Simulation Economic Sanctions*
  - **Read:** “Overview”, “The Situation”, and “Policy Options” as a class.
  - **Take a Stand:** Assign three corners of room for the policy options. Students will move to the corner they agree with.

- Option #1: *Enact broad sanctions on large portions of Borealia's economy.*
- Option # 2: *Enact broad sanctions on large portions of Borealia's economy.*
- Option # 3: *Enact no sanctions.*
- Give students a couple minutes with their groups to come up with the strongest arguments for their policy option. Have each group share their arguments and discuss as a class.
- Consider using some of these questions: Why should the U.S. consider sanctions as a means of handling conflict? What are some of the benefits of sanctions? What are some of the risks? Can you think of any historical examples where sanctions succeeded? Or when they failed?

## Homework

- Students will write a one-page reflection on the following: Are economic tools an effective way to conduct foreign policy? Use historical examples from this lesson (the Suez Canal Crisis and the 2008 Financial Crisis) to support your thoughts.

## Vocabulary

bailout

funds provided to an entity, such as a country or corporation, to help it avoid serious financial trouble, often bankruptcy.

central bank

centralized financial institution responsible for the monetary policy of a country (or group of countries with the same currency, such as the eurozone).

commodity

a good, typically a raw materials or agricultural products, that can be bought and sold.

contagion

a phenomenon in which an economic crisis in one country results in economic problems in another through disruptions in trade and financial flows, or through panic as a result of a loss of confidence.

default

failure to make a payment on a bond or loan as scheduled.

Great Recession

the U.S. economic downturn that began in 2008 as a banking crisis, triggered by the bankruptcy declaration of Wall Street investment house Lehman Brothers. It was so named because its origin and severity seemed to echo the Great Depression that followed the 1929 stock market crash.

gross domestic product

a measure of a country's economic output determined by the value of goods and services it produces in a given year.

governance

the tasks and activities of governing, or running, a country.

inflation

what happens when prices continue to rise, meaning a country's currency is worth less than it was before because it can't buy as much (also known as a decline in purchasing power).

interest rates

the percentage of a loan that the person borrowing must pay to the lender on top of paying back the loan itself.

International Monetary Fund

a multilateral financial institution established in 1944 that exists to foster stability and growth in the international monetary system.

recession

a period of economic downturn, usually marked when an economy shrinks instead of grows for at least six consecutive months.

World Bank

a multilateral financial institution created in 1944 that funds long-term economic development of low- and middle-income countries through loans and grants for policy reforms and for projects in infrastructure, health, education, governance, and other areas.