

Threat of Opportunity?

➤ Are Workers Better Off as a Result of Globalization?

- ♦ International trade benefits most workers.
 - Consumption goods becomes cheaper.
 - Export generates jobs and income for domestic workers.
 - Workers become more productive as the goods they produce increased in value.
- ♦ However, not all workers gain from international trade.
 - Some workers in industrial countries are threatened with losing their jobs because of cheap exports produced by lower-cost, foreign workers.
 - Trade with low-wage developing countries is particularly threatening to unskilled workers in the import-competing sectors of industrial countries.

Has Globalization Gone Too Far?

Ups and Downs of Globalization

♦ ***Advantages***

- Productivity increases faster when countries produce according to comparative advantage.
- Global competition and cheap imports keep prices low and inflation at bay.
- An open economy encourages technological development and innovation with ideas from abroad.
- Jobs in export industries pay more than those in import-competing industries.
- Free movement of capital gives the US access to foreign investment and keeps interest rates low.

♦ ***Disadvantages***

- Millions of US jobs lost to imports or production abroad; those displaced find lower-paying jobs.
- Millions of other Americans fear getting laid off.
- Workers face pressure for wage concessions under threat of having the jobs move abroad.
- Service and white-collar jobs are joining blue-collar ones in being vulnerable to moving overseas.

US workers can lose their competitiveness when firms build state-of-the-art factories in low-wage countries, making them as productive as plants in the US.