

## **Section 2: Globalization**

### **Slide 1:**

1. Globalization: Growing integration of the national economies of the world.
2. Process by which individuals and businesses in any part of the world are much more affected by events elsewhere in the world than they used to be.

### **Slide 2:**

1. This means that living in the United States you are not only affected by what happens in the United States, but what happens in China, Brazil, etc.
2. For example: In 2005, the Chinese government was taking much of the money it earned in trade with the United States and buying bonds issued by the U.S. government.
3. As a result of Chinese purchases of bonds, U.S. interest rates ended up being lower than they would have been.
4. *Ask:* Are you affected by interest rates? What does a low interest rate mean?

### **Slide 3:**

1. Free enterprise world: Globalization means the spread of free-market capitalism in the world
2. More countries are moving toward a free-enterprise system.
3. Hundreds of national economies are moving toward one large economy.

### **Slide 4: Early History**

1. From the mid 1800s- late 1920s globalization was occurring. Also known as the First Era of globalization.
2. Many people could move around from country to country without a passport.
3. *Ask:* What is a passport? Anyone ever have to get one?
4. Era is ended by both World Wars and the Great Depression

### **Slide 5:**

1. Cold war divided the world into different camps (free vs unfree, capitalist vs communist) leading to economic and political barriers
2. Symbols, like the Berlin Wall, separated East from Western Germany
3. Also one group of countries that were living under one political and economic system from another

### **Slide 6:**

1. Several factors led to the recent period of globalization
2. The end of the cold war
3. Cold war acted as a political barrier between groups of countries
4. People who are enemies are less likely to trade with another

**Slide 7:**

1. Innovations in technology (like the combustion engine, telephone and steamship, led to increased trade
2. These inventions led to lower transportation or communication costs
3. Lower cost is one less barrier in the way
4. Example: changes in shipping technology make it easier / cheaper to move items from one place to another
5. Result is increased trade

**Slide 8:**

1. Governments can slow down the process of globalization
2. Example: If country A and B have free economic relations with each other
3. Neither country prevents the other from investing or traveling to the other
4. Government can close doors to a country (Cuba or Iran) or open them as well (China)

**Slide 9:**

1. There are costs and benefits to globalization
2. Benefits: Trade
3. People are trading with more people and from further distances away than before
4. Globalization is the extending of benefits of trading to people who might not have traded with before

**Slide 10:**

1. Standard of living increase: When India and China opened their doors economically the income per person went up
2. between 1980 and 2000 income per person doubled in India
3. Increased by 400% in China
4. International Monetary Fund said the increases is due to the expansion of free international trade

**Slide 11:**

1. IMF says child labor and hunger have been cut in half
2. Life expectancy has also doubled: study also found that the more globalized an economy is the longer people live
3. 200 million people were raised out of poverty in the last 20 years
4. Globalization increases U.S. income by roughly a trillion dollars per year (10,000 dollars per household)

**Slide 12:**

1. Costs associated with globalization: increased income inequality (ask: what is this?)
2. 100 years ago people in rich countries had 10 times more income than people in poor countries.
3. Today they have 75 times more income

4. globalization and income inequality are strongly correlated

**Slide 13:**

1. Some critics of globalization argue it can cost jobs in certain U.S. industries
2. Suppose a company hires engineers in India to do jobs that were once done in America
3. The practice of hiring people in other countries is called offshoring
4. Number of radiologists in the U.S. is declining because it's now possible to send the data over the internet to be read by Asian radiologists at a fraction of the cost

**Slide 14:**

1. Offshoring is a two way street though
2. U.S. might offshore jobs to China or India, but they might do the same as well.
3. While we do lose some jobs to globalization, jobs are always being lost and found in an economy responding to market changes
4. Even if offshoring was 0, people would still be losing old jobs and getting new jobs

**Slide 15:**

1. Many people confuse globalization with corporatizing the world. Where corporations would assume the responsibilities of government
2. Difference between government and corporations
3. Government can force people to do certain things (pay taxes, join the military). Corporations can't
4. Corporations only produce goods that customers may buy
5. Large transnational companies only made up 4.3% of the worlds output (as much as one country)

**Slide 16:**

1. Globalization does not affect everyone in the same way
2. Suppose Sanders, an American worker in New York. Loses his job to an Indian worker in India (who does sanders job for less pay)
3. For the company: This means lower costs and higher profits
4. For the company's customers: they get a lower price
5. While Sanders may not like offshoring, it benefits the company and customer

**Slide 17:**

1. More difficult to see the benefits than the costs
2. Benefits are globalization are economy wealth, lower prices, more innovation and less poverty
3. When you buy cheaper products you may not say "wow, I can't believe all the benefits I get from globalization!" You might not even realize the lower priced goods with globalization
4. Benefits are hard to see because they are so widespread

**Slide 18:**

1. Costs of globalization can be visible because they are concentrated
2. Person who loses a job because of freer international trade knows who to blame for the situation they're in
3. They could receive some benefits from globalization, but this person feels the high costs from globalization in job loss.
4. They may know of the costs but unaware of the benefits

**Slide 19:**

1. Adam Smith said in "The Wealth of Nations" that human beings want to trade with each other.
2. The desire to trade separates us from other species "Man is an Animal that makes bargains: no other animal does this- no dog exchanges bones with another"
3. Most economists say that trade is a good thing because we tolerate the people we trade with and have much less reason to fight with them.