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2023 Summer Institute
Macroeconomics: Session 3

Presented by:

Tawni Hunt Ferrarini, PhD

Email: tawni.Ferrarini@gmail.com

Date: July 18, 1:00-2:30pm ET



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Economist, author, and speaker

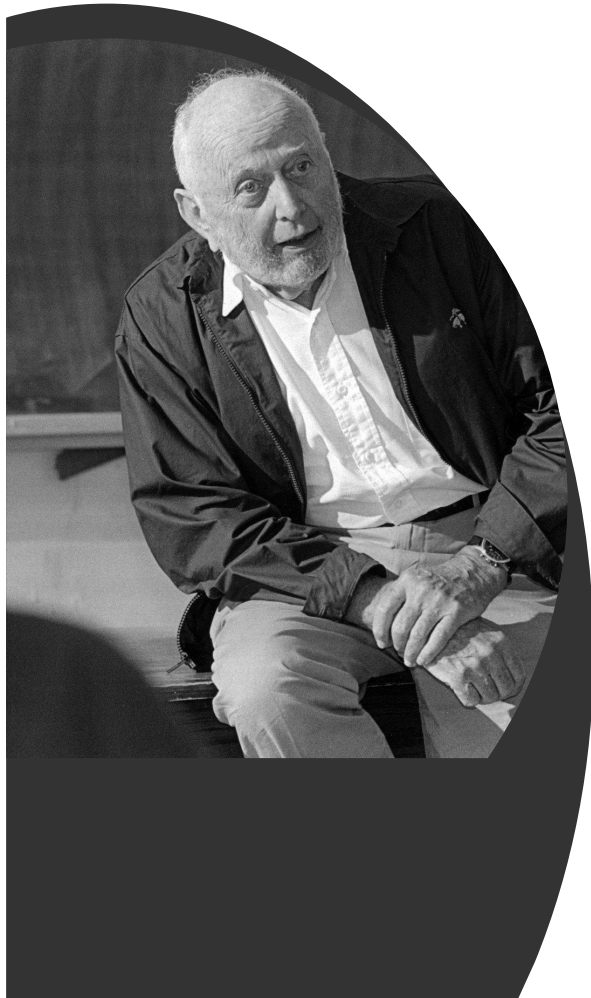
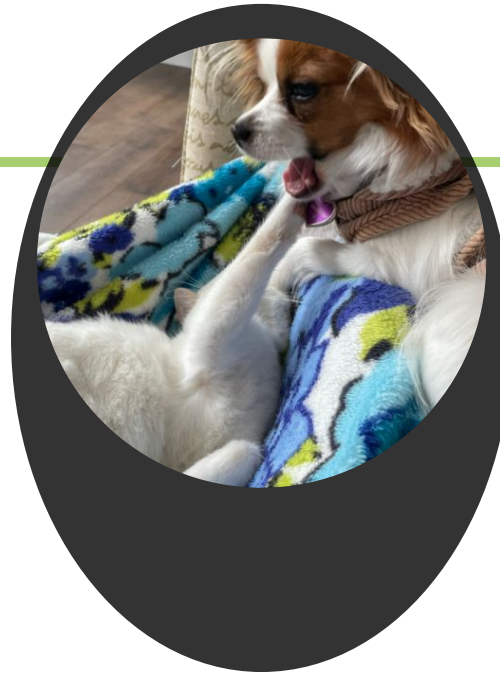


Tawni Hunt Ferrarini, PhD

Professor
Plaster College of Business and Entrepreneurship
Lindenwood University
Saint Charles, MO
Tawni.org



Expanding economic education around the globe



My story...

Robert W. Plaster Professor of Economic Education and Senior Economist at the Hammond Institute, Plaster College of Bus/Entr Lindenwood University

First generation college student

Love to travel around the world with Australia, not Antarctica, being my last continent to visit



Agenda – 1:00 -

- Brief Overview of Successful Teaching
- Frame Macroeconomic Growth and Prosperity
- Define Institutions or the “Rules of the Game”
- Identifying the Key Macro Policies for Economic Growth and Wealth Accumulation
- Empirical Evidence Regarding Monetary, Fiscal, and Trade Policy
- Case Study
- Policy Implications
- Conclusion and Key Takeaways

Objectives

- Define economic growth and explain how it contributes to improvements in the standard of living.
- Identify the sources of economic growth with emphasis on innovations, productivity increases, and international trade.
- Identify and analyze key institutional underpinnings affecting macroeconomic growth.
- Examine case studies and empirical evidence illustrating the impact of institutional underpinnings on macroeconomic growth.

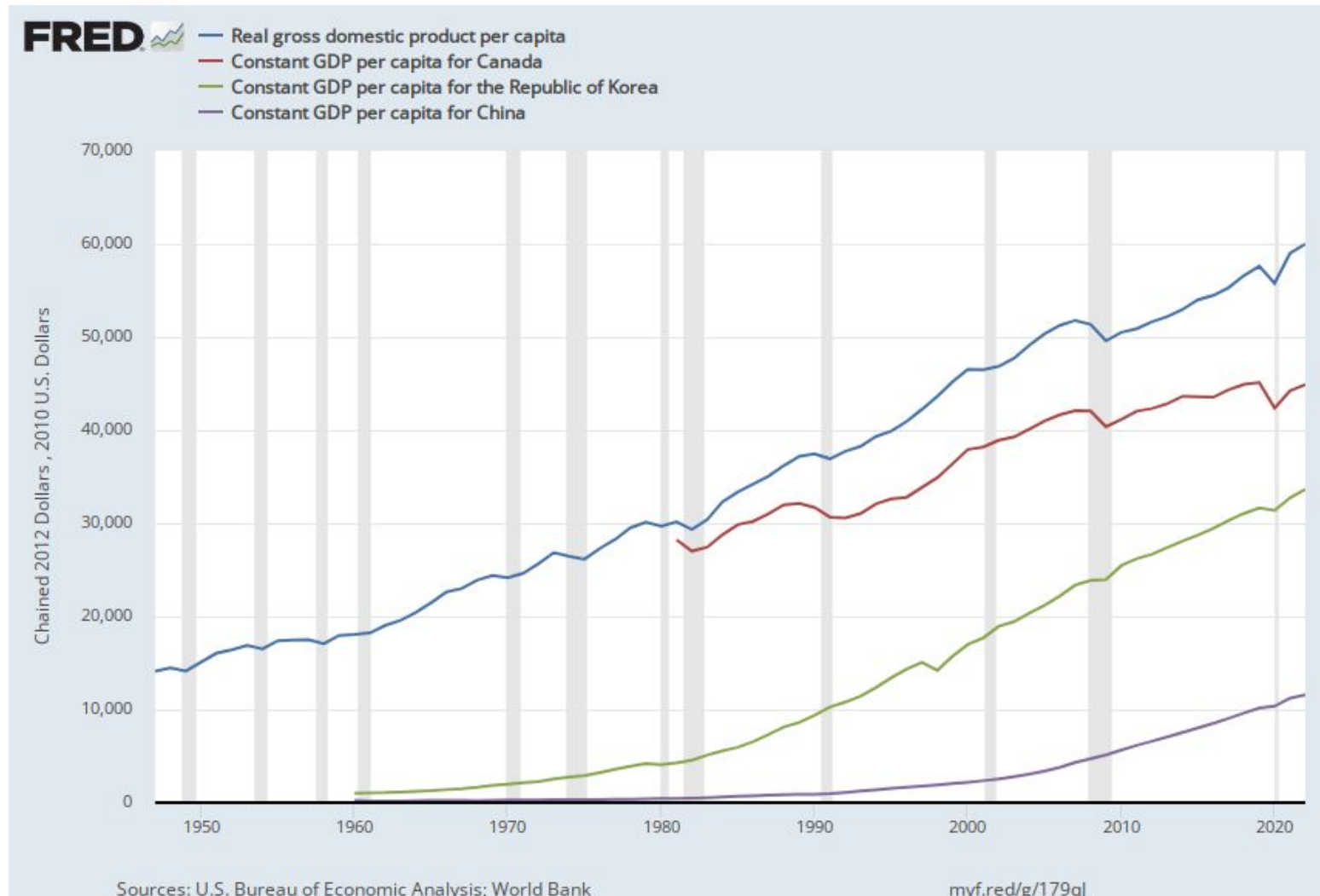
Identify actions people can take stimulate growth and generate future wealth for themselves and others.



By investing strategically, increasing their productivity, reducing inefficiencies, spending purposefully, innovating and trading with others, students, consumers, and businesspeople can stimulate growth and generate future wealth for themselves and others.



- Let's Talk About Economic Growth, What It Is, And How Policy Impacts It.





Voluntary National Content Standards in **CE** Economics

Session 3: 1:00 – 2:30 pm

Content Standard 15: **Economic Growth**



Students will understand that:

Investment in factories, machinery, new technology, and in the health, education, and training of people stimulates economic growth and can raise future standards of living.

Students will be able to use this knowledge to:

Predict the consequences of investment decisions made by individuals, businesses, and governments.

Content Standard 18: **Economic Fluctuations**



Students will understand that:

Fluctuations in a nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy. Recessions occur when overall levels of income and employment decline.

Students will be able to use this knowledge to:

Interpret media reports about current economic conditions and explain how these conditions can influence decisions made by consumers, producers, and government policy makers.

Session 4: 2:45 – 4:00 pm

Content Standard 19: **Unemployment and Inflation**



Students will understand that:

Unemployment imposes costs on individuals and the overall economy. Inflation, both expected and unexpected, also imposes costs on individuals and the overall economy. Unemployment increases during recessions and decreases during recoveries.

Students will be able to use this knowledge to:

Make informed decisions by anticipating the consequences of inflation and unemployment.

Content Standard 20: **Fiscal and Monetary Policy**



Students will understand that:

Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices.

Students will be able to use this knowledge to:

Anticipate the impact of federal government and Federal Reserve System macroeconomic policy decisions on themselves and others.

Correlate with your state standards



State Standards

GRADE 9-12, HIGHER EDUCATION, UPCOMING WEBINAR

2023 Summer Institute

Macroeconomics: Session 3

Time: 90 mins, Updated: June 30 2023, Author: [Tawni Ferrarini](#)

  VERSION

Objective	Standards	Description
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Find your state and search



econedlink.org/standards/?resource_id=61407#state_standard

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a CEE program

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CLASSROOM RESOURCES PROFESSIONAL DEVELOPMENT STUDENT

• State Standards

STATE STANDARDS

SELECT A STATE

Select a state

- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York**
- North Carolina
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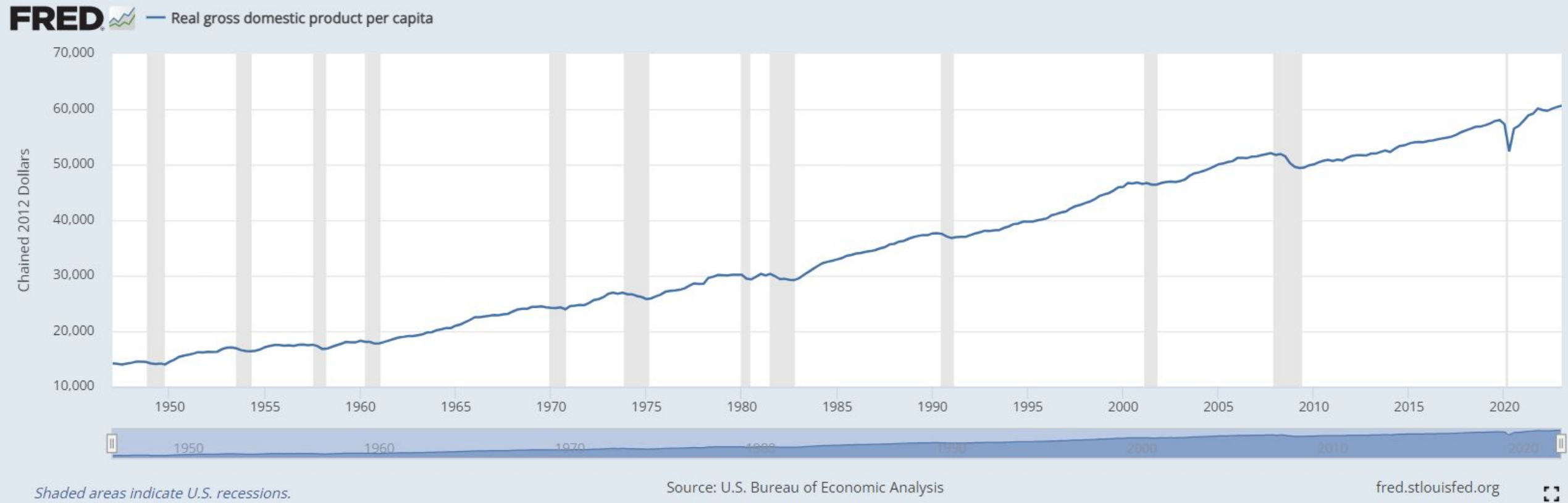
CEE Financial and Economic Knowledge for Life

Resources

- Interactive Tools
- Lessons

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Real income per person rises over time!



Real GDP per capita represents overall macroeconomic activity in a country, while real income per person reflects average individual income and standard of living. People provide the inputs that produce the real goods and services consumed by others. **Growth in RGDP per capita or real income per person** indicates that there is a rise in the number of real goods and services consumed on average.



- How did we do that?
- How did we grow our economy?
- Let's investigate this macro phenomenon

Economic Policy and The Seven Principles of Effective Teaching



- This working session applies decades of research in the field of teaching and learning to online instruction in macroeconomics.
- It illustrates how a mix of instructional technology tools can be utilized to advance student learning, boost student retention, create a positive course experience, and increase the likelihood that learners' behaviors will change.
- Specifically, it frames how economics instructors can design courses, create assignments, and deliver content to successfully motivate, engage, and retain students while they learn. This is a shift out of the chalk-and-talk mode of instruction.

1. Structure each mini-session within your class



- Identify the national standards
- State the objectives
- Conduct a warm-up activity
- Provide a list of resources and activities to complete as a “student”
- Describe a couple of highly interactive activities
- Identify one or two unique summative or formative assessment tools
- Share two or more resources that inform, motivate, relate, and inspire
- Wrap up with an exit ticket

Mini-Session on Good Teaching



1. Describe the structure of the online session
2. Apply the “Seven Principle of Good Teaching” by Arthur W. Chickering and Zelda F. Gamson to macroeconomics
3. Apply the seven principles to trade policy in Session 3 and to monetary and fiscal policy in Session 4
4. Make policy matters relevant to students and their families
5. Review what has been covered
6. Discuss next steps

Resource: Chickering, A. W., & Gamson, Z. F. (1987). Seven principles for good practice in undergraduate education. *American Association for Higher Education Bulletin*, 39(7), 3-7.

Read and Write about Economic Growth

- 1. Refers** to the increase in the production, consumption, and investment of goods and services in an economy over a specific period.
- 2. Typically measured by** the positive change in the real Gross Domestic Product (GDP) per capita or real income per person of a country.
- 3. Indicates** an expansion of an economy's capacity to produce and signifies an improvement in the overall standard of living across diverse populations expanding its reach including broader sets.

Previous session explains.



- Institutions matter. These are the systems determining how decisions to produce what, when, where, in what quantities, and at what price.
- In a market economy, individuals make the decisions regarding production, consumption, and investment.
- Government serves the people, protecting individual rights to person and property in an even-handed and just legal system.
- Economies that grow in real GDP per capita have fundamental institutions, giving all individuals agencies and empowering them to consume purposefully, save regularly, and invest strategically.

Policy Sections of this Macro Bootcamp Series



Three distinct government policies in economies that grow and people prosper

1. Trade Policy
2. Monetary Policy
3. Fiscal Policy

Seven Principles



1. Instructors are present for their students.
2. Students understand that reciprocity and cooperation are expected.
3. Course keeps students active.
4. Feedback is prompt.
5. Time on task is reinforced.
6. High expectations are set and defined.
7. Courses are designed for diversified student populations and inclusive.

Seven Principles of Good Teaching

COURSE SUCCESS

It is common sense.

Before turning to the Seven Principles and Policy Explorations...



Students, prepare to use macro economics to analyze the net impact of trade, monetary, and fiscal policy on growth in real income per person:

1. Find a writing tool and plan to take notes.
2. Identify the seven principles of good teaching (learning).
3. Apply Principles 1 - 3 to analyze trade policy.
4. Apply Principles 4 - 6 to analyze monetary policy.
5. Apply Principle 7 to analyze fiscal policy.
6. As we progress, note how each can be customized to fit the “personality” of your classroom.
7. Prepare to share 1 -2 new resources to help other teachers educate, transform, and inspire students. Include citations.

Trade policy



1. Instructors are present for their students.
2. Students understand that reciprocity and cooperation are expected.
3. Course keeps students active.

GET READY TO DO SOMETHING.
BE PROMPT. BE RESPONSIVE AND PROFESSIONAL.





TRADE POLICY



Foundational Trade



Content Standard 5: **Trade**



Students will understand that:

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. Compare the benefits and costs of policies that alter trade barriers between nations, such as tariffs and quotas.

Resources:

- Voluntary National Content Standards in Economic. Available at: <https://www.councilforeconed.org/wp-content/uploads/2012/03/voluntary-national-content-standards-2010.pdf> on July 17, 2023.
- AP Macro Unit 6 Open Economy – International Trade and Finance. Available at <https://apcentral.collegeboard.org/pdf/ap-macroeconomics-course-and-exam-description.pdf?course=ap-macroeconomics> on May 16, 2021.

Session Starter



1. Look at your shoes or another article of clothing close by.
2. List it, and identify the country of origin of its producers.
 - For example, my Converse sneakers were produced in Vietnam using textiles from Vietnam.



Trade: Win-win



1. Most shoes are likely imported from another country.
2. You provided money to the “importer” of shoes and. In return, you received the shoes.
3. You valued the shoes more than the money you freely gave up. Similarly, the importer valued your dollars more than the shoes.
4. Voluntary trade is mutually beneficial.



Definitions: Imports and Exports



Goods and services produced in other countries but purchased by U.S. consumers or businesses are IMPORTS.

Goods and services produced in U.S. but purchased by consumers or businesses in other countries are EXPORTS

Why Do We Do That?



- Identify a product that your state exports and imports, providing an active governmental hyperlink.
- Explain why we (1) export and (2) import.



CEE What Do Economists Say?

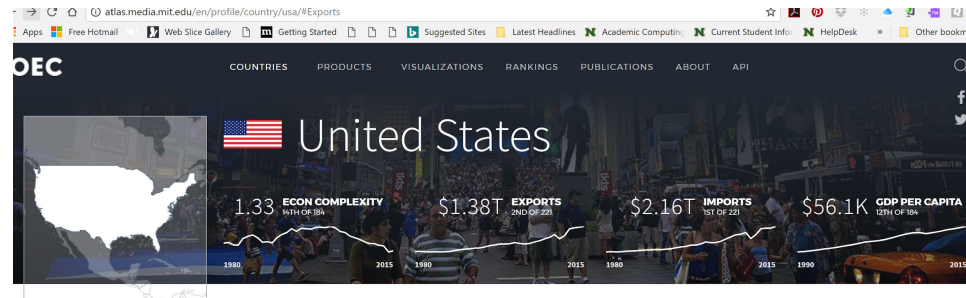
- Benefits both parties
- Expands choice
- Lowers costs/prices
- Helps eradicate poverty



- Allows specialization in the state/nation's "best"
 - property rights
 - human capital
 - physical capital
 - resources
 - technology
 - politics and laws

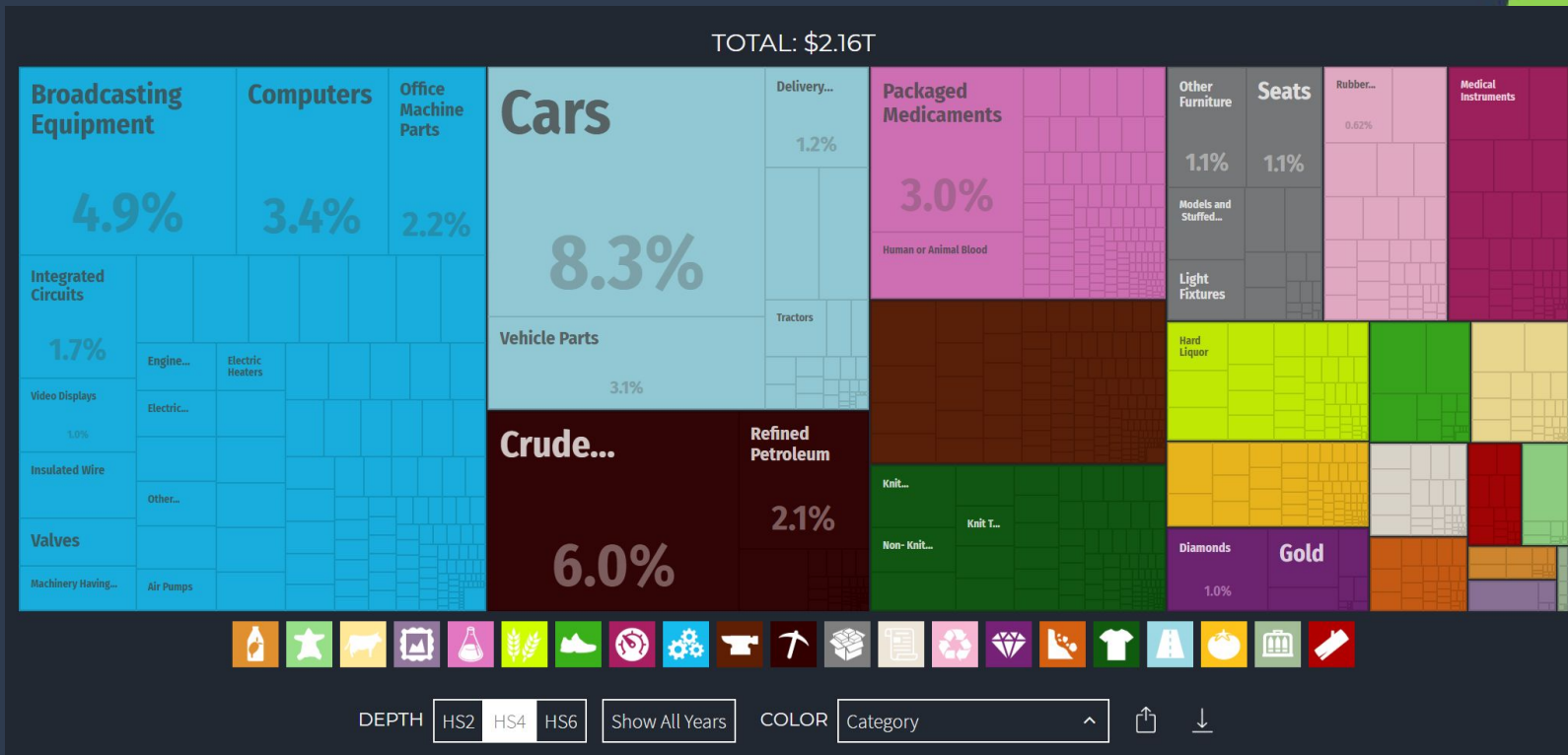
The U.S. Trades!

- The United States is the world's largest importer 2021.
- It is the second largest exporter.
- Position is 10/131 in terms of most complex economy
- Economic Complexity Index (ECI) – an index that measures the diversity and complexity of the U.S. economy's export basket as a whole rather than a sum of its parts.





In 2021, the U.S. is still the number one importer in the world!





Trade is
everywhere in the
news!



Thomas Peter/AFP/Getty Images

BUSINESS

Trump Turns Trade Talks Into Spectator Sport

President Trump plans to hold trade talks with his Chinese counterpart. The administration's rhetoric is not the kind of dry, technocratic language one usually associates with trade negotiations.

▶ LISTEN · 3:41 + PLAYLIST ⬇️ ⏪ ⏸️

[Why Is Trump Threatening Mexico \(Again\)?](#)

[Automaker Stocks Drop As Trump Announces New Tariffs On Mexico](#)

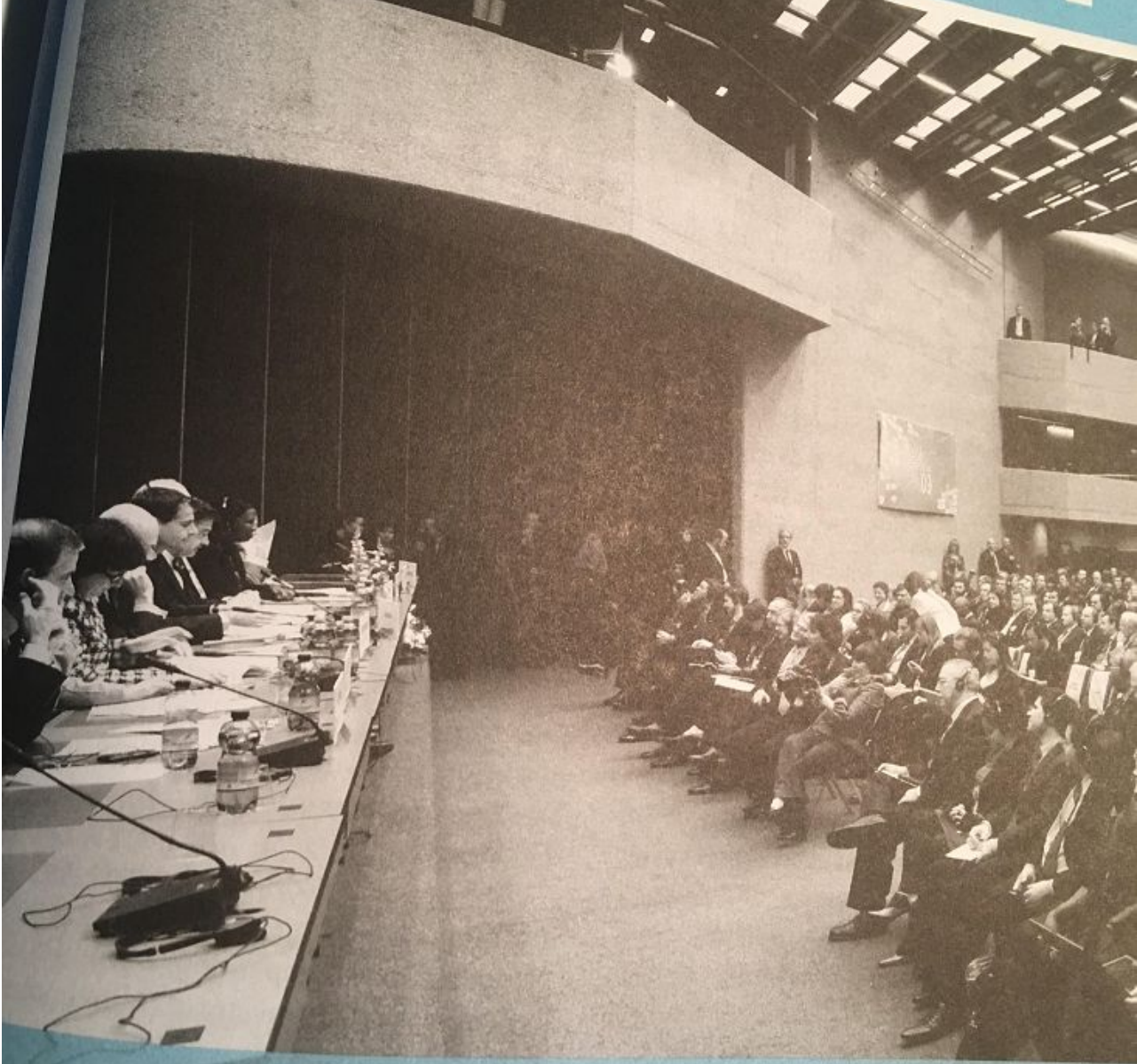
[Automaker Stocks Drop As Trump Announces New Tariffs On Mexico](#)

[Canada's Tariff Hangover](#)



Chapter 31

Economic Episodes in American History



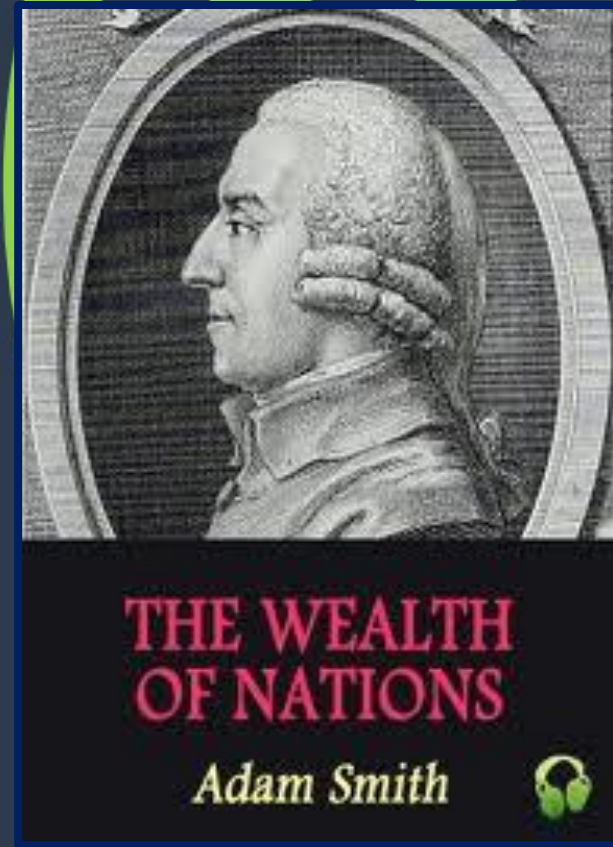
Is Free Trade Out of Date?



Adam Smith on Trade

From An Inquiry in the Nature and Causes of the Wealth of Nations (1776)

“It is a maxim of every prudent master of a family, never to attempt to make at home what will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes but employs a tailor.”



The Theory of Absolute and Comparative Advantage

Absolute Advantage: The comparison among producers of a good according to their productivity.

- Who can produce most using less resources?

Comparative Advantage: The comparison among producers of a good according to their opportunity cost.

- Who can produce with a lower opportunity cost?



A Lesson for Fresh Minds of All Ages

Even if you're the best:



- Football player



- Shrimp boat captain



- Soldier

Can you do them all (at once)?



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Serena Williams' Example

Serena Williams is a great tennis player, and she has iconic nails!

Serena can remove and put on new gel in 2 hours.

What is Serena's opportunity cost?



Her stylist "Tawni" can get Serena's finger and toenails done in 1 hour.

What is Tawni's opportunity cost?





Serena's Example

- Who has the absolute advantage in playing tennis? Nails?
- Who has the comparative advantage in playing tennis? Nails?
- Who should do Serena's nails?
- Who is better off?





Regional Trade Arrangements



The United States has free trade agreements in force with 20 countries. These are:

[Australia](#), [Bahrain](#), [Canada](#)

[Chile](#), [Colombia](#), [Costa Rica](#)

[Dominican Republic](#), [El Salvador](#)

[Guatemala](#), [Honduras](#), [Israel](#)

[Jordan](#), [Korea](#), [Mexico](#)

[Morocco](#), [Nicaragua](#), [Oman](#)

[Panama](#), [Peru](#), [Singapore](#)

Source:

<https://ustr.gov/trade-agreements/free-trade-agreements>



“Arguments for free trade are overwhelming for eradicating poverty...”

Real income per capita is up

Product differentiation is historically high

Costs are relatively low; prices, too

Net employment is up

Really, *what is not to love???* 😊



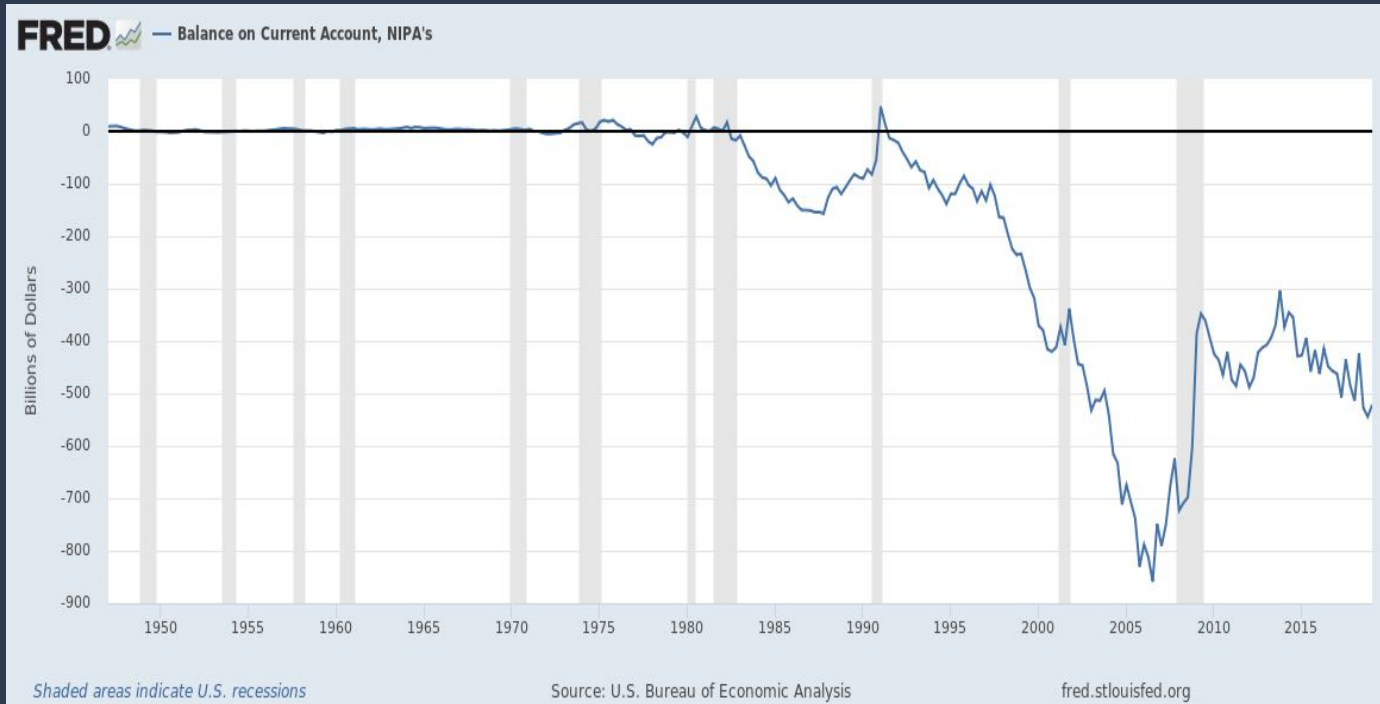


- Institutions in a country are weak and rights to person and property are not even-handedly protected.
- Various risks accompany international trade.
- Job losses accompany the job gains.
- National security issues.
- Environmental impact and income inequality concerns.
- Infant industries have difficult obstacles.
- The list goes on...





On Trade Deficits and Surpluses





On Trade Deficits and Surpluses

Year-to-Date Deficits

Rank	Country	Deficit
1	China	-318.4
2	Japan	-73.4
3	Germany	-67.2
4	Mexico	-54.3
5	Saudi Arabia	-32.8
6	Canada	-31.7
7	Ireland	-25.0
8	Italy	-22.1
9	Korea, South	-20.7
10	India	-20.0
11	Vietnam	-19.6
12	Venezuela	-18.8
13	Russia	-15.8
14	Thailand	-14.3
15	Malaysia	-14.3



-
- Trade deficits are complemented by capital account surpluses.
 - For example, the U.S. imports more from the China than it exports. The U.S. has a trade deficit with China.
 - Due to the attractiveness of the U.S. economy and its sophisticated financial institutions and markets, foreign investors from China invest in U.S. businesses, real estate, and financial assets. These inflows contribute to the U.S. capital account surplus.

Trade matters are often politicized with attention drawn to the positive impact on the voters who will support individual candidates.

The dispersed costs to the unorganized majority will be set aside.



Wonky economics

Recent study: 20% of manufacturing job losses since 1999 from Chinese competition in the U.S.

Trade (and automation) increase labor efficiency drastically, but not necessarily creates additional jobs in existing sectors in the U.S.

Can impose big costs on a few places in the U.S.

May explain populist arguments against trade and manufacturing.

But, but, but!!! Look at the unseen!

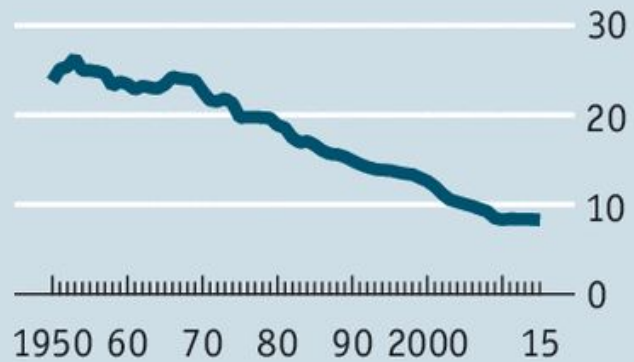


Really, what is there not to love? Let's make a call back to 1994 and take a few notes....



US employment

Manufacturing, as % of total



Economist.com

1



1994 Acura Integra GS-R

Sedan

2



1994 Audi 100 Sedan

3



1994 Audi 100 Sedan Quattro

4



1994 Audi 100 Station Wagon

5



1994 Audi 100 Station Wagon Quattro

Station Wagon Quattro

Dig deep into your economics hat.
What can you pull out about imports and exports?

CEE



What is seen and not seen?

Remember the foreign auto producers with facilities in the U.S. including Toyota (Japan), BMW (Germany), Hyundai (S. Korea) among others.



Current Issue 1: Why are some people mad about trade and want trade barriers?

Barriers to trade

- Tariffs
- Quotas
- Subsidies

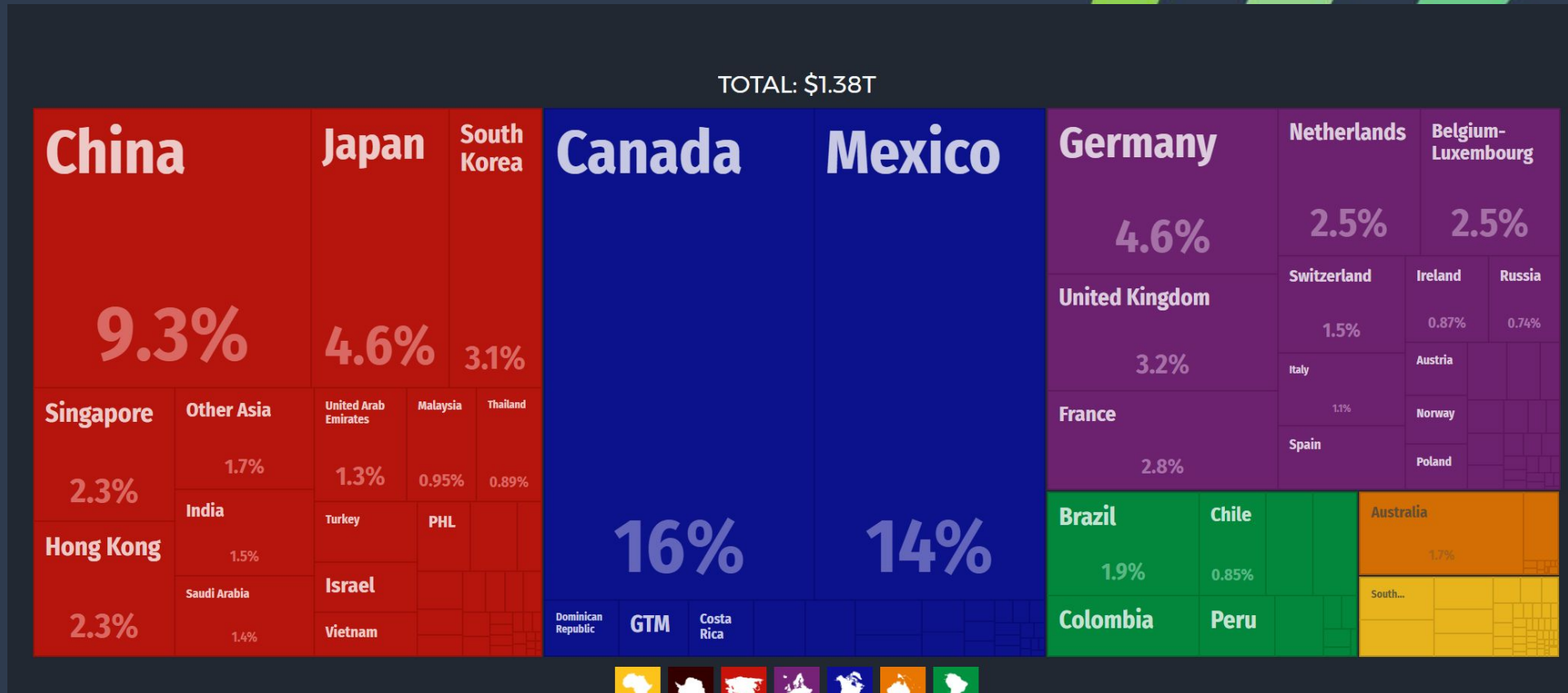


NET EFFECTS OF TARIFFS

- Steel tariffs of 2002 under Bush and 2018 under Trump
 - Increased U.S. steel prices benefiting U.S. steel producers
 - Lessened foreign competition faced by steel producers
 - Increased the costs faced by steel imports used by U.S. businesses using steel as an input
 - Injected trade disruptions into relationships
 - Generated tariff revenue



Current Issue 1: Important Partners





CEE US imports from

TOTAL: \$2.16T



Cons

Pros
Pros
Pros



Current Issue 2. Freedom to Trade



References and Resources



1. "The Economics of International Trade" is an interactive online module from EconEdLink. It introduces students to the basic concepts of international trade, covering comparative advantage, gains from trade, and the net impact of tariffs and quotas.
2. "Trade Deficits and Surpluses" is an online lesson from EconLowDown. It explores the causes and consequences of trade deficits and surpluses. It covers topics such as balance of trade, exchange rates, and the relationship between trade imbalances and national savings and investments.
3. "International Trade Basics" is an online lesson from EconEdLink, providing a comprehensive overview of international trade basics. Include absolute and comparative advantage, trade barriers, and the World Trade Organization (WTO).
4. "Trade Policy and Protectionism" by EconEdLink is an online lesson that examines trade policy and protectionism, including the arguments for and against trade restrictions. Topics include tariffs, quotas, and the economic impact of protectionist measures.
5. "International Trade Simulation" This online simulation activity from EconEdLink allows students to experience the complexities of international trade firsthand. Students take on the role of different countries and negotiate trade agreements, experiencing the challenges and opportunities of global trade. The simulation fosters critical thinking, negotiation skills, and understanding of trade policy dynamics.
6. See individual slides for sources.



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FinEd50 is a coalition of non-profit organizations, researchers, corporate partners, and professional organizations that believes that personal finance education is a crucial tool to helping people better navigate their financial lives, make informed decisions regarding their life choices, and take more control over their own futures.

FinEd50: Financial Education for American

Currently, only 24 states require personal finance education courses in the United States. Research indicates that a quality financial education leads to improved future credit scores, declines in payday lending, student loan payment increases, student borrowing shifting to lower cost options, and overall financial well-being!

Recognizing that education is the realm of state and local leadership, FinEd50 is dedicated to achieving:

State Level Action: State-level action that guarantees equitable access for every student to a robust, high-quality personal finance course;

National Standards: Courses and educational materials that address the content outlined in National Standards for Personal Financial Education and are culturally relevant and respectful to students' lived experiences;

Innovative Funding: Innovative funding mechanisms and professional development in place to support and develop a corps of high-quality teachers with access to new professional development opportunities to teach personal finance; and

Measurement: A mechanism for measuring access to courses on personal finance and equitable reach of state requirements.

Learn more about FinEd50:

Advocacy

CEE Affiliates



A network of 200 nationwide affiliates

Provide professional development for K-12 teachers, advocate for including economics and personal finance in K-12 schools, conduct research, and forge partnerships.

<https://www.councilforeconed.org/resources/local-affiliates/>

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