UNIT 10 – WE ARE PART OF THE GLOBAL ECONOMY (9 Days)

As globalization increases and nations' economies grow more integrated, there are costs and benefits. For example, we know when people trade willingly (voluntarily), both are better off. We know that trade allows people and regions to do what they do best and trade for the rest. And this increases global output of goods and services. Trade also gives consumers greater variety in what they consume. In the US for example, without trade we would have to give up coffee, chocolate, many spices--not to mention imported oil.

Globalization creates competition which lowers prices which is good for consumers. At the same time, US producers may be forced out of business because they cannot produce at those lower prices (e.g. few shoes, textiles, televisions are produced in the U.S. today.)

Greater connectivity through the Internet and otherwise allows businesses to hire skilled people in other countries to do work at lower wages. This lowers costs of production for businesses and can lead to lower prices for consumers. However, it creates more competition for U.S. jobs. U.S. students entering the workforce will be competing with those foreign workers as well as other U.S. workers. Thus U.S. students, to be competitive, must invest in their human capital. There will be few jobs for the unskilled--and those will offer very low pay.

With greater integration of nations, what happens in one affects others. When the U.S. economy slows, fewer imports are purchased from other countries and their economies slow as well. If a country defaults on its debts, other countries will be affected because foreign banks and individuals will have made loans to that country.

Globalization has brought change--both costs and benefits. It has created some new jobs and destroyed others. Students entering the workforce will be better prepared if they understand the nature of the global economy.

EPF.9 The student will demonstrate knowledge of the global economy by
a) explaining that when parties trade voluntarily, all benefit.
(BUS6120.042)

Day 1 Why do people trade?

EPF.9 The student will demonstrate knowledge of the global economy by
b) distinguishing between absolute advantage and comparative advantage.
(BUS6120.042)

Day 1 Do you have an absolute or comparative advantage?

EPF.9 The student will demonstrate knowledge of the global economy by
c) distinguishing between trade deficit and trade surplus.
(BUS6120.042)

Day 1 What's the difference between a trade deficit and a trade surplus?

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
d) explaining exchange rates, and the impact of a strong dollar and weak dollar on economic decisions.
(BUS6120.042)

Days 1 and 2 Changing exchange rates: who is helped and who is hurt when the dollar strengthens or weakens?

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
e) describing the costs and benefits of trade barriers.
(BUS6120.042)

Day 1 Who is helped and who is hurt by trade barriers?

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
f) describing the effects of international trade agreements and the World Trade Organization.
(BUS6120.042)

Day 1 How do trade agreements increase trade?

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
g) explaining growing economic interdependence.
(BUS6120.042)

Day 1 How does globalization make countries more interdependent?

Evaluation Day

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
a) explaining that when parties trade voluntarily, all benefit.
(BUS6120.042)

Day 1 - Why do people trade?

Content Knowledge

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. Students will be able to use this knowledge to negotiate exchanges and identify the gains to themselves and others.

As a result of their competitive experiences in sports and games, students usually have learned to expect that, in most contests when one person or team wins, another person or team must lose. Voluntary exchanges, on the other hand, are cooperative activities in which both sides expect to gain, and both usually do. Because all of the parties to a voluntary exchange expect to gain from trade, institutions that make trading easier usually improve social welfare.

Understanding the win-win nature of voluntary exchange helps students learn that people and organizations trade with one another only when each party offers something that the other party values more than whatever he or she has to trade. For example, an employer will hire a student at a wage rate of $8 per hour only if the employer expects to receive labor services from the student that are worth at least that much. And the student will voluntarily work for $8 per hour only if the student values the $8 more than the best alternative use of his or her time. The principle that voluntary trade can improve each participant's situation applies to all voluntary exchanges, including trade between people or organizations in different parts of the same country, or among people or organizations in different countries.[2]

Vocabulary
Gains from trade – The increased output resulting from trade; with trade, each individual, region or nation is able to concentrate on producing goods and services that it produces efficiently, while trading to obtain goods and services that it does not produce
Voluntary exchange - Trading goods and services with other people because both parties expect to benefit from the trade

Virginia Board of Education Framework
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.

What does it mean to trade voluntarily?

When people trade voluntarily, that is, willingly and without coercion, both parties benefit.

What are some of the benefits of trade?
Voluntary exchange among people or organizations in different countries gives people a broader range of choices in buying goods and services and often lowers prices.

Teaching Tips

1) Explain that voluntary exchange among people or organizations gives people a broader range of choices in buying goods and services. Discuss how students' daily lives would be different if people in the United States did not trade with people in other countries.

2) Conduct a trading activity to show students that both parties benefit when people trade voluntarily. Be sure to do "The Magic of Markets," which is a classic lesson, and easy to use. (Online variants are in development. Reach out to Stephen Day (shday@vcu.edu) with any questions about access to these.)

Lessons and Resources

Foundation for Teaching Economics Lesson: "The Magic of Markets."
https://www.fte.org/teachers/teacher-resources/lesson-plans/rslessons/the-magic-of-markets-trade-creates-wealth/

Capstone Unit 7, Lesson 40: Why Do People Trade Across National Borders?

Focus: Globalization Lesson 2: Why People Trade, Domestically and Internationally

Ed Tech:
Econedlink video and Kahoot: Benefits of Trade Video and Quiz
https://www.econedlink.org/resources/benefits-of-trade-comparative-advantage-video-and-quiz/

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
b) distinguishing between absolute advantage and comparative advantage.
(BUS6120.042)

Day 1 - Do you have an absolute or comparative advantage?

Content Knowledge

Individuals and nations have a comparative advantage in the production of goods or services if they can produce a product at a lower opportunity cost than other individuals or nations.

Vocabulary
Absolute advantage - The ability to produce more units of a good or service than some other producer, using the same quantity of resources.
Comparative advantage - The ability to produce a good or service at a lower opportunity cost than some other producer. This is the economic basis for specialization and trade.
Specialization - A situation in which people produce a narrower range of goods and services than they consume. Specialization increases productivity; it also requires trade and increases interdependence.
Opportunity cost - The second-best alternative (or the value of that alternative) that must be given up when scarce resources are used for one purpose instead of another.
Transaction costs - Costs associated with buying or selling goods and services that are not included in the money prices of those goods and services. Examples include obtaining information on prices and product quality, searching for sellers, and bargaining costs.

Virginia Board of Education Framework
An individual, business, or country that can produce a certain good with fewer resources than other countries is said to have an absolute advantage.

An individual, business, or country that can produce a certain good at a lower opportunity cost than its trading partners is said to have a comparative advantage.

Specialization occurs when an individual, business, or country focuses its resources on producing a few goods or services and expects to trade for other goods and services it wants.

Total world production is greater when nations specialize in the production of those products that they can produce most efficiently.

Teaching Tips

1) Questions students should be able to answer at the end of this lesson: What is the difference between absolute advantage and comparative advantage? What is specialization and how is it related to trade and total output? What is the primary underlying factor driving international trade? When nations trade based on comparative advantage, how are total production and consumption affected?

2) Should the person who is best at a task always be the one to do it? For example, if a lawyer is better at representing clients and better at typing than her secretary, should she do both tasks?

3) Explain when trading the person with the comparative advantage is the one who should do each task. That will be the one with the lowest opportunity cost. Practice problems determining who has the comparative advantage in various situations.

4) Be sure that students understand the difference between absolute advantage and comparative advantage.

5) Explain that this is important because when people, businesses or countries specialize in the goods or services where they have a comparative advantage, total output increases.

6) Have students apply the concepts of opportunity cost and comparative advantage to the following problem: The Netherlands can produce in one day either four drill presses or eight embroidered tablecloths. Using the same amount of resources, Portugal can produce either two drill presses or seven embroidered tablecloths. Which country should specialize in producing drill presses and import tablecloths and why? Which country should specialize in producing table cloths and import drill presses, and why? [2]

7) International trade stems mainly from factors that confer comparative advantage, including international differences in the availability of productive resources and differences in relative prices. Name three things, such as bananas, coffee and Eucalyptus oil, that could be produced in the continental United States, although production would be very costly. Explain in terms of opportunity costs why the United States is probably better off importing such goods. [2]

8) Transaction costs are costs (not to be confused with the price of the good or service) that are associated with the purchase of a good or service, such as the cost of locating buyers or sellers, negotiating the terms of an exchange, and insuring that the exchange occurs on the agreed upon terms. When transaction costs decrease, trade increases. Have students identify transaction costs associated with the purchase of a good or service. Also, discuss why each of the following encourages more efficient exchange: (1) trucks that can carry larger loads for the same fuel costs; (2) automated teller machines; and (3) credit cards.[2]

9) The goods or services that an individual, region, or nation can produce at lowest opportunity cost depend on many factors (which may vary over time), including

available resources, technology, and political and economic institutions. Have students use their understanding of available resources, technology, and political and economic institutions in the U.S. and other countries, to explain why the U.S. no longer has a comparative advantage in the production of shoes.[2]

10) Like trade among individuals within one country, international trade promotes specialization and division of labor and increases the productivity of labor, output and consumption. Have students explain how the process of specialization and division of labor results in increased productivity of labor, output, and overall consumption. [2]

11) These are challenging concepts. It will be helpful to provide practice by using a lesson such as the Economics in Action lesson listed below.

Lessons and Resources

Capstone Unit 7, Lesson 41: Why People Trade: Comparative Advantage

Economics in Action Lesson 13: Comparative Advantage and Trade in a Global Economy

Focus: Globalization Lesson 3: Finding a Comparative Advantage Including Your Own

Econedlink Lesson. Should Lebron James Mow His Own Lawn?
https://www.econedlink.org/resources/should-lebron-james-mow-his-own-lawn/

Videos
The Terminal – DVD (Chapter 10 – 3 minutes)
http://www.youtube.com/watch?v=38hvvAzgXZY (absolute and comparative advantage)

Khan academy on comparative advantage and absolute advantage
http://www.khanacademy.org/video/comparative-advantage-and-absolute-advantage?playlist=Microeconomics

Khan academy on specialization, comparative advantage and gains from trade
http://www.khanacademy.org/video/comparative-advantage-specialization-and-gains-from-trade?playlist=Microeconomics

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
c) distinguishing between trade deficit and trade surplus.
(BUS6120.042)

Day 1 - What's the difference between a trade deficit and a trade surplus?

Content Knowledge

Net exports equal the value of exports (goods and services sold to other countries) minus the value of imports (goods and services bought from other countries). Net exports can be either positive (trade surplus) or negative (trade deficit).[2] Thus, when a country exports more than it imports, it has a trade surplus. When a country imports more than it exports, it has a trade deficit.

Vocabulary
Imports - foreign goods and services that are purchased from sellers in other nations.
Exports - domestic goods and services that are sold to buyers in other nations.
Trade deficit - when one country buys more foreign goods than it sells to other countries
Trade surplus - when one country sells more goods to other countries than it buys

Virginia Board of Education Framework
A trade deficit occurs when one country buys more foreign goods than it sells to other countries. A trade surplus occurs when one country sells more goods to other countries than it buys.

Teaching Tips

1) Ask students if they are exporters or importers. What do they buy that is imported? Explain that buying an import sends money out of the country. When foreigners buy things from the U.S. money is coming into the country. Ask students if they think the U.S. exports more to other countries or imports more. Explain that exports minus imports is called "net exports." Net exports can be a positive or negative number. When the U.S. buys more from other countries than it sells to them, the result is a negative number and is called a trade deficit. Find current data at this source: https://www.census.gov/foreign-trade/data/index.htmll

2) Have students calculate what has happened to net U.S. exports (exports minus imports) because of changes in exports and imports over the last 10 years. Identify whether there has been a trade surplus or trade deficit over these years. Find data on the government website FRASER: Select "international statistics" and then U.S. International Trade in
3) Imports are foreign goods and services that are purchased from sellers in other nations. Have students examine labels of products in their homes and compile a list of imported products and the countries from which they are imported.[2]

4) Exports are domestic goods and services that are sold to buyers in other nations. Have students determine what major products are produced in their community or state for export and the countries to which they are exported.[2]

5) Have students describe how their daily lives would be different if people in the United States did not trade with people in other countries.

Lessons and Resources

Focus: Globalization Lesson 12: Trade, Investment, and the Balance of Payments; and Appendix B: What Is a Trade Deficit?

Online resource for current trade balance:
https://www.census.gov/foreign-trade/data/index.html

Online resource: FRASER: Select "international statistics" and then U.S. International Trade in Goods and Services.
www.gpo.gov/fdsys/browse/collection.action?collectionCode=ECONI&browsePath=2010%2F12%2F7&isCollapsed=false&leafLevelBrowse=false&isDocumentResults=true&ycord=203

Census Bureau: U.S. Trading Partners
https://www.census.gov/foreign-trade/statistics/highlights/toppartners.html

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
d) explaining exchange rates, and the impact of a strong dollar and weak dollar on economic decisions.
(BUS6120.042)

Days 1 & 2 - Changing exchange rates: who is helped and who is hurt when the dollar strengthens or weakens?

Content Knowledge

An exchange rate is the price of one nation's currency in terms of another nation's currency. Like other prices, exchange rates are determined by the forces of supply and demand. Foreign exchange markets allocate international currencies.
When the exchange rate between two currencies changes, the relative prices of the goods and services traded among countries using those currencies change; as a result, some groups gain and others lose.[2]

Vocabulary
Exchange rates - The price of one nation's currency in terms of another nation's currency.
Strong currency – When a currency grows stronger, it purchases more units of another nation's currency than it has before. Stronger currencies tend to lead to increased imports and decreased exports.
Weak currency – When a currency grows weaker, it purchases fewer units of another nation's currency than it has before. Weaker currencies tend to lead to decreased imports and increased exports.

Virginia Board of Education Framework
An exchange rate is the price of one nation's currency relative to another nation's currency. Like prices, exchange rates are determined by supply and demand. When the dollar grows stronger against another currency, it means people holding dollars get more of the other currency for each of their dollars (e.g., a stronger dollar would get more euros per dollar).

A stronger dollar helps Americans traveling abroad or buying imports because it makes foreign hotels and goods less expensive. A stronger dollar hurts Americans selling exports to shoppers in other countries, because it makes the United States goods more expensive.

A weaker dollar hurts Americans who travel abroad or buy imports because it makes foreign hotels and goods more expensive. A weaker dollar helps Americans producing and selling exports to shoppers in other countries, because the United States goods are then cheaper to foreigners.

Teaching Tips

1) Discuss traveling to countries and the process of exchanging currency. Let students describe their experiences.

2) Look at the exchange rates between the US dollar and the Euro since 2002. At some points one could buy a Euro for 80 cents –which is the same as getting a 20% discount from the price. At other points a Euro cost $1.50—which means that something that costs 10 Euros actually would cost someone from the US $15. So, exchange rates matter.

3) Ask students who sets exchange rates. Government? No. Exchange rates are determined through supply and demand. If more people want to buy American goods or if people think the US dollar is the safest currency, the value of the dollar should rise, and vice versa.

4) Teach students to calculate currency exchanges. Calculate the following: a) If the British pound is worth $2.10, how much would you have to pay in England for a shirt that costs $16.00? b) If the Mexican peso is equal to $0.10 in U.S. dollars, what is the peso equivalent of $15.00? c) If it takes 33 Indian rupees to buy $1.00, how much is an Indian sweater purchased for 1,000 rupees in U.S. dollars?2

5) Use the following scenarios to analyze the effects on trade of a change in exchange rates: In one year, the U.S. dollar equaled 150 Japanese yen; in the following year, the U.S. dollar equaled 100 yen; and in the third year, it equaled 125 yen. If a camera costs 60,000 yen and a radio costs 10,000 yen: a) What will be the price in dollars of these two products in each year for an American? b) Will an American want to buy more or fewer Japanese products in year one, in year two, or in year three? Explain.

6) Show the Paul Solman video on currency choices "Made in China". Ask: Did the US want the dollar to be stronger or weaker against the Chinese currency and why? What did the Chinese want? (Questions to go with this video clip are on the same page.)

Lessons and Resources

<u>Capstone</u> Unit 7, Lesson 42: Foreign Currencies and Foreign Exchange

<u>Economics in Action</u> Lesson 14: Exchange Rates: Money Around the World

<u>AP Economics: Macroeconomics - Student Activities</u> Macro Unit 6, Lesson 3: Activity 53 - Exchange Rates

Making Sense with Paul Solman: Dollar's Weakness Inspires Modern-day Gold Rush
https://www.econedlink.org/resources/making-sene-with-paul-solman-dollars-weakness-inspires-modern-day-gold-rush/

Making Sense with Paul Solman: How Currency Choices 'Made in China' Have Big Impact on U.S. Economy https://www.econedlink.org/resources/making-sene-with-paul-solman-how-currency-choices-made-in-china-have-big-impact-on-u-s-economy/

Videos
"The Money Song," by Monty Python's Flying Circus
http://www.youtube.com/watch?v=crARnAJv1EM
http://www.youtube.com/watch?v=xwtgByffoUw (exchange rates)

Cartoons
Frank and Earnest on exchange rates https://www.cartoonistgroup.com/subject/The-Currency+exchange-Comics-and-Cartoons-by-Frank+and+Ernest.php

EPF.9 The student will demonstrate knowledge of the global economy by
e) describing the costs and benefits of trade barriers.
(BUS6120.042)

Day 1 - Who is helped and who is hurt by trade barriers?

Content Knowledge

Although barriers to international trade usually impose higher costs than benefits, they are often advocated by people and groups who expect to gain substantially from them. Because the costs of these barriers are typically spread over a large number of people who each pay only a little and may not recognize the cost, policies supporting trade barriers are often adopted through the political process.

Students will be able to use this knowledge to negotiate exchanges and identify the gains to themselves and others. Students will also be able to compare the benefits and costs of policies that alter trade barriers between nations, such as tariffs and quotas.[1]

Vocabulary
Embargo - a policy forbidding trade in a certain good (e.g., ivory) or with a certain country
Trade barriers - Restrictions that prevent free trade among nations. Examples include tariffs, import and export quotas, and nontariff restrictions such as licensing requirements and bureaucratic red tape.
Tariff - A tax on an imported good or service.
Quota - In international trade, the limit on the quantity of a product that may be imported or exported, established by government laws or regulations; in command economies, more typically a production target assigned by government planning agencies to the producers of a good or service.

Virginia Board of Education Framework
Trade barriers include
tariff — a tax on imports
quota — a limit on the quantity of a good allowed into a country
embargo — a policy forbidding trade in a certain good (e.g., ivory) or with a certain country

Trade barriers reduce trade thus reducing competition for domestic producers and reducing choices for consumers.

Trade barriers help domestic producers of the protected good by reducing the competition for their good (e.g., sugar).

Trade barriers hurt consumers by raising prices of the protected good (e.g., sugar) and hurt foreign producers of the good who wish to export to the United States.

Although barriers to international trade usually impose more costs than benefits, they are often advocated by people and groups who expect to gain substantially from them. Incentives exist for political leaders to implement policies that disperse costs widely over large groups of people and benefit small, politically powerful groups of people. Because the costs of these barriers are typically spread over a large number of people, each of whom pays only a little and may not recognize the cost, policies supporting trade barriers are often adopted through the political process.

When imports are restricted by public policies, consumers pay higher prices, and job opportunities and profits in importing firms decrease.

Teaching Tips

1) Free trade increases worldwide material standards of living. Identify the net benefits when a trade barrier such as sugar or automobile import quotas is eliminated.[2]

2) The gains from free trade are not distributed equally, and some individuals or groups may lose more than they gain when trade barriers are reduced. . Explain how free trade in the automobile industry makes consumers better off while some auto workers lose their jobs.[2]

3) Despite the mutual benefits from trade among people in different countries, many nations employ trade barriers to restrict free trade for national defense reasons, to protect key industries, or because some companies and workers are hurt by free trade. Have students look at historical examples of periods when the United States has imposed trade barriers and explain why the U.S. government would impose trade barriers given the mutual benefits of free trade.[2]

4) When imports are restricted by public policies, consumers pay higher prices and job opportunities and profits in exporting firms may decrease. Have students analyze the political and economic implications of a proposed ban on imported products.[2]

5) Explain why a political leader would support an idea that helps only a few while harming many, such as a tariff on imported luggage.[2]

6) The Wide World of Trade lesson is a particularly good hands-on activity demonstrating who is hurt and who is helped by trade barriers.

Lessons and Resources

<u>AP Economics: Macroeconomics – Student Activities</u> Macro Unit 6, Lesson 2: activity 51 - Barriers to Trade

<u>Economics in Action</u> Lesson 13, activity 13.2: Comparative Advantage and Trade in a Global Economy

Focus: Globalization Lesson 10: Protecting the US Sugar Industry from Foreign Outsourcing: A Bittersweet Idea

Wide World of Trade Lesson 9: Why Restrict Trade?

Econedlink lesson. The U.S. Sugar Program - A Matter of National Security or Corporate Welfare? https://econedlink.org/resources/the-u-s-sugar-program-a-matter-of-national-security-or-corporate-welfare/

Readings
U.S. - China Trade War Timeline. "All items made in Hong Kong to be labeled 'Made in China.'"
https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/

Video
MJM Foodie: Barriers to Trade. http://www.youtube.com/watch?v=Y2X3KPilAt0

<u>EPF.9 The student will demonstrate knowledge of the global economy by</u>
f) describing the effects of international trade agreements and the World Trade Organization.
(BUS6120.042)

Day 1 - How do trade agreements increase trade?

Content Knowledge

.International trade agreements such as the North American Free Trade Agreement (NAFTA) have tended to reduce trade barriers. Likewise, the World Trade Organization (WTO) seeks freer trade among nations.[1]

Vocabulary
European Union (EU) – An association of European nations created by the Maastricht Treaty signed in 1992. The EU has eliminated quotas and tariffs among its members and created other common economic policies.
North American Free Trade Agreement (NAFTA) – A treaty signed by Canada, Mexico and the United States in the 1990s which promises to reduce trade barriers of all kinds between the member nations.
Trade agreement – A formal treaty or structure that is designed to improve the flow of trade between participating nations.
World Trade Organization (WTO) – A trade agreement among over 100 nations that specifies the level of tariffs among the signatories and attempts to resolve trade disputes.

Virginia Board of Education Framework
Trade agreements establish rules about trade that all parties agree to. These agreements have generally reduced the barriers to trade.

The North American Free Trade Agreement (NAFTA) established a free-trade zone (Canada, Mexico, and the United States) with the intention of eliminating trade barriers, promoting fair competition, and increasing investment opportunities.
The World Trade Organization (WTO) administers trade agreements, handles disputes, and provides a venue for negotiating among its member nations.
The European Union (EU) is a regional trade organization formed to promote trade among countries in Europe by reducing trade barriers and adopting a common currency, the euro.

Teaching Tips

1) What is the purpose of establishing trade agreements? Trade agreements establish rules about trade that all parties agree to. These agreements have generally reduced the barriers to trade.[1]

2) Review the benefits of trade. Remind students that trade barriers tend to benefit a few and raise costs to many.

3) What is NAFTA? Who are its participants? What is its purpose? Who are the participants in NAFTA? The North American Free Trade Agreement (NAFTA) established a free-trade zone (Canada, Mexico, and the United States) with the intention of eliminating trade barriers, promoting fair competition, and increasing investment opportunities.[1]

4) What is the role of the World Trade Organization (WTO)? The World Trade Organization (WTO) administers trade agreements, handles disputes, and provides a venue for negotiating among its member nations.[1]

5) What is the European Union (EU)? The European Union (EU) is a regional trade organization formed to promote trade among countries in Europe by reducing trade barriers and adopting a common currency, the euro.[1]

Lessons and Resources

Focus: Globalization Lesson 1: Why is Globalization So Controversial?

Focus: International Economics Lesson 18: The NAFTA Debate

Focus: Institutions and Markets Lesson 11: Hey, Hey, Ho, Ho, Why Do We Need the WTO?

Econedlink **Inquiry** Lesson. NAFTA: Did Jobs Get Sucked Out of the U.S.?
https://econedlink.org/resources/nafta-are-jobs-being-sucked-out-of-the-united-states/

Video
History of GATT and WTO http://www.youtube.com/watch?v=27J3CByXKow

What is the E.U.? http://www.youtube.com/watch?v=b2-4gpRIkUE

EPF.9 The student will demonstrate knowledge of the global economy by
g) explaining growing economic interdependence.
(BUS6120.042)

Day 1 - How does globalization make countries more interdependent?

Content Knowledge

Greater specialization leads to interdependence between producers and consumers. As a result of growing international interdependence, economic conditions and policies in one nation increasingly affect economic conditions and policies in other nations.[1]

Vocabulary
Interdependence - A situation in which decisions made by one person affect decisions made by other people, or events in one part of the world or sector of the economy affect other parts of the world or other sectors of the economy.
Globalization - Although there is no one precise definition, the term usually refers to the increased flow of trade, people, investment, technology, culture and ideas among countries.
Outsourcing occurs when a firm in one country hires people in other countries to do work.
Offshoring occurs when a firm in one country tries to reduce costs by locating production facilities in other countries.

Virginia Board of Education Framework
The economy of the United States depends on resources and markets around the world for the production and sale of goods and services.
When other economies slow, they may buy less from the United States, and this can slow the United States economy. When other economies expand, they may buy more from the United States, stimulating the United States economy.

To be competitive and increase profits, businesses seek to reduce costs of production. When natural or human resources are cheaper in other countries, United States businesses use foreign resources when they can, affecting the United States labor market. This may involve moving production to other countries (i.e., offshoring) or sending work via the Internet to workers in other countries (i.e., outsourcing).

When foreign goods are cheaper or better, United States consumers may buy them, affecting the demand for United States goods and services and the jobs of those who produce them.

Teaching Tips

1) Have students brainstorm benefits and costs of globalization in their lifetime. High school students might enjoy this video made by an Auburn University student: http://www.youtube.com/watch?v=LtmvksvSvtc Or you may want to show this eight minute video. http://www.youtube.com/watch?v=3oTLyPPrZE4
Discuss the factors that have increased globalization. What have been some of the costs and benefits?

2) Help students understand that some people favor and some oppose globalization. The lesson below from Focus: Globalization helps explain why people have different opinions.

3) What are some ways in which globalization has increased interdependence?

- When other economies slow, they may buy less from the United States, and this can slow the United States economy.
- When other economies expand, they may buy more from the United States, stimulating the United States economy.
- To be competitive and increase profits, businesses seek to reduce costs of production. When natural or human resources are cheaper in other countries, United States businesses use foreign resources when they can, affecting the United States labor market. This may involve moving production to other countries (i.e., offshoring) or sending work via the Internet to workers in other countries (i.e., outsourcing).
- When foreign goods are cheaper or better, United States consumers may buy them, affecting the demand for United States goods and services and the jobs of those who produce them.

4) As a result of growing international economic interdependence, economic conditions and policies in one nation increasingly affect economic conditions and policies in other nations. Have students analyze data on the kinds and value of goods that Japan, Canada, Mexico, and Germany export to the United States and predict the likely effect of a recession in the United States on the economies of these countries. Have students explain how a tariff on imported cacao beans affects the production of chocolate candy in the United States and how it affects people in cacao-growing countries.[2]

Lessons and Resources

Focus: Globalization Lesson 1: Why is Globalization So Controversial? See lesson demonstration at: https://www.econedlink.org/resources/why-is-globalization-so-controversial-lesson-demo/

Capstone Unit 7, Lesson 39: Why Go Global?

Videos
“Globalization” http://www.youtube.com/watch?v=3oTLyPPrZE4
Created by Auburn University student http://www.youtube.com/watch?v=LtmvksvSvtc