

Teaching Globalization?

- Why do people trade?
- What are the advantages and disadvantages to trade?
- How do we determine what to trade?
- Does Globalization hurt or help the poor?
- How does Globalization affect the environment?
- How is the dollar valued in the world market? Is a strong dollar good for US trade?
-

The Lingo of Trade

- Globalization
- Trade Deficit
- Trade Surplus
- Imports
- Exports
- Value of the dollar
 - --appreciation
 - --depreciation
- Balance of Trade
- Terms of Trade



Sources for Teachers - Trade

Marginal Revolution University – The Avengers Series (3 episodes)

<https://mru.org/courses/everyday-economics/avengers-story-globalization>

Globalization – Crash Course - <https://www.youtube.com/watch?v=geoe-6NBy10>

Looping around the world – A game of international Trade – Econedlink

<https://www.econedlink.org/resources/looping-around-the-world-a-game-of-international-trade/>

Why is Globalization So Controversial?

<https://www.econedlink.org/resources/why-is-globalization-so-controversial-lesson-demo/>

Making Sen\$e with Paul Solman: Is Globalization Wiping out the American Surfboard Industry?

<https://www.econedlink.org/resources/making-sene-with-paul-solman-is-globalization-wiping-out-the-american-surfboard-industry/>

Info graphics

<https://www.trade.gov/data-visualization/ita-monthly-trade-infographic>

MRU Avengers - Globalization 3 part series

<https://mru.org/courses/everyday-economics/avengers-story-globalization>



Imports, Exports, and Exchange Rates: Crash Course Economics #15



<https://www.youtube.com/watch?v=geoe-6NBy10><https://www.youtube.com/watch?v=geoe-6NBy10>

Globalization

[.glō-bə-lə-'zā-shən]



The spread of the flow of financial products, goods, technology, information, and jobs across national borders and cultures.



Type of Globalization



1. ***Economic***

- Countries that trade with many others and have few trade barriers are economically globalised.

2. ***Social***

- A measure of how easily information and ideas pass between people in their own country and between different countries (includes access to internet and social media networks).

3. ***Political***

- The amount of political co-operation there is between countries.

Milton Friedman, I Pencil

<https://www.youtube.com/watch?v=67tHtpac5ws>





- 1. Why is it impossible for one person to make a pencil?
- 2. How many different industries are there that contribute to making one pencil?
- 3. What makes all these people who make a pencil cooperate together? Do they know each other? Do they like each other?
- 4. Why is the free market essential ?

I Pencil

<https://www.youtube.com/watch?v=IYO3tOqDISE>



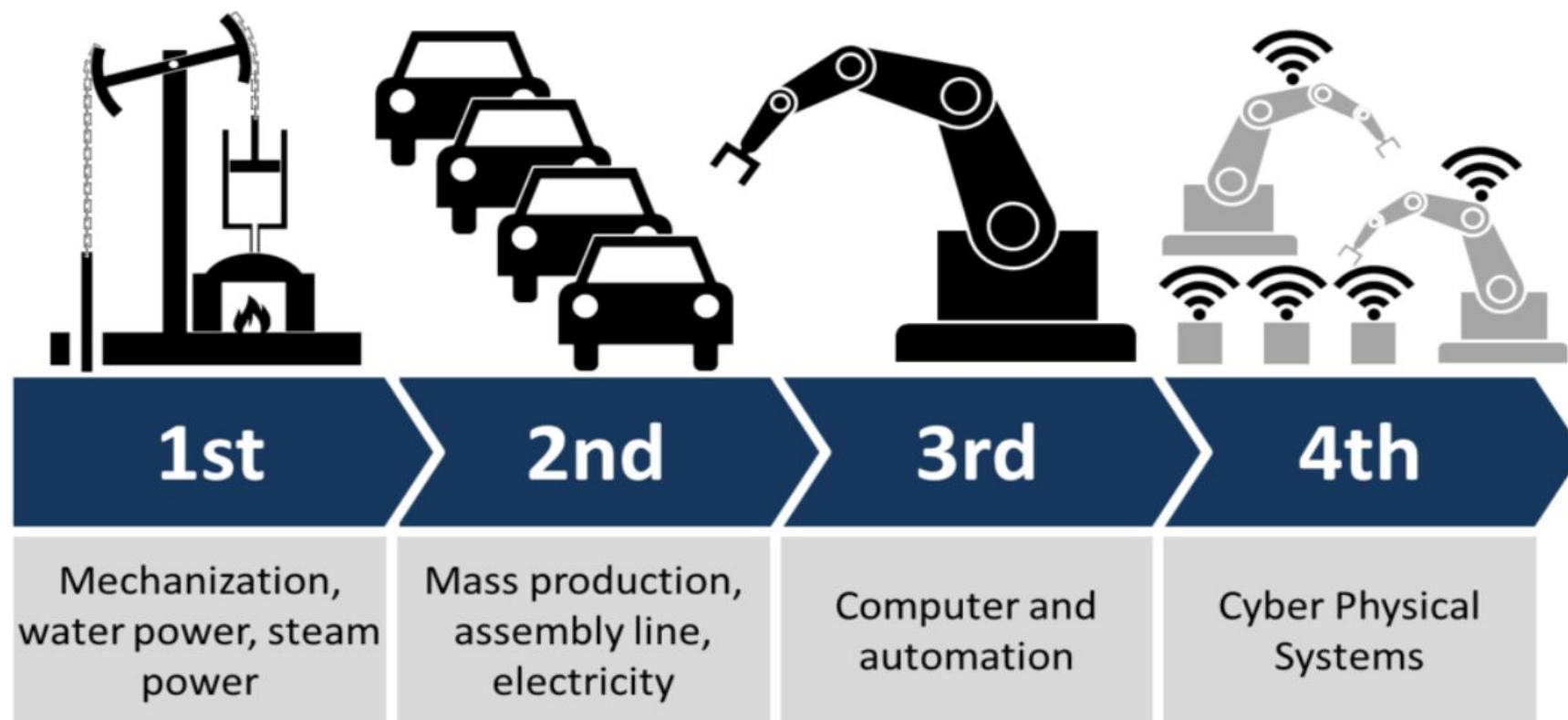
History of Globalization



- Marco Polo – Travels to the East
- Colonialization
- 19th century steamships, railroads, the telegraph
- Globalization stopped with World War I – Protectionism and The Great Depression.
- Post WWII – USA led the movement to further trade and cooperation.
- Today, the economies of most countries are so interconnected they form part of a single interdependent global economy



Stages of Globalization



Industrial revolutions and their technologies. Image: Wikipedia



"If we want to make sure that the next wave of globalization is even more successful, it has to be complemented with good, sound domestic policies that help those who are getting left out."

Gita Gopinath
Chief Economist, International Monetary Fund

Pros and Cons of Globalization



<https://www.weforum.org/agenda/2019/04/an-economist-explains-the-pros-and-cons-of-globalization-b2f0f4ae76/>

Effects of Globalization

1. Improved Communications



- The development of communication technologies such as internet, email and mobile phones have been vital to the growth of globalisation because they help MNCs to operate throughout the world.



- The development of satellite TV channels such as Sky and CNN have also provided worldwide marketing avenues for the concept and products of globalisation.



2. Improved Transport

- The development of refrigerated and container transport, bulk shipping and improved air transport has allowed the easy mass movement of goods throughout the world. This assists globalisation.



Global Banking

- Modern communication technologies allow vast amounts of capital to flow freely and instantly throughout the world.
- The equivalent of up to \$US1.3 trillion is traded each day through international stock exchanges in cities such as New York, London and Tokyo.



The Growth of Multinational Corporations

- The rapid growth of big MNCs such as Microsoft, McDonalds and Nike is a cause as well as a consequence of globalisation.
- The investment of MNCs in farms, mines and factories across the world is a major part of globalisation.
- Globalisation allows MNCs to produce goods and services and to sell products on a massive scale throughout the world.



Changed Food Supply

- Food supply is no longer tied to the seasons. We can buy food anywhere in the world at any time of the year.



Division of labor

- Because MNCs search for the cheapest locations to manufacture and assemble components, production processes may be moved from developed to developing countries where costs are lower.



Jobs Become More Mobile & Changing Rapidly

- In the global economy jobs are becoming more temporary and insecure.
- A survey of American workers showed that people now hold 7 to 10 jobs over their working life.

Job Security
job·se·cu·ri·ty
(noun):
1) a sense of protection from job loss
2) SOMETHING THAT NO LONGER EXIST!!!



Cultural Impact

- Websites such as YouTube connect people across the planet. As the world becomes more unified, diverse cultures are being ignored. MNCs can create a monoculture as they remove local competition and thereby force local firms to close.



Replacing



Rank the Effects of Globalization

- www.menti.com and use the code **34828611**

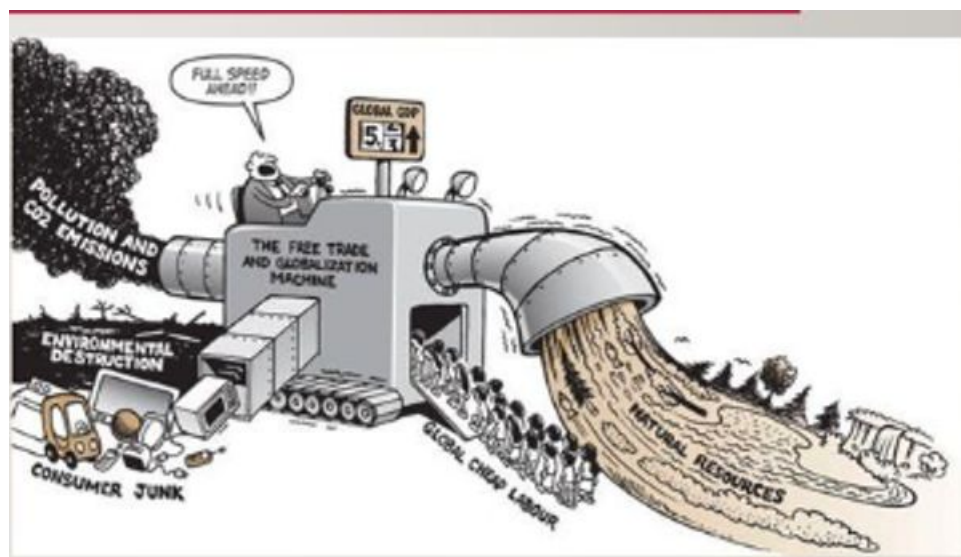
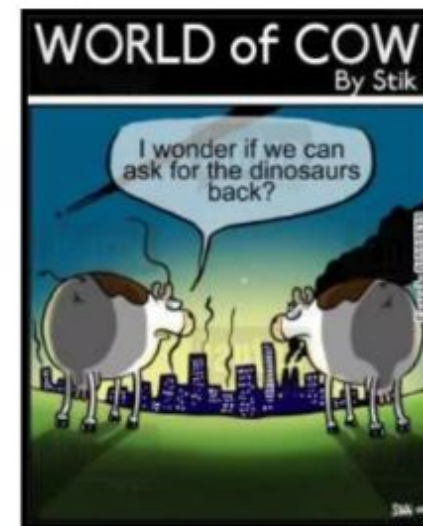
Increase Anti Globalization Across the World

- There is a growing awareness of the negative impacts of globalisation. People have begun to realise that globalisation can be challenged by communities supporting each other in business and society and through public protest and political lobbying.



Effects on the Environment

- More trade means more transport which uses more fossil fuels and causes pollution.
- Climate change is a serious threat to our future.



Globalization Help or Hurt the Poor?



- There is no single answer
 - The poor in many countries benefit from
 - Increased jobs
 - Cheaper consumption
 - Opportunity for education, savings, entrepreneurship
 - In other cases
 - Workers are displaced by imports and lose jobs
 - Poor consumers pay more, not less, for what they need

- On average
 - Countries that have embraced globalization have done better, on the whole, than those who have not
 - Within those countries, economic growth has raised incomes at all levels, including the poor
 - Some countries have done especially well by exporting
 - S. Korea
 - Other Asian countries

GLOBALIZATION AS A TOOL FOR PROSPERITY AND PEACE



IMF
International
Monetary Fund



UN
United Nations



**World
Bank**



WTO
World Trade Organization
Established 1948, as the
General Agreement on Tariffs



NATO
North Atlantic
Treaty Organization

What determines What We Trade and With Whom?



DAVID RICARDO

comparative advantage
*only trade with other countries to gain
products not available nationally*



TRADE OFFS? What are they ?

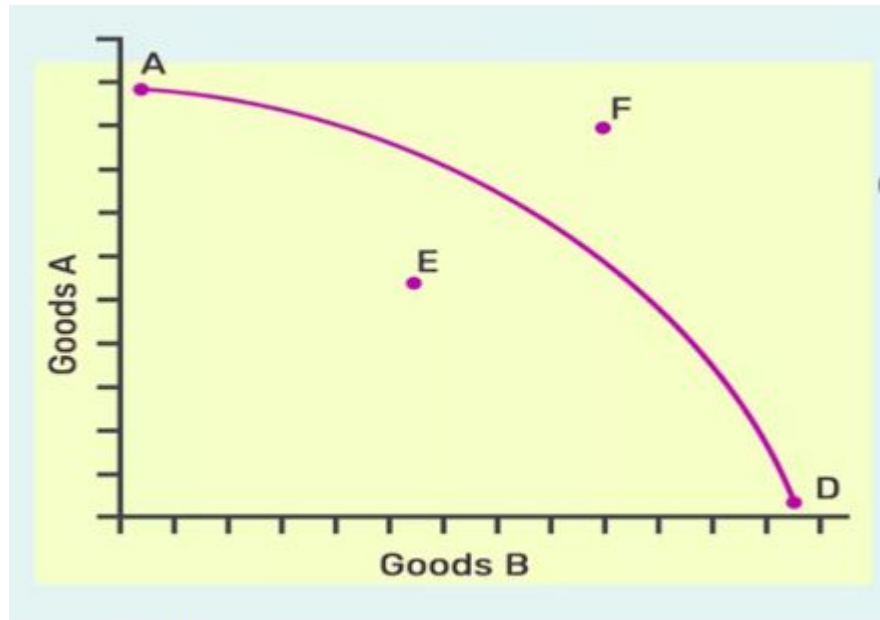


Inspired by Andrea Caceres-Santamaria, "Money and Missed Opportunities." *Page One Economics*, October 2019. Icons by Getty Images.

Where do we begin?

What can you tell me about this PPF?

How Does this Relate to Trade?



Answers

BY KIMBERLY AMADEO

REVIEWED BY THOMAS J. CATALANO on October 02, 2021

What To Know About Production Possibilities Curves

- The points show how much of each good will be produced when resources shift, thus impacting more production of one good and less of the other.

- It doesn't indicate how much of each good should be produced, but the production sacrifice needed to make more of the other good.

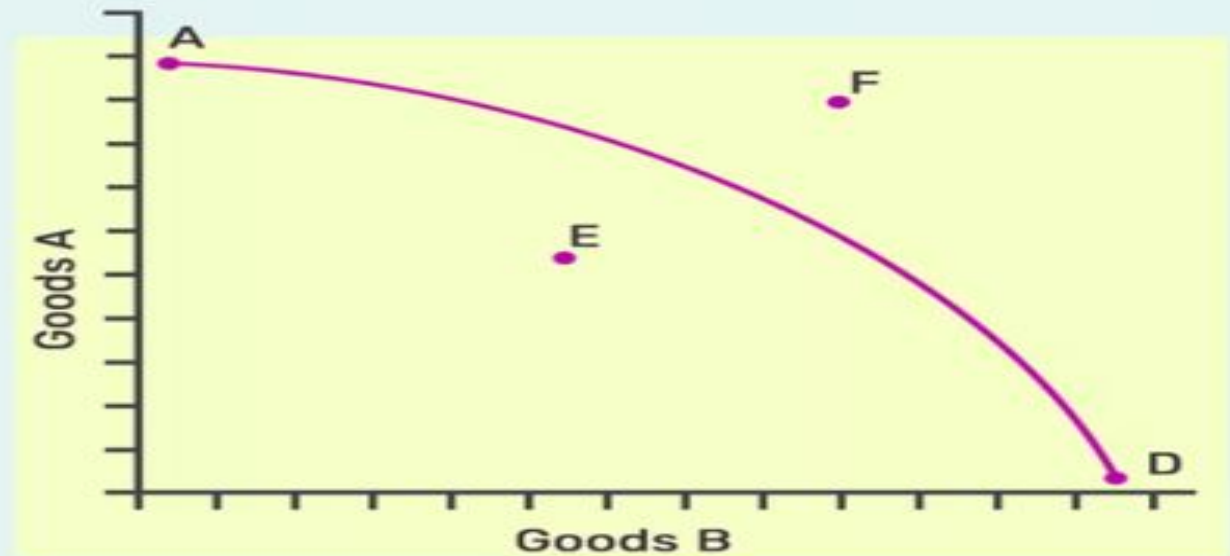
- It demonstrates the concept of opportunity cost.

E: All resources are not being used.

F: Any point outside the PPF curve is impossible; more of both goods cannot be produced with current resources.

A: More of goods A are being produced and none of goods B are being produced.

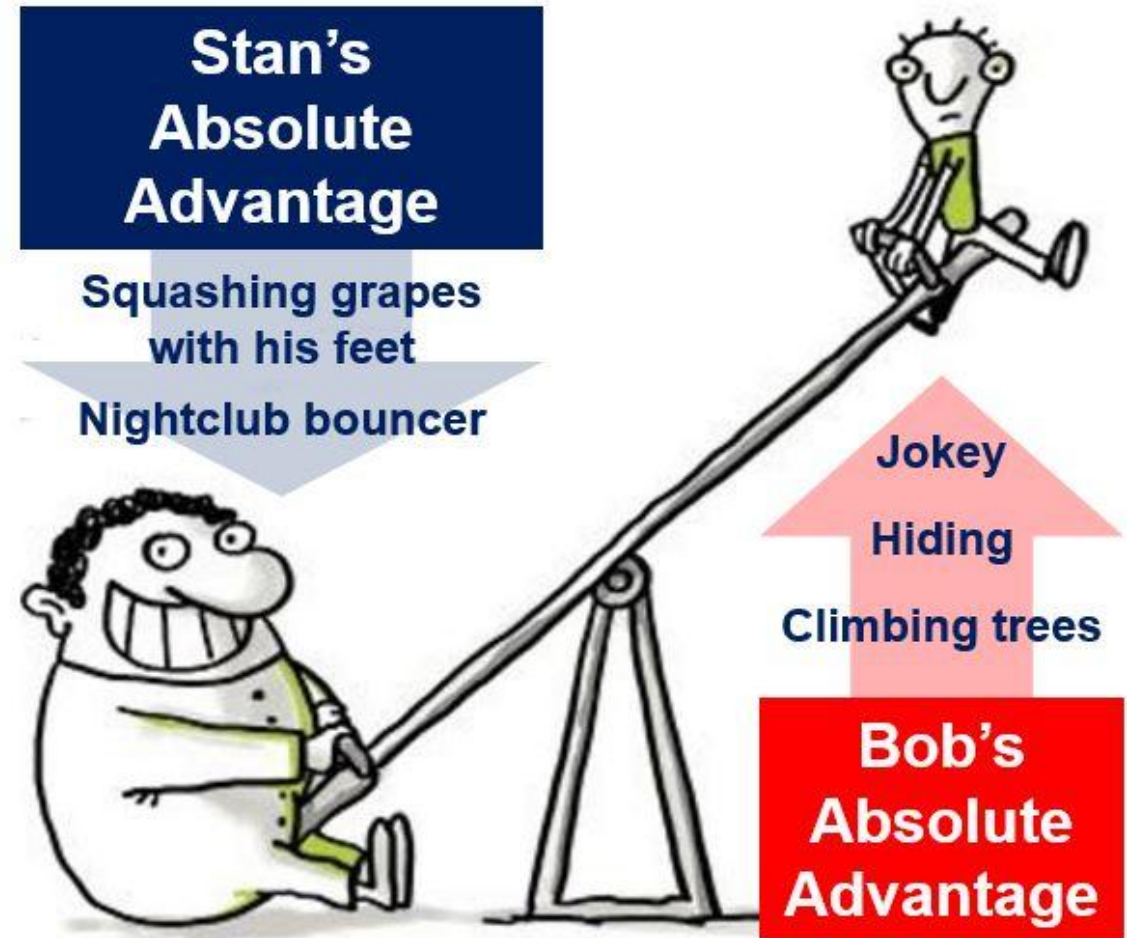
D: None of goods A are being produced and more of goods B are being produced.



What does it mean if a country has an absolute advantage?

Absolute Advantage

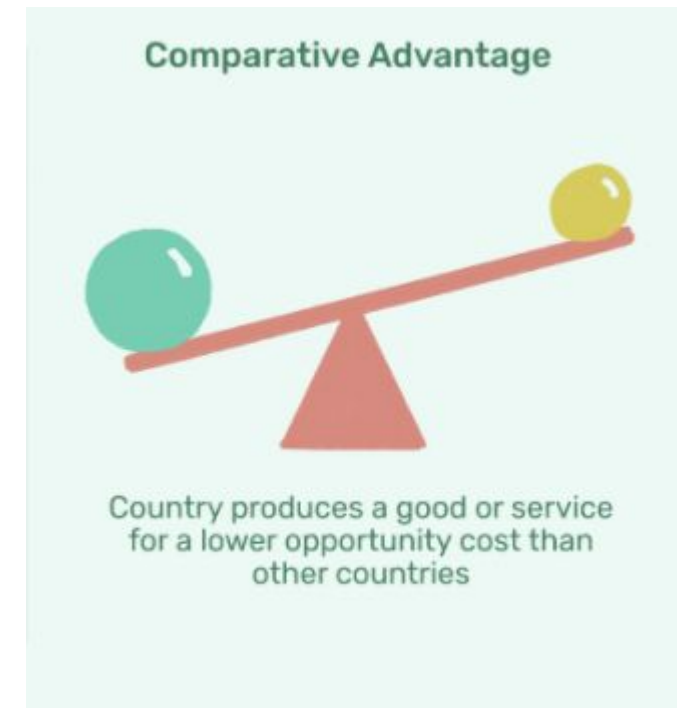
- The ability of one person/group to produce more of a good or service with fixed resources.
- For example, if Madeline can bake 10 pies in an hour and Charlie can bake 12 pies in an hour, Charlie has an absolute advantage in baking because he can produce more pies per hour than Madeline.
- The absolute advantage goes to the **who is better at producing the good in question**; however, absolute advantage does not tell the entire story.
- To determine how resources should be used, we must investigate the concept of *comparative advantage*.



Comparative Advantage

- "Economists say that an economy has a comparative advantage in producing a good or service if the opportunity cost of producing that good or service is lower for that economy than for any other."

- **The ability of one person/group to produce a good or service at a lower opportunity cost than another person/group.**
- In other words, the person/group with the comparative advantage is **giving up the least amount of resources.**
- When *calculating opportunity cost* there are 2 methods:
 - **outputs** (with fixed inputs)
 - **inputs** (with fixed outputs)



Let's calculate the opportunity cost?

Calculating Opportunity Cost

- OC = What is sacrificed
- Measures the amount of a good that has to be sacrificed for to gain more of the other good

Rabbits	Berries
0	300
1	280
2	240
3	180
4	100
5	0

1. What is the opportunity cost to produce 1 rabbit?
2. What is the opportunity cost for going to produce 180 berries to 240 berries?

Opportunity Cost

The opportunity cost is what you must forgo in order to get something.

Calculating Opportunity Cost

- OC = What is sacrificed
- Measures the amount of a good that has to be sacrificed for to gain more of the other good

Rabbits	Berries	OC (marginal)
0	300	---
1	280	20
2	240	40
3	180	60
4	100	80
5	0	100

What Should Will They Do?



Hatfield and the McCoys.

Will they trade with each other?



The Hatfields and the McCoys don't talk to each other very much. They would rather shoot than smile. The Hatfields are better off than the McCoys in every way. Why, it takes only 8 hours for one Hatfield to grow 1 bushel of corn and only 10 hours for one Hatfield to make 1 yard of cloth.

The McCoys aren't any more (or less) shiftless than the Hatfields, but their land is worse, and their tools aren't as good. Anyway, it takes 15 hours for one McCoy to grow 1 bushel of corn and 12 hours for one McCoy to make 1 yard of cloth. The McCoys are worse off than the Hatfields because they have to work longer for everything they want.

Now old Ma Hatfield is a sly one, and she's been sitting and rocking and thinking for years and years. One day she says, "Pa! Pa! I've been cogitating. You know what I think? I think we'd be a whole lot better off if we stopped fighting the McCoys, spent more time raising corn, and traded with the McCoys when we need cloth."

Paw spat. "Darnit, woman," he said. "We are better farmers than those varmints and better weavers, too! Besides, I don't want to be dependent on that poor excuse for a family for my clothes."

Can you help Ma and Pa settle this? Using the following worksheet, try to figure out who is right.

Will the Hatfields and the McCoys gain from trade?

To produce corn and cloth, the Hatfields must spend:

- _____ hours for 1 bushel of corn
- _____ hours for 1 yard of cloth
- _____ hours for total production of 1 bushel of corn and 1 yard of cloth

To produce corn and cloth, the McCoys must spend:

- _____ hours for 1 bushel of corn
- _____ hours for 1 yard of cloth
- _____ hours for total production of 1 bushel of corn and 1 yard of cloth

	Corn	Cloth
Hatfield	8 hrs	10 hrs
McCoys	15 hrs	12 hrs

If the Hatfields produce only corn and trade 1 bushel of corn for 1 yard of cloth, they would spend:

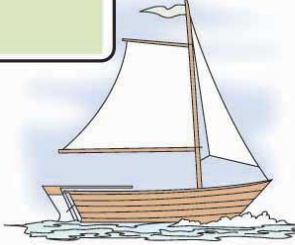
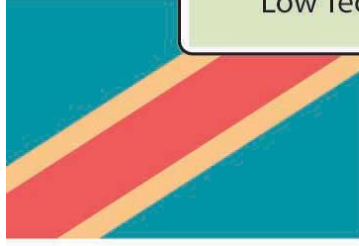


- _____ hours for 2 bushels of corn
- _____ hours to have 1 bushel of corn and 1 yard of cloth through trade

If the McCoys produce only cloth and trade 1 yard of cloth for 1 bushel of corn, they would spend:

- _____ hours for 2 yards of cloth
- _____ hours to have 1 yard of cloth and 1 bushel of corn through trade

Production Possibilities Curve

A country's economy can be depicted by a production possibilities for the purpose of determining trade.



Country	Boats	Telescopes
High Tech	3	9
Low Tech	2	1

Let's calculate opportunity cost

Determine the trade?

Country	Boats	Telescopes
High Tech	3	9
Low Tech	2	1

Hi Tech

1 Boat □ 3 telescopes

Low Tech

1 Boat □ 1/2 Telescopes

Who has a lower opportunity cost for boats?

High Tech

1 Telescope □ 1/3 boat

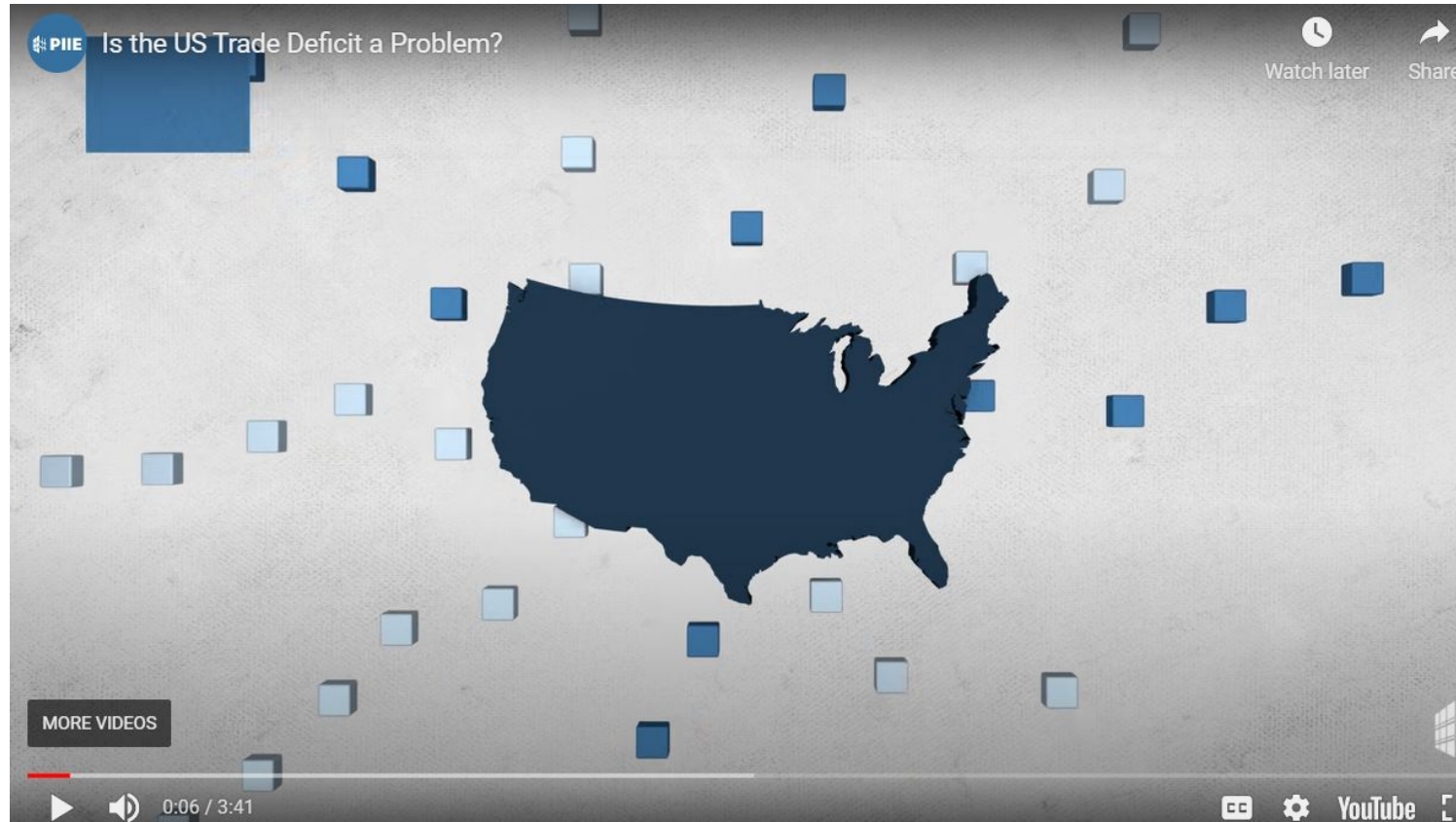
Low Tech

1 Telescope □ 2 boats

Who has a lower opportunity cost for telescopes?

Whoever has a lower opportunity cost □ that is what they will specialize and export!

<https://www.piie.com/newsroom/short-videos/us-trade-deficit-problem>



STRONG DOLLAR: PROS and CONS



Outline the Pros and Cons of a Strong Dollar. Which position do you feel would be best for the USA?

<https://www.youtube.com/watch?v=DEPcHoHLvGI>

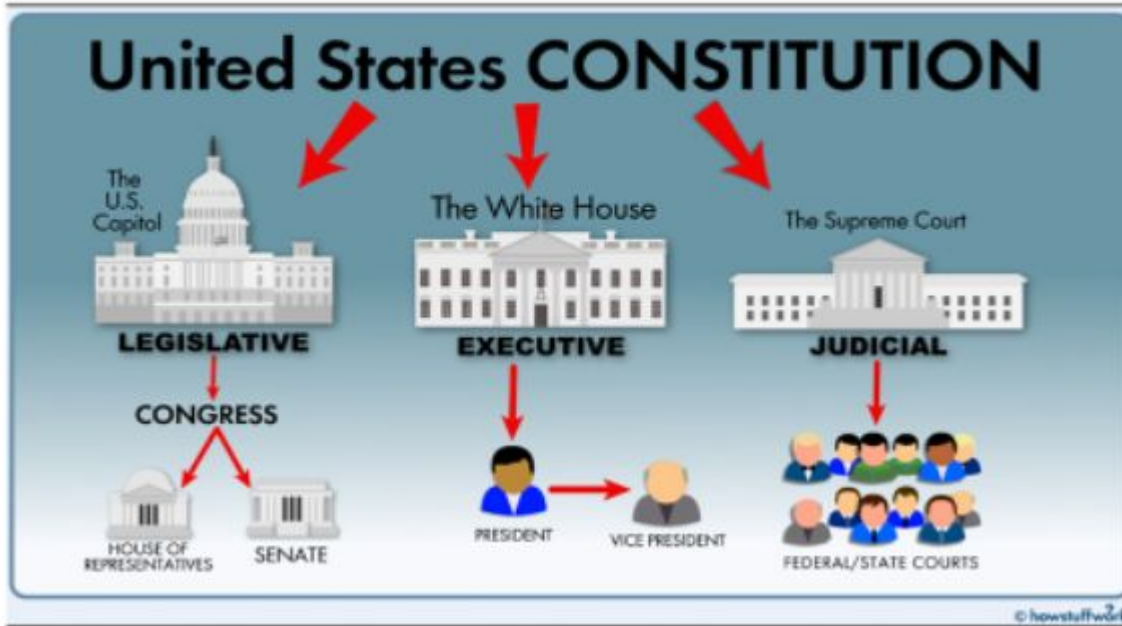
How Global Trade Runs on U.S. Dollars | WSJ

<https://www.youtube.com/watch?v=jsDwMGH5E8U>

What determines the Value of the U\$A?



Stability of the US Government



Stability of the US Economy



DEMAND FOR US GOODS



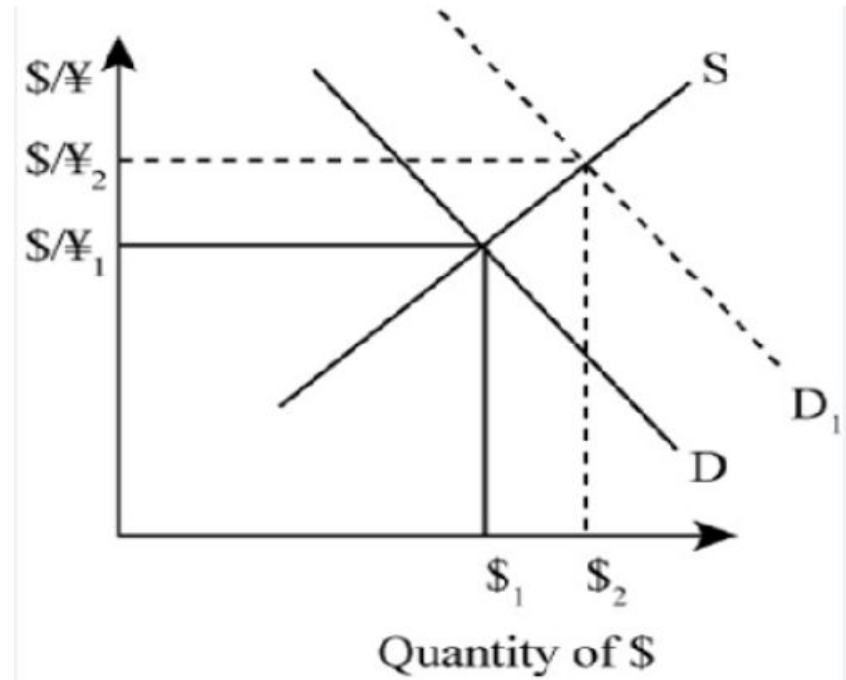
Supply and Demand

Exchange Rate

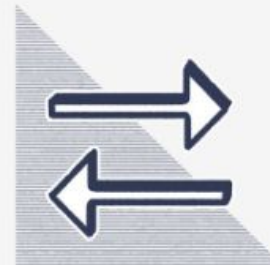
the rate at which one country's currency can be traded for another country's currency



Study.com



Factors That Affect the Value of a Dollar



Supply and demand



Market sentiment and psychology



Technical economic data

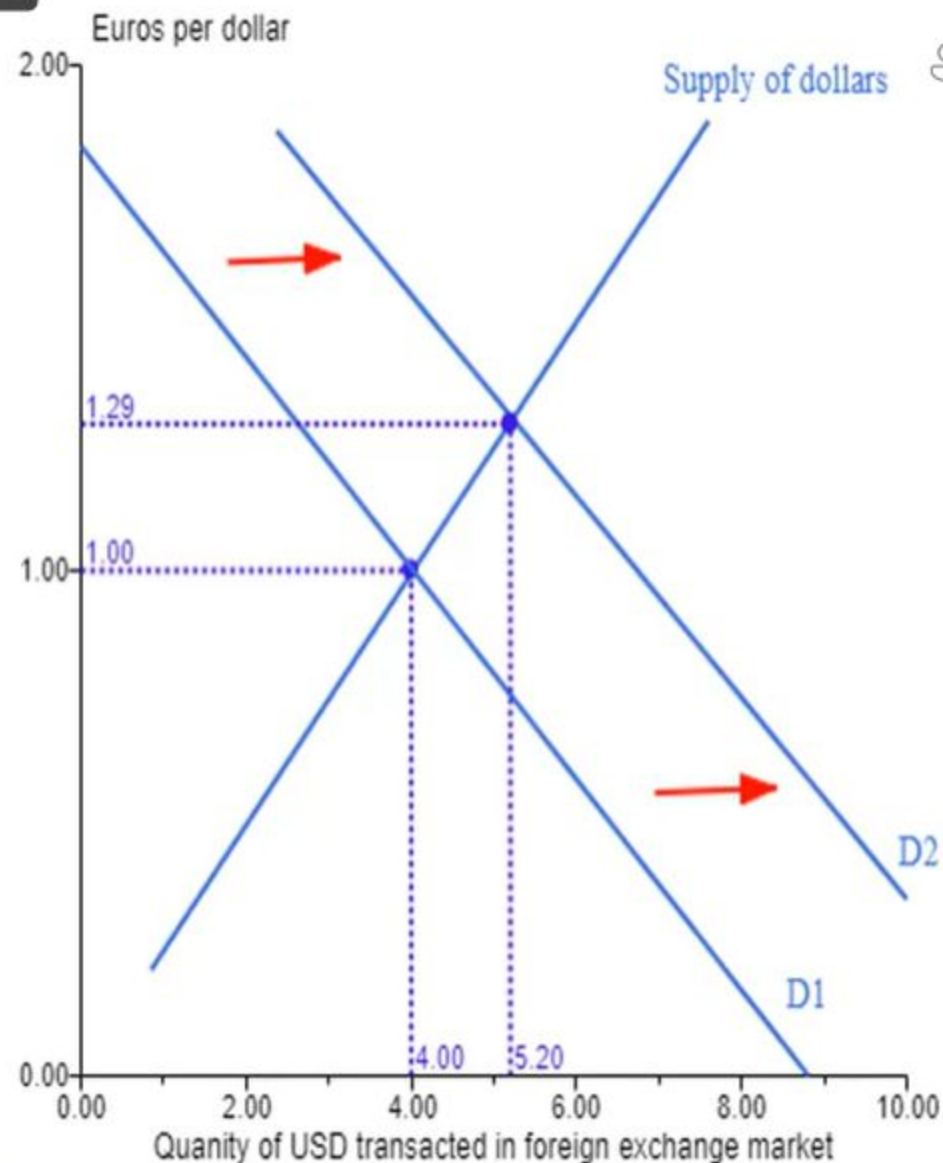
Example: dollar appreciates (or foreign currency depreciates)

- An increase in US interest rates will cause an increase in the demand for US financial assets.

If **speculators** believe that the future value of dollar will rise, speculators will increase their current demand for US dollars.

- An increase in foreign income will cause an increase in the demand for US exports.

- Foreign demand for US dollars will increase, causing the dollar-exchange rate to rise from $1\text{EUR} = \text{USD}$ to $1.29\text{EUR} = \text{USD}$.

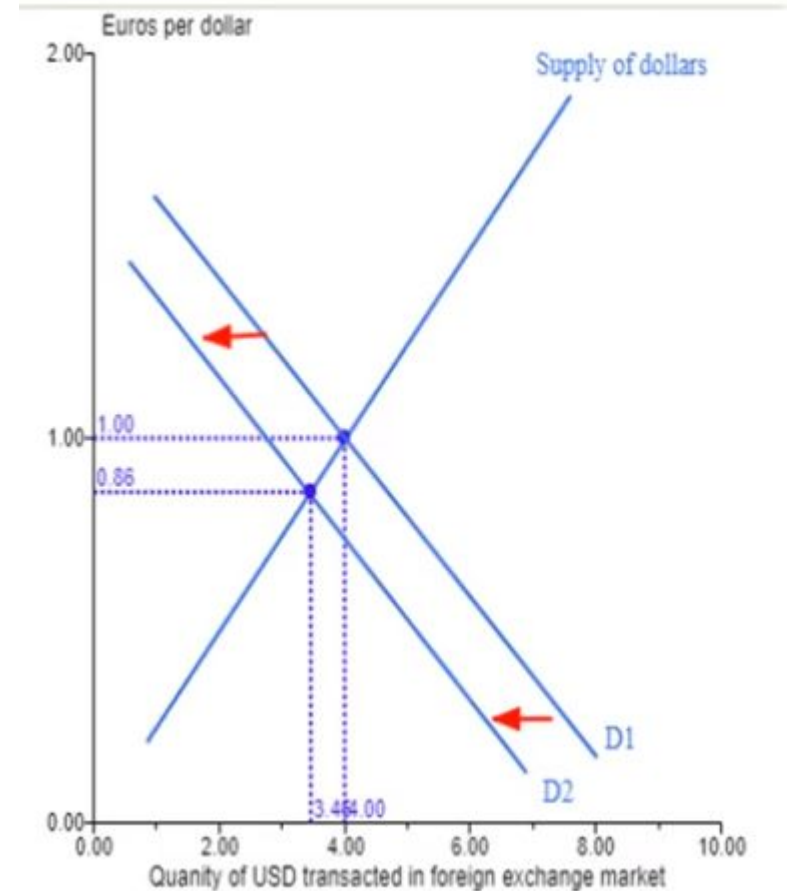


Examples when the U\$A Depreciates

A recession in Europe (falling incomes) or a decrease in US interest rates will cause the demand for US dollars to decrease and shift left. Europeans will buy fewer US goods, so they don't need as many dollars.

The dollar-exchange rate will fall, causing the US dollar to depreciate from $1\text{EUR} = \text{USD}$ to $0.86\text{EUR} = \text{USD}$.

There will be a decrease in demand for dollars if speculators believe the future value of the dollar will fall.

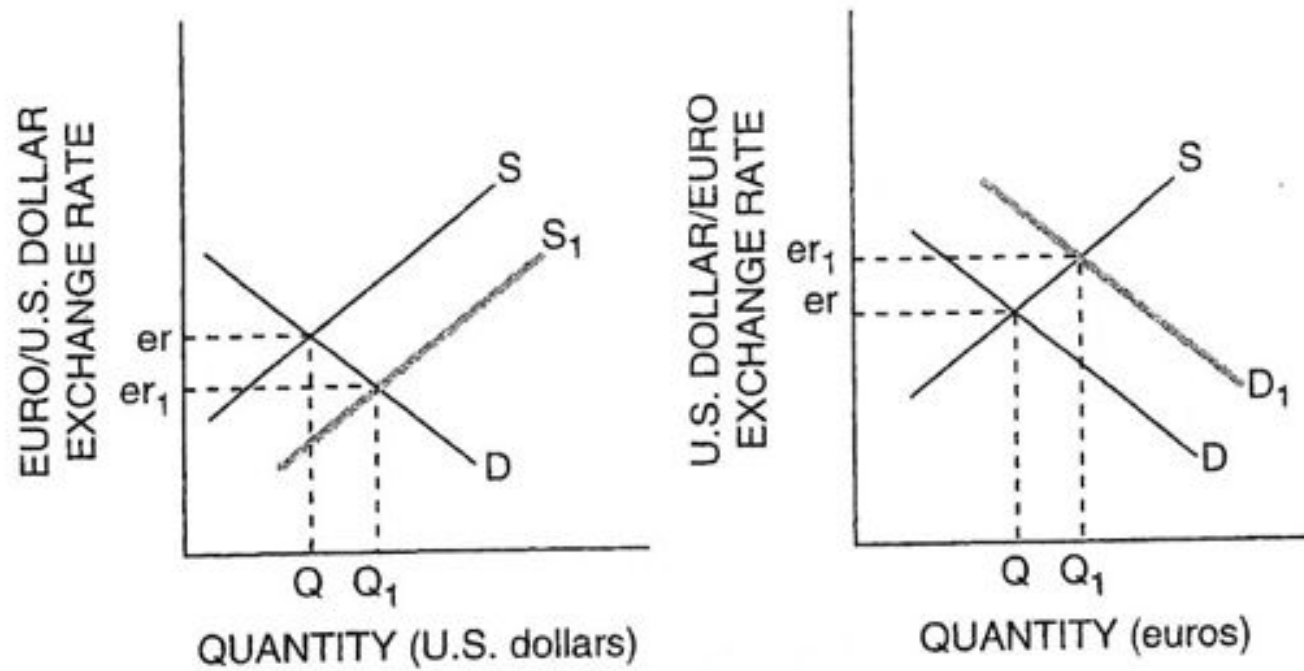


EXAMPLE: The prices of U.S. goods rise relative to the prices of German goods.



Figure 7-3.1

Prices of U.S. Goods Increase



Rationale: Americans will demand the less expensive German goods. To purchase the German goods, they need euros, so the demand for euros increases (shifts to the right). To buy euros, the Americans will supply U.S. dollars to the foreign exchange market, so the supply of U.S. dollars shifts to the right. The U.S. dollar depreciates (the exchange rate decreases). The euro appreciates (the exchange rate increases).

Simulation for the Value of a Currency

- **Materials needed**

- 1. Monopoly money
- 2. US currency for KitKats
- 3. Kit Kats

Procedure

1. You distribute monopoly money to the member of the class. You explain to the class that if they want a purchase KitKat they have to do it in dollars.
2. You have a banker who will exchange their money to USA dollars
3. You have a vendor who will sell the kitkat to them with US dollars
4. They need to bid for the US dollar to enable the students to purchase a Kitkat.

Events in the USA to determine the Value of the Dollar

- **Round One:** The bidding begins to get the US dollar. It will be slow. When you feel the auction is over. The student write how much monopoly money : US dollar. Student who wins comes up → exchanges the monopoly money for \$1 and then goes to the store to buy the KitKat.
- **Round Two:** You report US GDP has increased by 5%. You hand out more money to the class. The bidding begins -> record on the board
- **Round Three:** You report that unemployment is now at record lows. Distribute more money because more people work and have more money. Bidding begins -> record on the board
- **Round Four:** The Fed has increased interest rates. More people put their money in US banks. Bidding begins → record on the board
- **Round Five:** Prices in Canada has increased by 10% as compared to the USA. Distribute more money because more people want to buy in the USA. Bidding begins→ record on the board.

Summation

- The entire simulation is attached to this PowerPoint.
- What the students should learn:
 1. The demand and supply of money determines the value
 2. Monetary policy (IR) can determine the value of the US dollar
 3. Economic conditions influence the value currency
 4. You must supply one currency and demand another currency
 5. When you supply the currency it depreciates. When you demand a currency it appreciates.
 6. Graph the Forex for an increase in supply and increase in demand

- 7. Then you teach them how to draw the FOREX graph!!!!

K

The image shows a tablet screen with the Kahoot! logo. The logo consists of the word "Kahoot!" in a white, bold, sans-serif font. The background of the screen is divided into four quadrants: top-left is red, top-right is blue, bottom-left is yellow, and bottom-right is green. The tablet has a white bezel.

Kahoot!