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1. What is Economics?



People often think that economics is boring and only about money.

But some of us want to make a world where everyone has what they need to survive.



Brainstorm

1. What do you think economics is about?

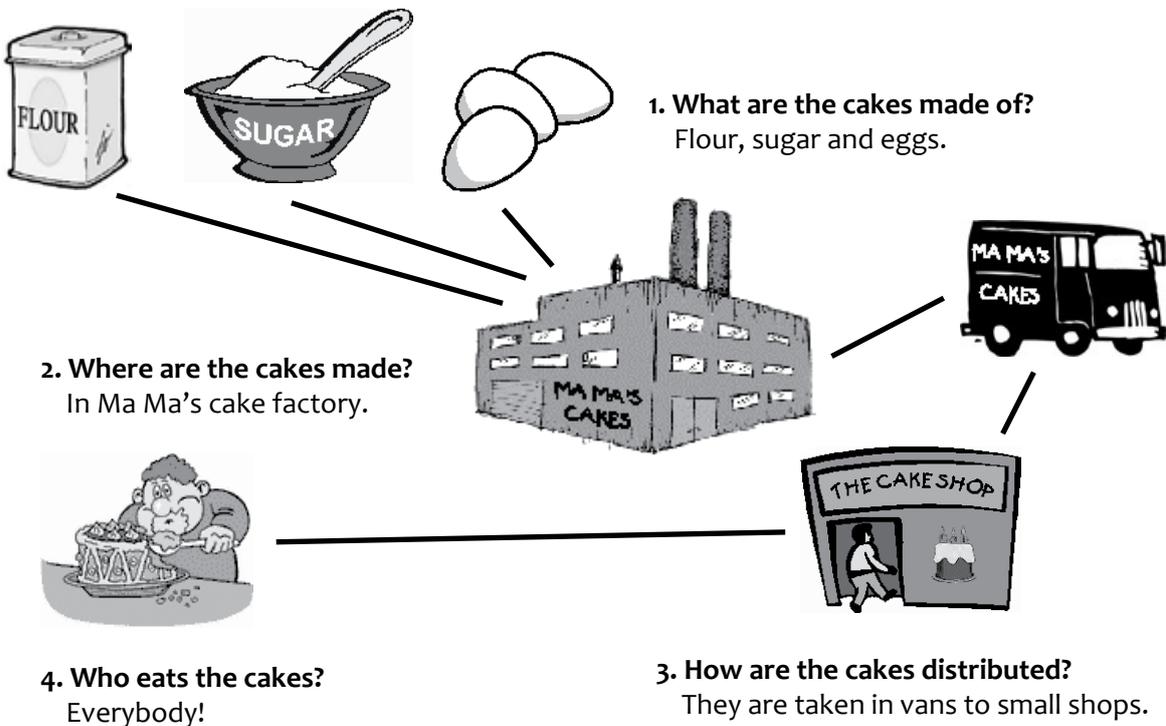
What is economics?

Economics is about the things that people **need** and **want**. It is about the **production** (making), **distribution** (dividing up and transporting) and **consumption** (using) of these things. Economics looks at four main issues:

1. **What** things to produce, and **how many**.
2. **How** to produce them.
3. **Who** will receive them.
4. **How much** they should cost.

Ma Ma's Cakes

Ma Ma decides to start a cake business because she knows people like to eat good cakes.



Pairwork

2. Can you see **production**, **distribution** and **consumption** in the pictures above? Draw a similar economic map for another product.

2. Needs and Wants

- Groupwork** 1. You are lost at sea. The boat you are travelling on arrives on an island. There are no other people or buildings on the island. What do you need to survive? What are your basic **needs**?

In groups, write your ideas in the box below.



What we need on our island:

But people often want a lot more than their basic needs. Many people want nice clothes, big houses, new cars, televisions, cigarettes, and many more things. **Often, the more people have, the more they want.**



- On Your Own** 2. You won a lot of money yesterday. You are now very rich and can buy anything you want. What will you buy? Write a short list. How many of these things do you need to survive?

In today's world there are huge differences between what some people have and what other people don't have. In economics this is called '**wealth inequality**'. About 1.1 billion people around the world live on less than US\$1 per day. Many of these people find it difficult to supply their basic needs of food, water, and housing. Nearly 11 million children die before their fifth birthday because of **poverty**, and about 800 million people go to bed hungry every day. While the poorest 50% percent of the world's population own just 1% of the world's wealth, the richest 10% own 85%.

- Discussion** 3. Why do you think that there is so much wealth inequality in the world?

3. Goods and Services

Brainstorm

1. Do you know what **goods** and **services** are? Can you think of any examples?

Needs and wants are either **goods** or **services**. In economics, a **good** or a **service** is sometimes called a **commodity**.

A. Goods are things you can touch like pens, longyis, rice, books, charcoal, computers, mobile phones, animals, etc.



B. Services are things that people do for you, or you do for other people. They are things you can't touch, like education or healthcare.

When you go to the clinic or the hospital, a doctor or a medic examines you and does tests. This is a **service**.

When you go to class, a teacher is giving you a **service**: teaching a lesson.

When you buy a cup of tea in a teashop, you are not only buying tea, water and milk (goods). You are paying for the **services** of sitting in the teashop, of someone making the tea, bringing it to you and cleaning your cup when you finish.



Pairwork

2. In pairs, develop two presentation posters, one for a new kind of good, and one for a new kind of service.



For the **good** you need to show:

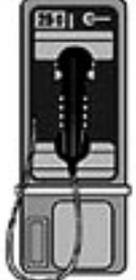
- the name
- what it looks like - pictures!
- what it does
- the cost and why people should buy it

For the **service** you need to show:

- what the service provides
- who will want to use it and why
- how much it costs

3. Goods and Services (cont'd)

On Your Own 1. Look at the pictures below. Can you identify which of these things are goods, and which are services?

<p>1</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>	<p>2</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>	<p>3</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>
<p>4</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>	<p>5</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>	<p>6</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>
<p>7</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>	<p>8</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>	<p>9</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>
<p>10</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>	<p>11</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>	<p>12</p>  <p>good <input type="checkbox"/> service <input type="checkbox"/></p>

Discussion 2. What about goods and services in your community? Which goods and services are the most important? Why?

Pairwork 3. Do you know how goods reach your community? Choose a good and ask different members of your community where the good came from and how they obtained it. Write a short report about it, including a diagram showing the different stages of how that good reached your community (have another look at Ma Ma's cakes on page 2).

4. Scarcity and Choice

1. Scarcity of goods and services

On Your Own 1. Make a list in your book of ten goods and/or services that you want. Why do you want these things? What stops you from getting your wants?

There are never enough **resources** to produce goods and services to meet people's wants. This is the problem of **scarcity**.

Things are scarce because human wants are greater than the resources available. Resources are limited; wants are unlimited. Often when people get what they want, they find new wants. This happens whether they are rich or poor.



Goods and services are exchanged around the world.

Groupwork 2. What do you think causes scarcity of goods (and services)?

2. Choice

On Your Own 3. Often in our lives we need to make **choices** about goods and services. Think about these questions:

- a. You earn 50,000 kyat. What will you buy?
- b. Your community only has enough bamboo to build one building. What should you build?
- c. You are a member of a community weaving project. You have a limited amount of wool. What should your produce -bags, blouses, longyis - and how many?

These choices are made by everyone in society at all levels:

Example 1: Htay Htay is at the market. She needs to make a choice between 1 kilo of pork or 5 kilos of yellow beans. She doesn't have enough money for both.

Example 2: The town committee needs to choose between a new building for the hospital or a new building for the primary school. They only have enough materials for one building.

Example 3: The government needs to make a choice between supplying fuel for their aeroplanes, or providing fuel to farmers for the harvest. They only have enough fuel for one of them.

Discussion 4. What kinds of economic choices are made in your community? Give some examples.

5. Money and Barter

Pairwork 1. What is money? How would you define the word 'money'?

Discussion 2. Why is a US\$50 note more valuable than a notebook? A notebook has perhaps 50 times more paper in it than a \$50 note.



VALUE: \$50



VALUE: \$1

National money is sometimes called a **currency**. An example of a currency is the Myanmar Kyat.

Brainstorm 3. How many other world **currencies** can you name?

Exchange rates

There are many different currencies in the world. Each currency has a different value in relation to other currencies. These values change all the time. For example, in November 2011, US\$1 was worth approximately:



Thai Baht: 30 UK Pound: 0.47 Australian Dollars: 1.28 Myanmar Kyat: 785

Different things used as money

Money is very important for every country in the world. The things that people use as money change as we move through different countries in the world, and different periods of history. People have used coins, metal rods, shells, cloth, stones, feathers, weapons, and teeth.

Yap Stone Money

The states of Yap consist of four islands in Micronesia, an archipelago (group of islands) near Indonesia. Traditionally, the people of Yap used circular stones with holes in the middle as money. They call them 'rai'. Some of these stones are huge, with diameters up to four metres. Their value is based on their size and their history. There are about 6800 stones around the island. This stone money can still be legally used in Yap, though people usually use US dollars. Many people keep Yap stones outside their house to show people that they are wealthy.



Discussion 4. Is money important in your community? Why? What is it used for? What different kinds of things are used as money in your community?

5. Money and Barter (cont'd)

The history of money

In the Beginning: Barter

In barter, money is **not** used. Goods and services are exchanged directly with one another. It may date back to the beginning of humankind.

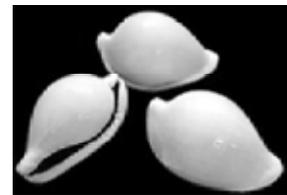


9000-6000 BCE: Livestock

Livestock, which includes anything from cows to sheep to camels, are the first and oldest form of money. When farming became **widespread**, people began to barter with grain and other plant products.

1200 BCE: Shells

The first use of shells was in China. Historically, many societies have used shells as money, and even as recently as the middle of the 20th century, shells have been used in some parts of Africa. The shell is the most widely and longest used currency in history.



1000 BCE: First Metal Money

Bronze and Copper shells were made in China in about 1000 BCE and are considered some of the earliest forms of metal coins. Metal tool money, such as knife and spade money, was also first used in China.

806 BCE: Paper Currency

The first paper money appeared in China. In all, China experienced over 500 years of early paper money, from the 9th until the 15th century BCE. Then beginning in 1455 CE, the use of paper money in China disappeared for several hundred years.



500 BCE: Modern Coins

Outside of China, the first coins were just lumps of silver. They soon became round coins, and were stamped with the pictures of various gods and emperors. These early coins first appeared in Lydia (now part of Turkey), but were soon copied and used in many other parts of the world. These new coins were made from precious metals such as silver and gold.

The Present:

Today, currency continues to change and develop, such as the new polymer plastic money like the bank notes of Australia. Electronic money is becoming popular with the use of plastic credit cards, microchips and the internet. This means that people don't have to carry so much paper money with them.



Pairwork

1. True or false. Complete the exercise that your teacher gives you.

Pairwork

2. Timeline. Complete the exercise that your teacher gives you.

5. Money and Barter (cont'd)

What is money used for?

Brainstorm

1. Why is money useful? What is it used for?

Money has **four** basic purposes in an economy:

1. EXCHANGE

Money can be exchanged for all goods and services. For instance 300 kyat is exchanged for a kilo of mangos, or ten limes, or a bowl of mohinga.

2. TO STORE VALUE

In most economies, money keeps its value over time. If you have a US \$50 note, you are fairly sure that the value will not change much in the near future.

3. TO MEASURE VALUE

Money is used to measure differences in the value (price) of all goods and services.

4. TO BORROW AND PAY BACK DEBT

Debt is when someone owes money. Because money keeps its value over time, people can borrow it (a loan) and pay it back in the future.

The advantages of money over barter

Groupwork

2. Imagine that you are a fisher. You live in a village near a river. The village has a barter economy - there is no money. Goods and services are exchanged for other goods and services. Look at what happens to you during the week. How would money change your situation?



Monday:

Today is a bad day. You don't catch any fish. You have nothing to exchange at the market. You caught some fish yesterday, but exchanged them all immediately because the weather is hot and the fish spoil quickly and lose their value. You have no food left from yesterday, so you go hungry.

Tuesday:

Luckily you catch a big fish today. You go to the market to exchange it for some tomatoes. The tomato seller offers you 5 kilograms of tomatoes. You tell her that it is a big fish, and should be worth 7 kilograms of tomatoes. You have an argument with her. Finally you decide to go to another seller.

Wednesday:

Today you catch lots of fish. You decide to buy potatoes at the market. Unfortunately the potato seller doesn't want any fish, he wants garlic. You find the garlic seller, exchange the fish for the garlic, and then return to the potato seller to exchange the garlic for potatoes.

Thursday:

You decide to go on a trip today to your parents' village. You need to take enough fish with you to pay for the bus ride, to buy food along the journey, and to give a present to your parents. The basket of fish that you have to carry with you is very heavy.

Friday:

Your net breaks today. You need a new one. You don't have any fish to barter with the woman who makes nets. You ask your friends, but they have not caught many fish today, so they can't give you enough for a new net.

5. Money and Barter (cont'd)

Money better than barter?

Just because money has some advantages over barter does NOT mean that barter is a bad idea. Barter is still used as a means of exchange all over the world. Often barter and money are used together in communities. For some things barter is useful, for other things money is useful.

Pairwork

1. Look at the examples below and decide whether a cash economy or a barter economy is more suitable. Write **MONEY** or **BARTER** in the box provided. Give reasons for your choices in a class discussion. Which kind of economy is better for your community? Money or barter? Why?

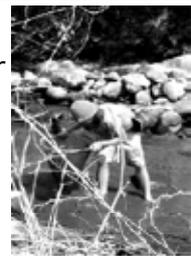
a. Khou Yang lives in a village on the Thai-Laos border. She repairs clothes. The village is far from other villages and towns, and not many people have jobs. Also, there is not enough land to grow crops to sell.

MONEY OR BARTER?



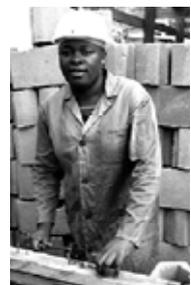
b. Penh lives in a village near Kampot in Cambodia. She catches fish in the river and travels to the town every day to sell them to the restaurants.

MONEY OR BARTER?



c. Benjani lives in a small town in Zimbabwe, Africa. He helps people build their houses. The problems in the economy mean that the currency is very unstable and rapidly losing its value. Many people in the town are in debt.

MONEY OR BARTER?



Discussion

2. When is barter most useful? What kind of communities benefit from barter?

Bartering in modern business

Barter is still used today by businesses. One good example is the company Bartercard, started in 1991, which has created a bartering network between companies. The Bartercard system now operates in 13 countries around the world. A company can give goods or services to another company in the Bartercard network. They then earn 'trade dollars' which are stored on a plastic card a bit like a credit card. They can use these 'trade dollars' later to receive goods and services that they need from another company. The 'trade dollars' system allows companies to decide what they want, and when they want it, rather than having to do a direct exchange. They do not need to use money.



5. Money and Barter (cont'd)

Bia Kud Chum, Thailand - A Community Currency

Kud Chum is a **rural** district in Northeast Thailand. In the 1990's, many villagers were in **debt** and were becoming dependent on banks and price changes over which they had no control, particularly the price of rice, their most important crop. Many young people left the area for jobs in Bangkok.

In 1998, members of five villages in the area decided to try to become more **self-sufficient**. They set up a community currency program.

They called their new currency **Bia Kud Chum**. Bia means 'young tree' in Isaan, the language of Northeastern Thailand. They chose that name because they wanted their community to grow strong like a tree. The community set up the 'Bia Bank'. Every person who opened an account at the 'bank' received 500 Bia.

The aim of the Bia was to keep money in the community and reduce villagers' dependence on the Thai baht. The Bia could only be used in the five villages in the district. Every Saturday, one of the villages would hold a market. Villagers could buy anything using either Bia or Thai Baht or both, but could not exchange one for the other. The Bia was organised by the community for the community. It was managed by a committee of people elected from the five villages. They also had a bank.

Every community member could borrow up to 500 Bia without paying any **interest**.

The community started using Bia in March 2000. In that month, police, military, local government, and the Thai Central Bank visited the villages to investigate the Bia. By April 2000 the government forced Bia Bank to close. They said it was illegal. Some of them thought the Bia was dangerous to Thai security. Some of them thought the villages wanted to be an independent country.

Bia Kud Chum bank notes
the Bia. A new five year project has now been launched under the name 'Boon Kud Chum', covering fifty communities in the district.



On Your Own 1. Comprehension. Complete the exercise that your teacher gives you.

5. Money and Barter (cont'd)

Pairwork

1. Interview five people in your community. How often do they barter for things, and how often do they buy or sell things with money. When and why do they use money or barter? Do they use different systems for different goods and services? Write a short report about your findings and present it to the class.

Debt, loans & interest

Debt is when you owe money. If you borrow money from someone, the money they give you is called a **loan**. So if your friend gives you a loan of 10,000 kyat, you are 10,000 kyat in debt. When you borrow money from other people, or a bank, you usually have to 'buy' that money from them, i.e. pay them a small amount of money each week or month so that you can borrow the larger amount. These payments are called **interest**.

Interest is usually calculated on a yearly basis, as a percentage (%) of the amount of money borrowed.

For example if you borrow 100,000 kyat at 9% interest, you will pay 9000 kyat each year to borrow the money ($9/100 \times 100,000 = 9000$). Therefore, every month you will pay 750 kyat interest ($12 \text{ months} \times 750 \text{ kyat} = 9000 \text{ kyat}$).

Because of interest, being in debt can be expensive. Most people who borrow money do so because they do not have any money. Therefore, paying interest can become a serious problem.



Maung Maung lives in Taunggyi. He recently finished a course in carpentry. He borrowed 150,000 kyat from a friend to buy tools. He agreed to pay 12% yearly interest on the loan (18,000 kyat), so he has to pay his friend 1500 kyat each month. One week later he injured his hand. He doesn't know when he can start work. The doctor told him it might be many months before he is better. He is worried about how he will pay the interest on his loan, and the loan itself.

Foreign debt

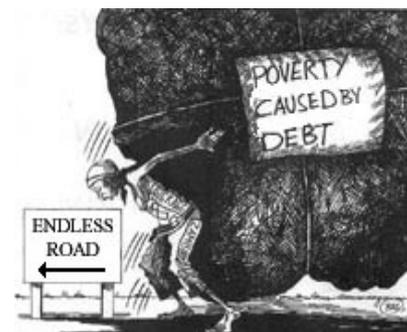
Countries, like people, also get into debt. When they borrow money from other countries or foreign banks, it is called **foreign** debt. Poor countries usually have to borrow more money than richer countries, and find it more difficult to pay the interest, and repay the loan. From the 1960's onwards, many poor countries (sometimes called 'Third World' or 'developing' countries) borrowed money from rich countries, thinking that interest rates (levels) would stay low. In fact, they increased. Now they spend huge amounts of money on repaying the interest on their debt. The developing world now spends US\$13 in interest repayments for every \$1 of aid received. In 1970, the world's poorest countries owed \$25 billion in debt. By 2002, they owed \$523 billion. Much of the debt is owned by the world's seven richest countries: USA, Japan, Germany, Britain, France, Italy and Canada.



5. Money and Barter (cont'd)

The effect of debt on poor countries

Poor countries often have to take money away from health and education programmes to pay the interest on their debt. For example, Zambia, in Africa, spends twice as much money repaying foreign debts as it spends on healthcare. At least 11 million children die each year around the world due to poverty caused partly by the debt crisis. The burden of debt damages poor countries' development. They are unable to improve their transport systems, education, healthcare, etc. because of the huge debt repayments.



Pairwork

1. Think of three questions about the paragraphs of text above.

Groupwork

2. Many people say that the debts of poor countries are unfair. Look at the statements below. Do you think it is fair that these countries should have to repay their foreign debt? Why? Why not?

- Some debts were passed on when countries achieved independence from colonial rule.
- In many cases, loans were given to dictators or corrupt leaders.
- Poor countries cannot repay their debts. In 100 years their debt will have increased to around US\$13,780,000,000,000. This is \$3.5 million for every person in the Third World.
- Many current leaders of indebted counties are corrupt or oppressive.

What can be done?

There is a lot of international pressure on rich countries, the IMF and the World Bank to cancel the debts of the world's poorest countries. In June 2005, the world's richest countries (known as G8) agreed to cancel US\$40 billion of debt for 18 countries, mainly in Africa. This will save US\$1.5 billion a year in interest payments. However, this is only 7% of the total debt of poor countries. The G8 countries also promised to double the amount of aid they give to Africa by 2010. Rock stars and activists Bono and Bob Geldof recently criticised some G8 countries for being too slow to start paying the money they had promised.



Bono and Bob Geldof

Pairwork

3. True or false. Complete the exercises that the teacher gives you.

6. Price

A **price** is how much something costs. The price of 1kg of oranges is about 1000 kyat.

Discussion

1. Can you think of any free goods and services? Why are they free?

Price and competition

In most economies, price is set by **competition**. Economic competition is the relationship between people who sell the same, or similar, kinds of goods and services, and between people who want to buy them. There are **three** important kinds of competition that control prices:

1. Seller vs. Seller

In Huay Lin town there are three food shops. They are in competition with each other to attract **customers** (people who want to buy the food).



2. Buyer vs. Buyer

Huay Lin town has many businesses that want to buy petrol (gas). A limited amount of petrol is delivered to the town each month, so the businesses must compete with each other to obtain petrol.



3. Seller vs. Buyer

Yan Aung at Style Clothes shop in Huay Lin town is trying to sell a new jacket for 8000 kyat. His customer only wants to pay 6000 kyat.



Discussion

2. Can you think of examples of these three kinds of competition in your own community? How do you think these kinds of competition affect prices?

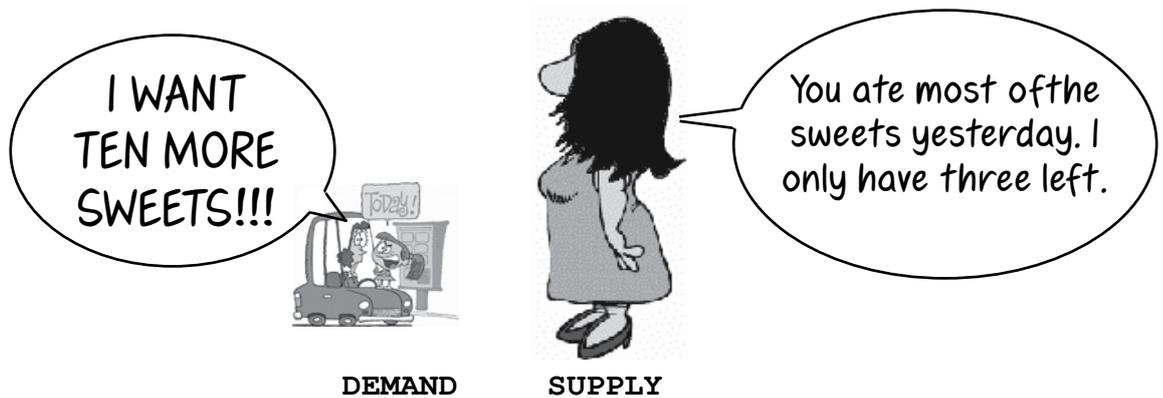
Pairwork

3. Interview someone in your community who sells goods or services. How do they decide on their prices? Do their prices change? Why/Why not? How much do they negotiate prices with buyers? Make notes about their answers. Prepare a brief presentation on the interview to give to the class.

7. Supply and Demand

Supply & demand is probably the most important part of economic theory. It affects most of the things that happen in an economy.

- **Supply** is the amount of goods or services available.
- **Demand** is the number of people that want the goods and services, and the amount that they want.



Groupwork

1. Can you think of any goods or services in your community where demand is greater than supply? Can you think of any goods or services where supply is greater than demand. Make two lists.

Pairwork

2. Answer the questions below.

a. In January, Style Clothes in Sittwe had 40 jackets and 200 buyers. Which is greater, supply or demand? Would the price of each jacket be high or low? Why?

b. In May, Style Clothes had 80 jackets and 30 buyers. Which is greater, supply or demand? Would the price of each jacket be high or low? Why?



On Your Own

3. Look at the picture on the right. What is this picture saying about supply and demand?

Who do you think will win the contest? Which force is stronger in a free economy, supply or demand?



7. Supply and Demand (cont'd)

Factors affecting demand

Groupwork

1. Can you think of things (factors) that might affect demand?

Pairwork

2. Look at the points below and decide on the answers to the questions.

1. The price of a commodity (a good or a service)

If the price is reduced, demand will probably rise. If the price is increased, demand will probably fall.

Q. The price of mangoes in Pa-an rises from 200 kyat to 1000 kyat per kilogram in one week. Does the demand for mangoes rise or fall? Why?

2. The income (wages) of consumers

The more that people earn, the more they can afford to buy. Therefore, if people earn more, demand will probably increase, but if they earn less it will probably decrease.

Q. Ma Aye Aye is a teacher in Taunggyi. She loves chocolate, but her salary is small and she can't afford to buy much. One day she is promoted to headmistress, and her salary increases. Does she buy more or less chocolate now? Why?

3. The demand for substitute commodities (goods and services)

If an alternative commodity becomes available, which is better and/or cheaper, people may decide to buy it. So, demand for the first commodity will decrease.

Q. Myint Thu lives in Myitkyina. He has a stall in the market selling sandals. One day another stall in the market starts to sell sandals also. However, the sandals in the other stall are stronger and cheaper than Myint Thu's. After a few weeks, what happens to the demand for Myint Thu's sandals? Why?

4. The demand for other commodities at the same time

Consumers have a limited amount of money to spend. If they decide to buy more of one commodity at a particular time, they will have less money to spend on other commodities. Therefore, demand for these other commodities will decrease.

Q. Tun Tun lives in Taungoo. He is a farmer. He works on his farm with his wife and his three sons. Most months, Tun Tun spends most of his money on sweets for his grandchildren. In May, he decides to buy rubber boots for the rainy season. Does he spend more or less money on sweets in May? Why?

5. Whether people like the commodity

People may like a commodity for a certain period of time, but then decide they don't like it, and stop buying it. Therefore, demand for that commodity falls.

Q. Yin Twe has three children. They like bananas. She always buys lots of them at the market. One day her children tell her that they don't like bananas any more, but prefer oranges. What does Yin Twe buy the next time she goes to the market? Why?

7. Supply and Demand (cont'd)

Factors affecting supply

Groupwork 1. Can you think of things (factors) that might affect supply?

Pairwork 2. Look at the points below and decide on the answers to the questions.

1. The price of a commodity

The higher the price of a commodity, the more producers want to supply, because they will make more money.

Q. The Win owns a factory in Yangon making umbrellas. In June, the price of umbrellas rises because the rainy season begins and more people want to buy them. Does The Win decide to supply more or fewer umbrellas to the market? Why?

2. The cost of making a good

If a commodity is very expensive to make, producers will not make so many.

Q. Lam Mu lives in Mogok. She makes two kinds of jewellery - cheap bracelets made of silver, and expensive rings made with gold and precious stones. Many people have enough money to buy the bracelets, but only a few people have enough money to buy the rings. Does she make more rings or bracelets? Why?

3. The supply of alternative goods that the producer could make with the same resources (Competitive Supply)

A producer may decide that it is better to produce a different good with his/her resources.

Q. Mahn Mahn owns a forge near Mawlamyine. He makes iron farming tools. One day he decides to produce spare parts for cars as well, as many of the cars in Mawlamyine are old and need regular repair. What happens to the number of farming tools he produces when he starts making car parts? Why?

4. When the production of one good affects the supply of another (Joint Supply)

Producing one good sometimes makes it easier to supply another good.

Q. Ye Min owns a chicken farm in Lashio. She sells eggs and meat from the chickens. Demand for eggs is high, so she decides to buy 25% more chickens and produce more eggs. What happens to the amount of chicken meat she supplies? Why?

5. Unexpected events

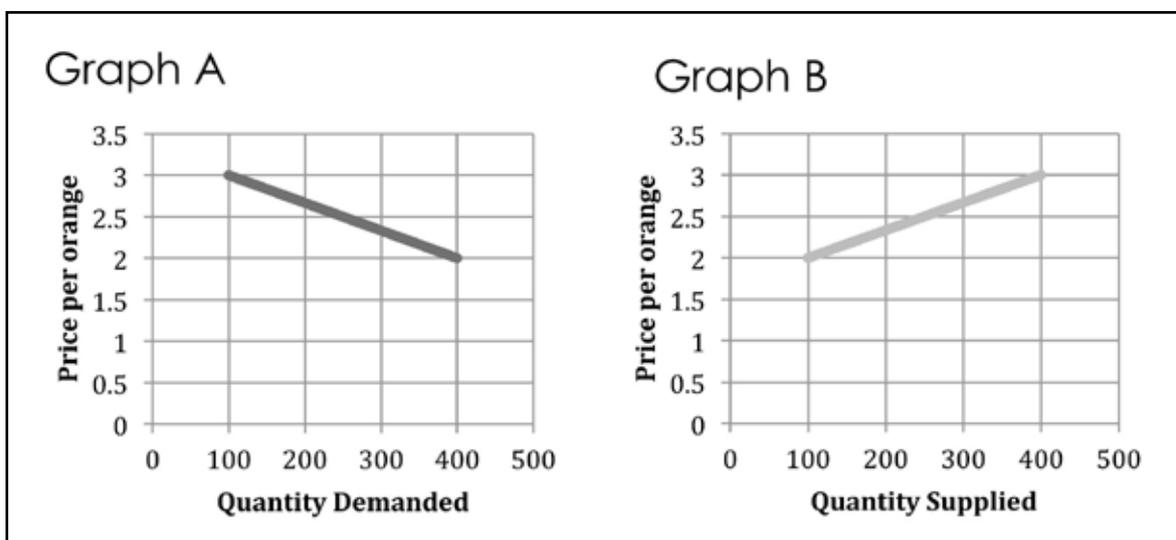
Strikes, natural disasters, war, international disputes, etc. can all affect supply.

Q. Thiri lives in a village near Naypyidaw. The villagers grow rice on the land near the village. Last year there was much less rain than normal during the rainy season. The rice harvest was not successful. What happens to the supply of rice in the village? Why?

7. Supply and Demand (cont'd)

Price and supply & demand

The graphs below show the relationship between **price** and supply & demand for oranges.



- Pairwork** 1. Can you explain how the two graphs work?

Advertising and demand

Advertising is the process of making people aware of goods and services, persuading them to believe certain things about their quality, and persuading them to buy them. Well-known products are often more expensive than lesser-known ones, even though the product may be very similar.

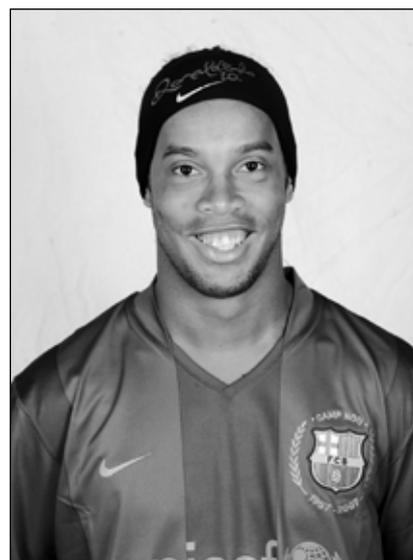
- Discussion** 2. Can you think of any famous brands of goods (products)? Do you think these products are better than other brands? Why?

- Pairwork** 3. Look at some advertisements in newspapers and magazines. What are they telling you? Find one good example to show the class.

- Discussion** 4. If you buy Nike shoes or clothes, they are likely to be more expensive than other ones, even though they are very similar. Why? Can you see any advertising on the shirt of footballer Ronaldinho? Why do you think a company wants to advertise on his shirt?

- Discussion** 5. Where do you see advertising in your community? Do you think advertising works? Why? Why not?

- Pairwork** 6. Create a magazine advertisement for a good or service in your community. The aim of the advertisement is to increase demand. Present your advertisement to the class.



8. Inflation

Brainstorm

1. Do you know what the word 'inflation' means. What do you think is the connection with prices?

Discussion

2. Think of the most popular goods and services in your community. Over time, do the prices of these goods and services tend to go up or down? Why?

Inflation is the general rise of the cost of goods & services. It is measured over a period of time.

We only talk about inflation if there is a rise in prices for many goods and services. So if chicken is suddenly more expensive, but other goods and services are not, it is not inflation.

Alternatively, if the prices of goods and services fall, it is called **deflation**. Deflation is quite rare.

Measuring inflation: The Consumer Price Index (CPI)

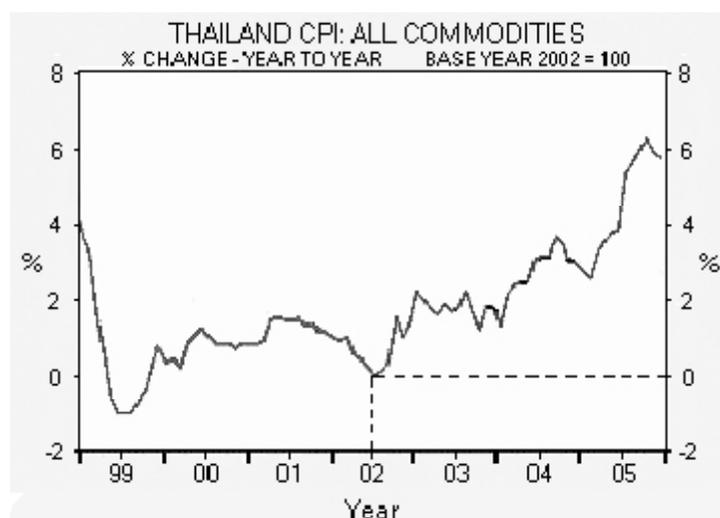
To measure inflation, many governments in the world have a **Consumer Price Index (CPI)**. The CPI measures the average change in prices of a 'basket of goods and services' over a period of time. The basket contains common goods and services including food, clothing, housing, household goods, alcohol, tobacco, transportation, medical care and education.



The 'base year'

For the CPI, inflation is measured using a 'base year' which is given the value 100. Inflation is calculated in relation to the base year, using per cent.

For example, in Thailand the base year is 2002, so 2002 is given 100 points. In 2003, the prices of all commodities rose an average of 1.8%, so the CPI for rice in 2003 is 101.8 points (i.e. the base year value of 100 plus 1.8).



On Your Own

3. Look at the graph above. Estimate the CPI for the **middle** of the following years: 1999, 2000, 2001, 2003, 2004, 2005. You don't have to be exact.

8. Inflation (cont'd)

Pairwork

1. Look at the example below. Answer the questions.

Imagine a society in which there are only **two** commodities: oranges and dollars.

Both these commodities are **finite** - there is a limited supply of them.



Commodity 1: **Oranges**



Commodity 2: **Dollars**

Year 1: There are 10,000 oranges and 5000 dollars. Therefore, there are 2 oranges per dollar.

Year 2: There is very little rain, so the orange trees only produce 5000 oranges. The number of dollars (5000) stays the same. Now there is only one orange per dollar.

Question 1: *What will happen to the price of oranges? Why?*

Year 3: The weather is perfect for oranges, so the number of oranges increases to 15,000. The number of dollars (5000) stays the same. Now there are 3 oranges per dollar.

Question 2: *What will happen to the price of oranges? Why?*

Year 4: The orange harvest is normal and 10,000 oranges are produced. However, the Central Government decides to print more money. There are now 10,000 dollars in the economy, so one orange per dollar.

Question 3: *What will happen to the price of oranges? Why?*

Causes of inflation

Groupwork

2. What things do you think can cause inflation? In your groups make a list. Look at the situations A - E below to help you. It might be helpful to think about supply and demand.

A. Aung Kyaw repairs motorbikes. He has a small shop in Sittwe. He used to buy spare parts from a factory in Sittwe but last month the factory closed. Now he has to buy them from Yangon, but delivery is slow and his new suppliers cannot send him enough parts. There is a shortage of spare parts. Aung Kyaw raises prices for two reasons: his customers agree to pay more because spare parts are hard to find, and he doesn't want to lose money because he is selling fewer parts now.



8. Inflation (cont'd)

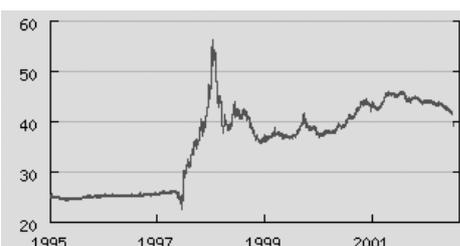
B. Hsa Hsa works in a chocolate factory in Bangkok. The factory makes a chocolate bar called 'Yum!' which sells for 10 baht. Nearly all the workers in the factory are members of a labour union. Recently the union successfully negotiated an 8% wage increase from the factory. The factory raises the price of 'Yum!' to 11 baht so that they don't lose money.



C. In Mazalia last year the orange harvest was bad. The price of oranges has risen because oranges are scarce. The Minister of the Economy meets the National Union of Orange Workers. The union demands a wage rise because the workers cannot afford to buy much orange juice any more. The minister talks to the orange companies, and they agree to increase wages by 5%. However, the orange companies raise the price of orange juice by 6% to avoid losing money. The orange workers go on strike, and the minister is fired. His replacement persuades the orange companies to raise wages by 5% again. On Friday, the orange companies raise prices again...



D. In Southeast Asia in 1997 and 1998 there was an economic crisis. Foreign investors lost confidence and started to remove their money. Southeast Asian economies had borrowed a lot of money, particularly US dollars, to support growth. As investors lost confidence, the value of Southeast Asian currencies, such as Thai baht, against the US dollar and other world currencies began to fall quickly. As they became less and less valuable, prices in Southeast Asia began to rise rapidly.



E. Stephen is a tour guide in Kenya in Africa. He spends most of his time driving tourists around the country. Recently, due to conflicts in the Middle East, the price of oil has risen a lot. This means petrol in Kenya is now a lot more expensive. Stephen has decided to increase the price that he charges for his tours so that he doesn't lose money. He is worried that people will stop coming on his tours.



Effects of inflation

In a healthy, balanced economy, prices should rise slowly (2-3% per year). Inflation is only seen as a bad thing if prices rise too fast.

Read the five examples presented below. Check that you understand the vocabulary and meaning.

Example 1: Sami lives in Ethiopia in Africa. He has a small restaurant in the capital, Addis Ababa. Last year he started saving money to pay for his daughter's university education. Now with high inflation, he sees that the money in the bank is losing its value. He decides to take the money out of the bank and buy a new fridge and cooker for the restaurant before they become too expensive.



8. Inflation (cont'd)

Example 2: Tariq lives in Baghdad in Iraq. He used to work in the civil service and receives a small **pension**. The pension increases by 2% each year. He also has a small cafe which makes him a small amount of money each month. Due to the country's economic problems, prices are rising 20% per year. Tariq can buy less and less with his pension. Fewer people come to his cafe because he raised prices. Everyone is using their money to buy gold jewellery until inflation slows down.



Example 3: Fatima lives in Kabul in Afghanistan. She has a small factory producing soap. She employs eight people in the factory. Due to high inflation, the factory is now selling 30% less soap than the year before. People are buying less soap, and cheaper brands. Fatima had to increase the price of her soap by 10% last month because the materials she needs are now more expensive. She has also borrowed a lot of money to keep the business open, but she is worried about how she will repay the money if the situation does not improve. She has decided to ask four of her employees to leave next month because she can no longer afford to pay them, and thinks she will probably be forced to raise prices again.



Example 4: Reach lives in a village near Sihanoukville in Cambodia. The village has one tractor which all the farmers use. It is very important for their work. Unfortunately, last week the tractor broke down, and it will be very expensive to repair it. Reach asks the farmers in the village to pay some money towards repairs. However, because of high inflation, they have spent all their extra money before the things they needed became more expensive. They have no money to pay for repairs. Without the tractor, they won't be able to produce so much food this year.



Example 5: Aminur runs a shoe factory in Bangladesh. He exports his shoes to Thailand, India, and Singapore. He is successful because he makes shoes very cheaply. Recently however, because of high inflation, he was forced to increase his prices. Wages, and the price of rent and materials, are increasing every month. Soon his international customers start saying that they don't want to buy more shoes from him because they are too expensive. They can buy them more cheaply from China and Vietnam. The next time he goes to the market, he sees that the shoe stalls are selling shoes from China and Cambodia and that they are cheaper than the shoes from his factory. The shops in the market begin to reduce the number of shoes that they order from him. Soon he is forced to ask half of his staff to leave.



8. Inflation (cont'd)

Pairwork

1. Look at the effects of inflation in each scenario. Look at the statements below and decide which one(s) is/are true for which scenario.

Put a cross in one or more boxes for each of the statements:



High inflation often means that...

1. ...people do not want to save their money.
2. ...foreign companies can sell goods/services more easily.
3. ...people don't buy so many things.
4. ...companies find it difficult to sell goods/services locally.
5. ...more people lose their jobs.
6. ...companies find it difficult to sell goods/services internationally.
7. ...people do not have so much money to invest in business.
8. ...people can't buy so much with their income (wages/pension, etc).
9. ...people borrow more money than usual.
10. ...everybody gets richer.
11. ...people store value in commodities (e.g. gold), not in money.

Example

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8. Inflation (cont'd)

Hyperinflation

Hyperinflation is inflation at a very high rate. Price rises are out of control and unpredictable. Some economists say hyperinflation exists when prices increase more than 50% each month.

Hyperinflation in Yugoslavia, 1993-1995

In 1993 Yugoslavia, in Central Europe, was a Communist state. The economy was tightly controlled by the government. In the 1980's, because of bad economic management, the government had to print lots of money to repay debts. This created inflation of about 15-25% per year. It also used savings that citizens had put in government banks.

In 1993, most shops in the country were operated by the government. Because of its financial problems there were very few goods in these shops. A huge black market developed, with high prices because goods were so scarce. Petrol became so expensive that most people stopped driving, only 40% of public buses operated, and the government refused to give any fuel to the farmers at harvest time. The government didn't have enough money to maintain public services (schools, hospitals, roads, etc.).



A 500 billion Yugoslavian Dinar banknote issued in 1993

To try and control inflation, the government controlled the prices of goods produced in the country. Soon, producers stopped producing anything because they couldn't make any money. In October 1993, bakers in the capital city, Belgrade, stopped making bread. Average daily inflation reached 100%.

The situation became worse and worse. The country began to collapse. Many workers went on strike because they could no longer survive on their wages. Pension payments stopped. Many businesses refused to accept the Yugoslavian currency (the Dinar) because it was losing its value so quickly. Between October 1993 and January 1995, prices increased by 5,000,000,000,000,000% (5 quadrillion percent).

On Your Own

1. Answer the questions below about **hyperinflation** in Yugoslavia.
 - a. Why was there such a big black market in Yugoslavia in 1993?
 - b. What problems did the high price of petrol create?
 - c. How did the government try to control inflation? What happened?
 - d. Why did many businesses refuse to accept the Yugoslavian Dinar at this time?

8. Inflation (cont'd)

Economic crisis in Zimbabwe

Zimbabwe, in Africa, was colonised by the British in 1888 and named Rhodesia. It became a 'self-governing colony' in 1922, and declared independence from Britain in 1953. At this time the country was ruled by the white minority who owned almost all agricultural land and business. The black majority lived in poverty and **servitude**.

In the 1960's, black guerrilla groups began fighting the government. One of these groups, ZANU, was led by Robert Mugabe.

In 1980, after a peace agreement was signed, a free election was held. Robert Mugabe's ZANU party won a huge victory. Mugabe has won every election since then, although his international image has changed from guerrilla hero to brutal dictator. He has been accused of **rigging** elections and arresting, torturing and murdering **opposition** members.

In 2000, he introduced a new law which forced white landowners to give their land to blacks. Many white landowners were injured, and some killed, as gangs of his party members took control of their farms. However, this new law caused **chaos** in the agricultural sector. The amount of food and other products that the farms produced decreased **substantially** because the farms were badly managed. Agricultural products were traditionally Zimbabwe's biggest **export** and an important source of foreign currency. Now there weren't many products to sell to foreign countries.

The lack of foreign currency coming into Zimbabwe created hyperinflation. In 1998 the inflation rate was 32%. Some economists estimate that it could be as high as 1.5 million % in 2007. In June 2007, in a desperate attempt to slow down inflation, Mugabe ordered all shops to cut prices by at least 50%. Several thousand shopkeepers who refused were arrested.

This created further chaos. Shops were forced to sell goods more cheaply than they bought them. Thousands of people rushed to the shops to buy these cheap goods. However, once the goods ran out, the shops couldn't afford to buy new **stock**. In many rural areas it is now impossible to buy oil, salt and soap. Petrol is becoming very scarce and most taxis and buses have stopped running. Some foods are also becoming difficult to find. There is very little meat available in the market because owners no longer want to slaughter their animals when the price for the meat is so low.

Many factories have also stopped working because they don't want to lose money, and electricity and water is now unavailable for most of the day. Mugabe recently said that the government would **seize** any factories that stopped production. He is also pushing parliament to accept a law to **nationalise** all foreign-owned businesses. Unemployment, already at 80% of the population, is now rising fast. The future of Zimbabwe looks very uncertain.



Robert Mugabe

Pairwork

1. True or false. Complete the exercise that your teacher gives you.

9. Tax

Groupwork 1. What do you know about tax? Create a mind-map.

Tax is the money paid to the local or central government by individuals and businesses. It usually means legal, official, and controlled payments, rather than forced taxation (extortion) by non-legitimate groups.

This money is usually spent on essential services such as **health, education and transport**.

Groupwork 2. What different kinds of tax do you have in your country? Make a list. Who pays which kinds of tax?



There are **two** main types of taxes:

1. DIRECT TAX

A tax on individuals or businesses.

Examples include:

Income Tax: *tax taken out of an individual's income (wage).*

Business Tax: *tax paid by businesses on their profits.*

2. INDIRECT TAX

A tax on a good or a service.

Examples include:

Value Added Tax (VAT): *this is put on to the price of most goods and services.*

Property Tax: *tax paid on the value of an individual's house.*

Excise Tax: *tax paid on specific goods, such as petrol, alcohol or cigarettes.*

Import Tax: *tax paid on goods imported into a country.*

Discussion 3. Do you, or your family, pay any tax? What kinds of taxes do you pay? Which taxes are direct and indirect? Do you think paying tax is a good idea? Why/Why not?

Fairness of Income Tax

There are different ways of taxing people's incomes.

1. Progressive Taxation

The more money you earn, the higher the percentage of your income you pay in tax.

2. Proportional Taxation

Everybody pays the same percentage of the money they earn.

3. Regressive Taxation

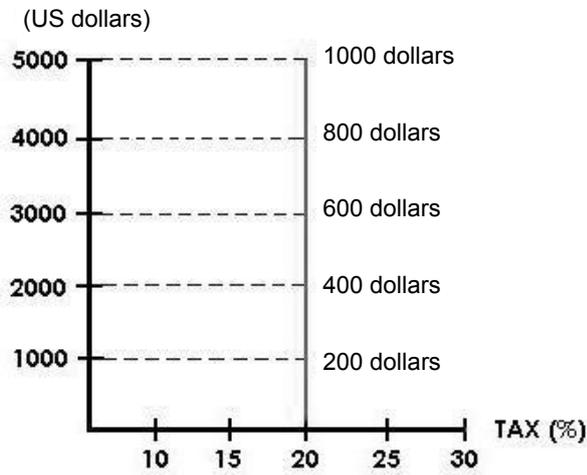
The more money you earn, the lower percentage of your income you pay in tax.

People often disagree about which system of income tax is fairer.

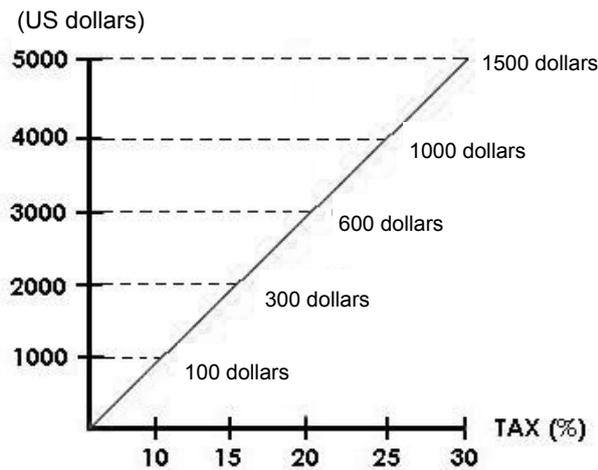
9. Tax (cont'd)

On Your Own Look at each graph. Decide whether it is showing progressive, proportional or regressive taxation. Write your answer in the box to the right of each graph.

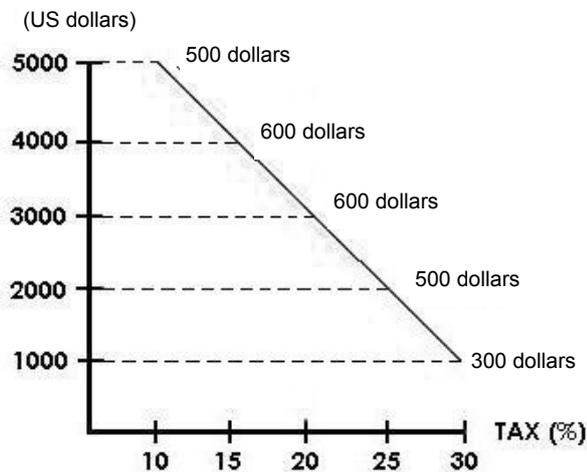
1. MONTHLY INCOME



2. MONTHLY INCOME



3. MONTHLY INCOME



9. Tax (cont'd)

Pairwork

1. Read what the people below are saying. Which kinds of income tax is each pair talking about? Which one do you agree with, and why?

1.



It's not fair! Just because I earn a lot of money I pay 30% tax on my income, but you only pay 10%. And I don't use public services any more than you do!

Yes, but if I paid 30% on my income, I would have very little money left, but you can easily afford it! Also, as you are successful, you should give more back to society.



2.



We both pay the same percentage of our income. I think that's fair. I pay less tax because I earn less.

That's not fair at all! I employ lots of people in my factory so I contribute much to society. I should pay less tax than you!



3.



My children go to private schools, not government ones. I go to a private hospital if I'm ill, and I never use public transport because I have a car. I should pay a smaller percentage of my income in tax than you!

Rubbish! I work much harder than you, but I earn much less money. The rich should help the poor by paying more tax than them.



Groupwork

2. You work for the Income Tax Committee of the Ministry of Finance in Mazalia. You are deciding the government's tax policy. Agree among yourselves which is the fairest income tax system and why. Present your tax policy to the class, explain why you have made that choice. Why do you think your policy is fair?

9. Tax (cont'd)

Discussion 1. Do you know what a 'black market' is? Can you guess?

Black markets

All goods and services that are illegal (including stolen goods), or which are produced and sold secretly to avoid taxes or licenses, are described as being in the 'black market'.

Black markets develop when the state places **restrictions** on the production or supply of goods and services which conflict with market demands, or when weak laws make it easy to produce **fake** goods. Black markets exist in all economies, but tend to be larger in economies with many restrictions or particularly weak laws.

Sometimes black market goods are cheaper than legal market goods because they have been produced without paying the usual taxes. In other cases, black market goods can be more expensive than normal prices because they are difficult to get, and may not be legal.

The laws of supply and demand dominate black markets just like normal markets. If a good or service that people want is scarce and/or illegal, the price will rise, and there will be more **incentive** for the black market to sell it. Furthermore, if legal goods are particularly expensive and in demand, then there is an incentive for the black market to produce and sell them more cheaply.



Pairwork 2. Which goods do you think are sold most widely in the black markets throughout the world? Make a list in pairs. Why do you think there are so many of these particular goods on the black market?

10. Production

Brainstorm

1. Think about a cotton shirt. What do you need to produce (make) it?

How are things **produced** (made) in an economy? People often think about factories, but in fact there are **four** important parts of production:

1. **LAND** - This includes all natural resources in the land (forests, rivers, oil, etc.).
2. **LABOUR** - This is the work done by people to make goods and services.
3. **CAPITAL** - This is the money and tools used to produce goods and services.
4. **ENTERPRISE** - This is the organisation of the parts of production.



1. Land

Everything that is produced in the economy uses natural resources (land).

Crops are grown in the soil and fed with water from rivers, streams or underground. Houses and shops are built with wood and bamboo from the jungle or stones and metals from the ground. Mineral resources like gold and coal are dug from underground. Every factory, market and shop needs land for a building.

Land is therefore a central part of production in every part of the economy.

Pairwork

2. What land (natural resources) is there in your community? Make a list.

Ownership of land (natural resources)

Much of the land (natural resources) in the world is owned and controlled. It can be owned by people, communities, businesses, governments, kings, queens, etc.

In economics, if you 'own' something you have the right to decide how it is used (within the law). If you do not own something, you do not have the right to decide how it is used.

- If the government (state) owns the land, it is called **public ownership**.
- When land is owned by a community, it is called **collective ownership**.
- When land is owned by individual people or businesses, it is called **private ownership**.

Groupwork

3. Can you think of examples of each kind of land ownership in your own community?

10. Production (cont'd)

In Blue Village in Mazalia, 99% of the nearby forest is privately owned by one rich man. He is very selfish and refuses to allow other villagers to cut down any trees to build houses.

The land around Green Village in Mazalia is publicly owned by the government. One day a government official arrives in the village and says that the government wants to look for oil in the ground under the village. Therefore, unfortunately the village will have to be destroyed.

In Red Village in Mazalia, the farmland around the village is collectively owned by all the villagers. Today, though, no crops are growing because the villagers cannot agree on what to grow. Half the village want to grow rice, but the other half want to grow yellow beans.

Groupwork

1. Can you see any problems with the three different kinds of land ownership?

Fighting for agricultural land rights in Brazil

Brazil is the largest country in South America. It was **colonised** by Portugal in 1500. The Portuguese took control of the land and gave it away to rich Portuguese families. This meant many local people became **landless**.

Brazil became independent in 1822 but **inequality** continued. Now less than 3% of the population owns 65% of farmland. 60% of this land is currently unused while 25 million peasants are landless and struggle to survive.

To fight for land rights, peasants organised themselves to

occupy unused private land. In 1985, hundreds of peasants occupied a large unused farm in the south of Brazil. They started a community where everyone shares the land, work, food, healthcare and education. Two years later, the government gave the peasants the right to stay on the land they were occupying. This was the start of the Landless Workers' Movement (MST).

In 1988, Brazil got a new **constitution**. Part of the constitution was about land. It said that land not being used well should be taken by the government and given to poor people. This gave very important legal rights to all landless people. After occupying land, they could go to court and try to win the right to stay on it and **cultivate** it.

In many areas, poor farmers grow coffee on the land of rich landowners, and give them a share of the crop in return. This is called 'sharecropping'. Often, however, the farmers have to give so much to the landowner that they can never make enough money to become independent. MST say that this system only helps the rich people, and that sharecroppers are almost like **slaves**. They have now started to occupy sharecropping land in areas where many are hungry.



10. Production (cont'd)

When MST protesters occupy land, they say they are 'cutting the wire'. This refers to the wire fences that often surround private land. When MST take control of the land, it becomes collectively owned, and so the wire fence is cut and removed.

Since 1988, more than 250,000 people have won land rights from the government and nearly a million people now have land to farm. However, the Brazilian government and landowners continue to **condemn** many of their actions as unlawful. Thousands of MST activists have been arrested, and hundreds killed, by police and landlords during protests and occupations.



Young MST protesters with the MST flag

On Your Own 1. Write answers to the questions that your teacher gives you.

Discussion 2. Who owns the land in your community? Is there private, public and collective ownership? Are there problems with land ownership? Why?

Land rights in Cambodia

Cambodia is a poor country. 85% of the population lives in **rural** areas. However, 80% of rural families do not have documents to prove ownership of their land. These documents have never been **issued**.

The people of Kong Yu village in Ratanakiri province have lived and farmed in their area for up to 2000 years. However, in 2004, local officials started to put pressure on the villagers to sell 50 **hectares** of their land for a low price. They told them that the land was needed for disabled soldiers, and that the villagers had documents to prove that they owned the land. The officials organised a party and a gift-giving ceremony where they handed out money. At these events, villagers were encouraged to put their thumbprints on documents that they didn't understand.



Kong Yu villagers

In August 2004, the village chief gave each family US\$400 in cash and told them that Keat Kolney, a powerful businesswoman and wife of the Minister of Land Management in the Cambodian government, now owned 500 hectares of their land. By using her contacts in government, and bribing local officials, she had tricked the local people into selling her their land.

In October 2004 **bulldozers** arrived and started clearing the land for a rubber plantation. Villagers were refused access to it. The villagers reported the situation to a local NGO. In January 2007, with the help of several NGOs, they filed a **lawsuit** against Keat Kolney to try and get back their land. The court is currently looking into the case.

Pairwork 3. True or false. Complete the exercise that your teacher gives you.

10. Production (cont'd)

2. Labour

Labour is the **work** people do to produce goods and services. Labour can be **paid** or **unpaid**.

Brainstorm

1. What work is done in your community? Make a list of two columns, one for 'Paid Labour' and one for 'Unpaid Labour'.

On Your Own

2. Look at the pictures below. What kinds of labour do you see?



a.



b.



c.



d.

Discussion

3. Which worker is paid? Which worker is unpaid? Is their work equal? Why? Why not? Why do you think one of them is paid, but the other unpaid?



Ko Shwe's job is repairing the railways. He usually works 8-10 hours a day, 6 days a week. Naw Berry is married to Ko Shwe. She works at home. She looks after their children, washes clothes, cooks and cleans. She usually works 10-12 hours a day, 7 days a week.



Labour segregation

How do we decide who does the different jobs in society? This question is about **segregation of labour**. In many societies, labour is often divided by **gender**. Men and women do different kinds of jobs.

Groupwork

4. What kind of **segregation of labour** is there in your community? What kind of work do men do? What kind of work do women do? Is labour divided in other ways, like ethnicity, wealth, age, social status?

Labour specialisation

In many societies, education and experience affect the kinds of jobs that people can do. Someone with no medical experience can't get a job as a doctor. To get a job as a doctor in a hospital, people need to study for many years and get work experience.

10. Production (cont'd)

Modern societies can produce a lot of food through **intensive agriculture**, so people can **specialise** in a job. While some people grow food, other people can be teachers, medics, managers, or shopkeepers. They rely on other people to produce their food.

In many societies, **specialisation** can mean people have to do the same job all their life. If labour is very specialised, jobs can be very boring. This often happens in factories. People specialise in a particular task, or a single part of a machine, such as putting labels on bottles, or gluing two parts of a shoe together. They often repeat this action hundreds or thousands of times every day.

Pairwork

1. Is there a lot of labour specialisation in your community? Why? Why not? What kinds of specialist labour are there? Write down your ideas.

3. Capital

Capital is the **money** and **tools** (capital goods) we need for production.

a. Money capital

Money capital is the money you need to start, continue and increase production.

Nang Htay has a small shop in Mandalay. She worked in a factory for two years to save 700,000 kyat to open the shop, and she invested an extra 50,000 kyat for a license to sell cigarettes. Every month she spends 100,000 kyat on buying new stock. By selling the goods in her shop, she gets 300,000 kyat per month. She pays herself a monthly salary of 100,000 kyat and spends 50,000 kyat every month on transport, shop maintenance, and taxes.



Pairwork

2. Answer the following questions about Nang Htay:

- How much money capital has Nang Htay used to open her shop?
- How much **profit** does she make each month?
- How long will it take her to repay her money capital investment with her **profits**?

b. Capital goods

Capital goods are the tools needed for production. These tools can be simple or complicated. To harvest crops, a farmer can use a buffalo or a tractor. To produce shoes in a factory, the owners need the factory, a generator, lights, glue, paint and many other capital goods.



Groupwork

3. What money capital and capital goods are used in your community? Write a list with two columns for each kind of capital.

10. Production (cont'd)

4. Enterprise

Enterprise is the organisation of the other factors of production: **land, labour and capital**.

Production can be organised in a number of different ways:

1. Small Businesses: Small businesses are usually owned by one person, or a small group of people. They usually work very locally. Examples of small businesses are a food stall on the side of the road, a small sewing shop repairing and making clothes, or a motorcycle taxi driver.



2. Local Companies: When a group of people invest in starting and continuing production, they are usually starting a company. Companies are often run by a small group of people chosen from all the people who invested money. The small group then chooses a manager to run the company. Examples of local companies are some newspaper or beer companies.



3. State Companies: State companies are controlled by governments. The expenses come from governments and profits go back to governments. They are run like companies. Many services like energy, transport and water are run by state companies.



4. Corporations: These are large companies, or groups of companies. They often produce many different kinds of goods, and do business all over the world. Examples include Toyota, Colgate-Palmolive, Coca-Cola, and Unilever.



5. Cooperatives: This is a business owned and managed equally by its members. In companies, a manager (or a group of managers) makes decisions. In cooperatives, members have meetings so everybody is involved in making decisions.



Pairwork

1. The teacher will give you some information about different enterprises. Decide which kind of enterprise they are.

Discussion

2. Which kinds of enterprise exist in your community?

10. Production (cont'd)

Below is an example of the land, labour, capital and enterprise used in the production of paper.

THE PRODUCTION OF PAPER

LAND:

Trees
Water
Agricultural Land
Land for the factory



LABOUR:

Cutting down trees
Transporting trees to the factory
Working in the factory to turn the trees into paper



CAPITAL:

Money to invest
Saws
Trucks
Factory building
Factory machines
Chemicals



ENTERPRISE:

Entrepreneur
Management team



Pairwork

1. Working in pairs, design a poster showing the production of another good or service. You should include words and pictures. Using your poster, explain to the class the different things needed to produce that particular good or service.

11. Employment, Working Conditions & Labour Unions

Employment means having a job (usually a paid job) - the exchange of **labour** for money.

Brainstorm

1. Most people spend more than half their lifetime at work. Why do we work? How many reasons can you think of?

Discussion

2. Does everybody want to work? As a group, discuss why some people might not want to work. Do you want to work, now or in the future? What kind of work do you want to do?

Labour and unemployment

The work that people do is called **labour**. The **labour market** is where buyers of labour (i.e. businesses) and sellers of labour (workers) **negotiate** wages (how much they are paid for the labour they give) and working conditions. The **labour force** is the total number of people who are able to work.

People who can't find jobs are **unemployed**. Unemployment exists when the number of workers (and their skills) needed in the labour market is less than the number of workers looking for work.



Thet Aung is a carpenter. He lives in Loikaw. Two months ago he was very busy. Three people employed him to help build their houses.

At the moment, no one in the town is building a house. They do not need a carpenter. Therefore, Thet Aung cannot find work. He is **unemployed**.



- An **employer** is the person who employs other people.
- An **employee** is the person who is employed by the employer.
- If a person works for him/herself, they are called **self-employed**.

Sai Serdai works as a waiter in a restaurant in Kengtung. The restaurant is owned by Nang Far. Who is the employer and who is the employee?

Brainstorm

3. What kind of employment do people have in your community?

Discussion

4. Is there a lot of unemployment in your community? Why? Why not?

11. Employment, etc. (cont'd)

Discussion

1. Think about supply and demand for labour, and how it affects **wages**. If labour demand is high (employers want lots of people) and labour supply is low (not many people looking for work), do you think wages will increase or decrease? What about if labour demand is low and supply is high?

Labour supply & demand

The amount of labour needed in an economy, and the amount of labour available, changes all the time. In a growing economy, businesses need more workers. This usually means that wages increase, as businesses are competing for a scarce resource (workers). The higher wages become, the more people want to work.

If an economy is slowing down or **shrinking**, the demand for labour decreases. Businesses start to **lay off** their workers, and do not look to employ other people. This usually means that wages stop increasing, or even decrease, because there are many workers available, but not many jobs.

In a healthy economy, there should be a reasonable balance between labour supply and demand, with low unemployment and steady wage increases.

Discussion

2. What kinds of laws do you think countries have about work/labour?

Labour law

All countries have laws about work, some more than others. These laws say who is allowed to work, how long they should work for each day, at what age they should start and stop working, the minimum amount of money that they should be paid (the 'minimum wage'), and the conditions that employers must provide. These laws are designed to protect workers from **unfair discrimination and exploitation**.

In some countries, labour laws are very weak. Employees have very little protection from exploitation. Employers don't have to care about the law.



Discussion

3. Look at the picture on the right. What do you think it is trying to say about exploitation and labour law?

Groupwork

4. You work for the Labour Ministry of the Government of Mazalia. The Prime Minister has asked you to write five statements about who should be allowed to work, and who should not, and what kind of work people should do. Some of the things that you could consider are:

Age Gender Ethnicity Religion Disability Nationality

Working conditions

Working conditions are the circumstances in which people work. It includes how workers are treated by the employers, the building where they work, the materials they work with, the breaks and holidays they receive, etc. Employers usually try to reduce costs as much as possible to keep prices low and **maximise** profit. Providing good working conditions can be expensive - high wages, expensive equipment, paid holidays, etc. - so employers may try to avoid them. Some governments decide not to make many laws about working conditions, or ignore existing laws, as they do not want to make it too expensive or difficult for employers to employ or **lay off** people.

Discussion

5. Can you imagine what bad working conditions are? Give your ideas.

11. Employment, etc. (cont'd)

Labour unions

A labour union is when a group of workers get together to obtain, improve and protect their labour rights and working conditions. As a group they have more power to negotiate with their employers. If a union and an employer cannot agree, the union can threaten to go on **strike**. A strike is when workers refuse to work to try and force their employer to improve their conditions.

Pairwork

1. True or false. Complete the exercise that your teacher gives you.

The Bryant & May Matchgirls Strike, London, England

In London in June 1888, journalist Annie Besant heard about the terrible working conditions of women at the Bryant & May match factory. She interviewed workers there and found that the women worked 14 hours a day for a tiny wage. They often didn't receive their full wage because of a system of fines for talking, dropping matches or going to the toilet without permission. Those who arrived late to work were fined half a day's pay.



Annie Besant (centre) & the Matchgirls Strike Committee

Annie Besant also found that the women's health had been badly affected by the phosphorous (a chemical) used to make matches. It caused yellowing of the skin, hair loss, and 'phossy jaw', a form of bone cancer. The face turned green and leaked **pus**, which finally caused death.

On 23rd June 1888, Annie Besant wrote an article called 'White Slavery in London'. She complained about the way the women were treated. Bryant & May tried to force the women to sign a statement that they were happy with their working conditions, but a group of women refused to sign, and were fired. In response, 1400 women at Bryant & May went on strike.

Annie Besant, and other journalists used their newspapers to call for a **boycott** of Bryant & May matches. The women at the company also decided to form a Matchgirls' Union and Besant agreed to become its leader. After three weeks the company said that it was willing to re-employ the women, and would also stop the fines system. The women accepted the terms and returned in triumph. The Bryant & May **dispute** was the first strike by unorganised workers to gain national **publicity**. It also helped to **inspire** the creation of unions all over the country.

On Your Own

2. Comprehension. Your teacher will give you questions to answer.

11. Employment, etc. (cont'd)

Sweatshops and labour rights

'Sweatshop' is a word used to describe a factory where workers suffer **exploitation**. This can include dirty or dangerous working conditions, very low wages, no **labour unions**, long working hours, mental or physical abuse, and child labour. Many large clothing companies such as Nike, Adidas, and Levi's have been accused of using sweatshop labour. Many of these companies manufacture their clothes in countries with weak labour laws, particularly in Asia and South America. Often they don't own the factories, but pay other companies to manufacture the clothes for them. This is called **outsourcing**, or **subcontracting**.

In the 1990's, news of sweatshops began to appear in the Western **media**. The most shocking case was a sweatshop based in the US. In 1995, in a town called El Monte in California, 72 illegal Thai immigrants were found working in a small clothes factory. They were kept in conditions of **slavery**, sewing clothes for some of the country's biggest clothes companies.

They had to work 18 hours a day in a compound enclosed by **barbed-wire**. **Armed** guards kept discipline. Eight to ten people slept in bedrooms designed for two, and rats crawled over them while they slept. Some of the workers had been kept there for 17 years. Their phone calls and letters were **censored**, and the factory owners ruled with fear, threatening to harm them or their families back in Thailand. They were paid very low wages, and were forced to buy goods from the factory shop, which was very expensive.



El Monte sweatshop workers

A newspaper found out about the factory and reported what was happening. Legal and human rights organisations decided to help these workers, and take the factory owners and big clothing companies to court. The court awarded money to the workers, and they received legal migrant status. The court also decided that the big clothing companies were responsible for the working conditions in the factories of their subcontractors.

Nike has been strongly criticised for not carefully checking the working conditions in their subcontractors' factories. Oxfam, an NGO, reported the conditions in one factory making Nike products in Thailand. The workers worked long hours for very low pay. The factory owner put drugs in the drinking water to keep workers awake when they were working at night. They often suffered mental and physical abuse from the factory owner. On some occasions, workers were fined 500 baht for yawning, and one woman was fined 2000 baht for bringing a lemon to work to keep herself awake.



A poster criticising Nike

On Your Own

1. Comprehension. Complete the exercise that your teacher gives you.
2. Think about and discuss the questions your teacher gives you.

12. Oil

Discussion 1. How is oil formed? Why do you think oil is important in economics?

What is oil?

Most oil was created millions of years ago. Dead plants and water animals fell to the bottom of oceans, streams rivers and lakes. These plants and animals were slowly covered with layers of sediment (rock dust in the water). The weight of the sediment created heat and pressure which changed these plants and animals into oil. Oil is a **finite** resource, i.e. there is a limited supply of it.

Pairwork 2. What things do you think are made using oil? How about the things around you? Make a list.

Brainstorm 3. One of the most important uses of oil is as a **fuel** (a source of energy). What things is oil used as a fuel for?

What is oil used for?

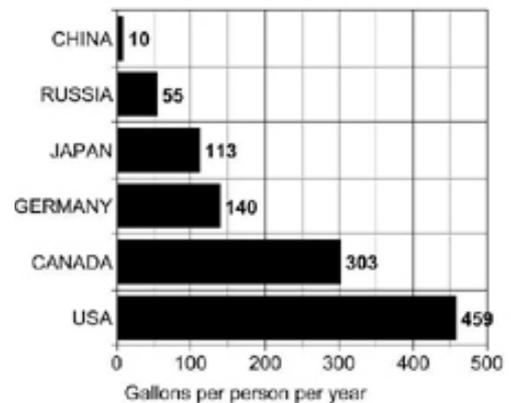
Oil-based fuels, including petroleum (gasoline) and diesel fuel, are used to power many of the world's engines in motorbikes, cars, trucks, buses, trains, ships, aeroplanes, generators, factories, power stations, etc. Oil is also used to produce thousands of other products including road surfaces (bitumen), chemicals, plastics, cosmetics, clothes (polyester), shoes, compact discs, ink, cleaning fluids, candles, fertilizers, camera film, etc. Today we consume 160 times more oil than in 1900.

Discussion 4. Do you know which countries consume the most oil? Can you guess?

Oil consumption

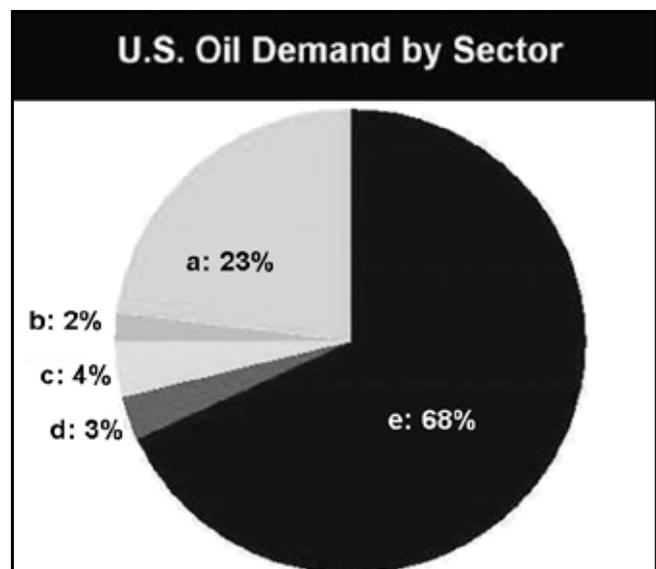
By far the largest consumer of oil is the US. With only 5% of the world's population, the country consumes 26% of the oil produced each day. Other big oil consumers include Japan, China and Germany. Developed (rich) countries tend to use a lot more oil per person than developing (poor) countries.

Consumption per person per year (1997)



Pairwork 5. How much of the oil do different sectors of the US economy use? Look at the chart and match the sectors to the words below.

1. Commercial
2. Electricity generation
3. Transportation
4. Industrial
5. Residential



12. Oil (cont'd)

On Your Own

1. **Access to oil.** Listen to the text. Summarise the **main points**. At the end of the exercise, compare your main points with a partner. Do you agree?

Pairwork

Groupwork

2. What do you think is the relationship between **oil**, **economics** and **power**? Look at the images and text below. Think about the questions in each paragraph and prepare ideas for a discussion.

1. A sign displayed during a **demonstration** in the US against the war in Iraq. The US invaded Iraq in 2003. Iraq is a major oil producer. Why do think the demonstrators have written 'NO BLOOD FOR OIL'?



2. Ken Saro-Wiwa, an environmental **activist** from Nigeria, was executed by the Nigerian government in 1995. His people, the Ogoni, live in the Niger Delta. Foreign oil companies have been extracting oil from this region for over 50 years, causing huge environmental damage. Saro-Wiwa wanted **compensation** for his people, and a share of the US\$30 billion of oil sold from this region. Why do you think he was killed?



3. Bolivia is a poor country in South America. Its small oil and gas resources are extracted mainly by foreign companies. On May 1st 2006, Bolivian President Evo Morales decided to **nationalise** the country's oil. Foreign companies would receive 18% of the oil they extract, with 82% going to the government. In September, this policy was suspended due to international pressure. Why does Morales want to nationalise Bolivian oil?

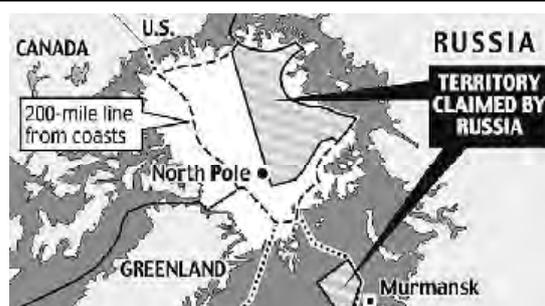


4. The Organisation of Petroleum Exporting Countries (OPEC) is an international organization of 12 countries in Asia, the Middle East, Africa and South America. They control 65% of the world's oil reserves. OPEC's goals are to protect the interests of its members and influence oil prices. In 1973, when Israel was at war with Syria and Egypt, the Arab members of OPEC refused to supply oil to the US. They accused the US of helping Israel. What do you think happened to oil prices and supplies during this period?



Sign at a US petrol station

5. In June 2007, Russia claimed ownership of a large area of the North Pole rich in oil, gas and minerals. It plans to submit its **claim** to the UN. Until now this area has not belonged to any country, but is administered by the International Seabed Authority. Many governments and environmental groups have criticised Russia's claim. Why do you think Russia is trying to claim this territory?



12. Oil (cont'd)

On Your Own

1. How soon do you think oil will run out? Guess a date, and draw a circle around it.



On Your Own

2. Listen to the paragraph that your teacher will read to you. Fill in the gaps in the text below. When you have finished, compare with your partner.

Pairwork

Oil consumption depends on two things: _____. It is impossible to know exactly how much oil remains in the Earth. New sources are still being found, though much less often than before. The world's proved oil reserves are currently _____ billion barrels. It is also difficult to predict how much we will consume in the future, although consumption rates are still rising rapidly. World demand for oil has risen from _____ barrels in 1986 to _____ barrels in 2006. Some scientists think that there will be serious oil shortages by about _____, and the price of oil will be so high that many countries will not be able to afford it. The price of a barrel of crude oil rose from _____ in January 2004 to _____ in October 2006.

Discussion

3. How will rises in the cost of oil affect your community? What will happen to the cost of other things if oil prices increase? What about transport, food, construction materials, etc.?

13. Economic Indicators

Economic indicators are different ways to measure the ‘health’ of an economy, and a country. They give information about how rich or poor the country is, and how quickly the economy is growing or **shrinking**. Economic indicators are also used to find out the **standard of living** in a country.



Groupwork

1. What kind of things do you think you could use to measure the standard of living in a country? In your groups, make a list of **indicators**.

1. Gross Domestic Product (GDP)

GDP is the total value of all goods and services produced within a country in one year. The table below shows the GDP of selected countries in 2007.

Country	GDP (millions of US Dollars)
USA	13,244,550
Japan	4,367,459
Germany	2,897,032
China	2,630,113
India	886,867
Thailand	206,258
Myanmar	13,006

Discussion

2. Do you think that GDP provides an accurate measure of the economic ‘health’ of a country? Can you think of any problems with GDP as an economic indicator?

2. Gross Domestic Product per person (GDP per person)

GDP per person (also called GDP per capita) divides the GDP by the number of people in the country. Look at the GDP per capita for the same countries in 2007. What do you notice?

Country	GDP per person (US Dollars)
USA	44,000
Germany	31,900
Japan	31,100
Thailand	9,200
China	7,700
India	3,800
Myanmar	1,800

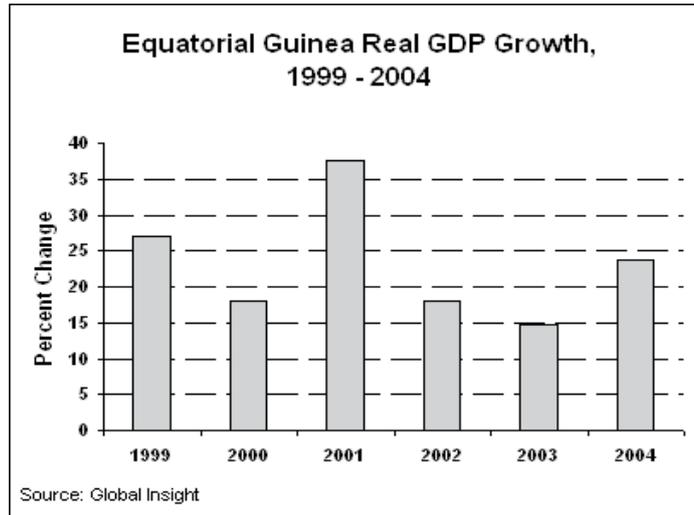
Discussion

3. What about GDP per person? Do you think it is a more accurate economic indicator than GDP? Why/Why not? Do you see any potential problems with GDP per person?

13. Economic Indicators (cont'd)

GDP per person in Equatorial Guinea

Equatorial Guinea had the second highest GDP per person in the world in 2005, at US\$50,205. The country has become rich since large amounts of oil and gas were discovered under the sea near the country's coast in 1995. Equatorial Guinea makes about US\$2 billion per year from oil sales, which has created rapid growth in GDP.



This might make you think that most people in Equatorial Guinea are rich. However, the reality is very different. Most of the money made from oil has been taken by the President, Teodoro Obiang Nguema, and the people close to him.

Despite the government's claims that US\$400 million have been spent on health, housing and education, most people are uneducated and live in **slums**. The government and the military keep tight control over the country, elections have been **condemned** as unfair, and government violence and **corruption** are common.

Therefore, despite being a 'rich' country on paper, with a high GDP per person, most of the population of 500,000 are very poor. This shows the limits of using GDP per person as an economic indicator.



A family in Equatorial Guinea

Pairwork

1. In pairs, answer the questions below about Equatorial Guinea.

- Why is Equatorial Guinea's GDP per person (capita) so high?
- If the GDP per person (capita) is so high, why are so many people poor?
- How does the country keep control over the people?
- Why does this example demonstrate the limits of using GDP per person (capita) as an economic indicator?

13. Economic Indicators (cont'd)

The United Nations Human Development Index (HDI)

The UN Human Development Index (HDI) is a measure of poverty, literacy, education, life expectancy, childbirth, and other factors for countries worldwide. The HDI measures the average achievements in a country using **three** criteria:

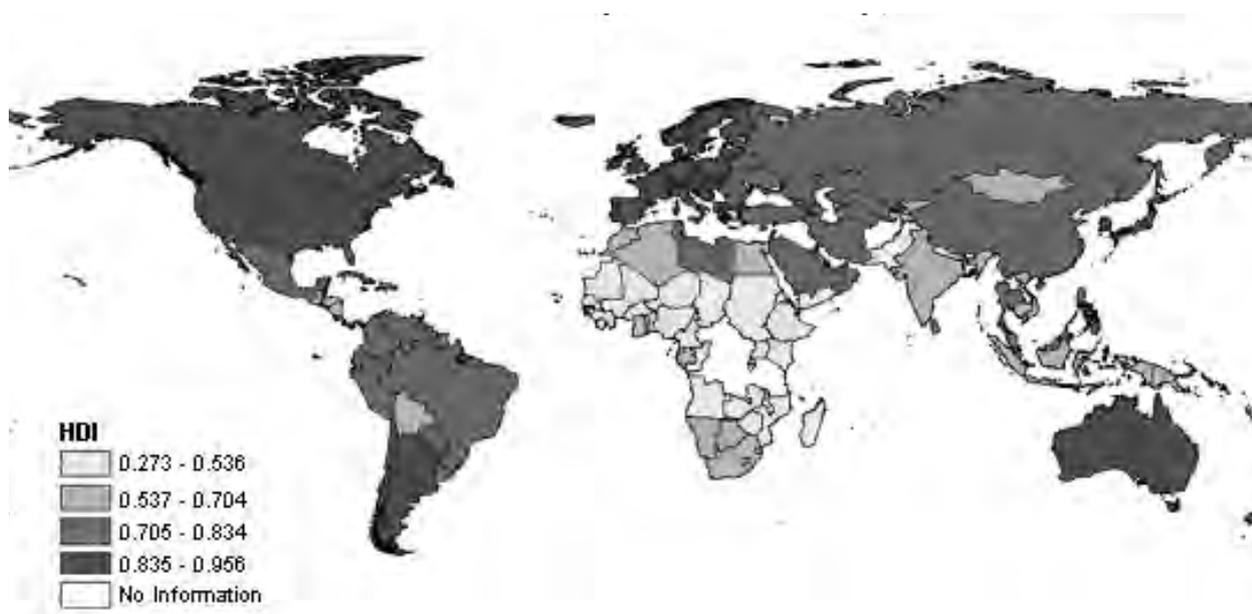
- A long and healthy life, as measured by **life expectancy** at birth.
- Knowledge, measured by the number of **literate** students attending school.
- A decent **standard of living**, as measured by GDP per person and the **relative** ability of people in the country to buy goods and services.

Each year, UN member states are listed and ranked according to these indicators. Countries are ranked on a scale of 0 to 1. Countries at 0.8 and above are considered to have high development. Countries with 0.5 and below are considered to have low development. The highest ranked country in 2005 was Norway with an HDI of 0.963. The lowest ranked was Niger with an HDI of 0.281. Look at HDI figures in 2005 for the countries below.

Country	HDI
USA	0.944
Japan	0.943
Germany	0.930
China	0.755
India	0.602
Myanmar	0.578

Pairwork 1. Identify and write down three key points from the information above.

Discussion 2. Look at the map below showing the world HDI in 2004. What do you notice?



Groupwork 3. What kind of HDI score do you think your community would receive?

14. Economic Systems

Groupwork

1. What do you think are the most important decisions that countries/governments have to make about their economies?

Around the world, different countries manage their economies in different ways. Different governments have different amounts of control over their economies. In some countries, such as the USA and Great Britain, most economic activity is private. The government establishes basic laws but does not **interfere** much in people's business activities. In other countries, such as North Korea, there is very little private business.



George W Bush (USA), Vladimir Putin (Russia) and Hu Jintao (China): Presidents of different economic systems.

However, all countries have to make the same basic economic decisions:

1. **What (and how many) goods and services to produce.**
E.g. oranges or mangos? 50kg or 500kg?
2. **How to produce the goods and services.**
E.g. what tools to produce them with, and where to produce them.
3. **Who should receive the goods and services, and how much.**
E.g. men, women, adults, children, people in cities, people in villages?
4. **How much goods, services and labour should cost.**

Three main economic systems have developed to make these decisions:

1. FREE MARKET ECONOMY

Economic decisions usually made by individuals and businesses (private sector). They decide what to produce, how to produce, and for whom to produce. Resources are distributed using the forces of supply and demand.

2. PLANNED ECONOMY

Economic decisions usually made by the government (public sector). The government makes plans about what to produce, how to produce and for whom to produce. Therefore, resources are distributed by the government through a system of planning.

3. MIXED ECONOMY

Some economic decisions are made by individuals and business, and some by the government. Some resources are distributed through supply and demand, and some resources are distributed through government planning.

Economies are rarely completely 'free' or 'planned'. Most economies in the world fall into the 'mixed economy' category - decisions about the **allocation** of resources are shared between private individuals and businesses, and the government. Each economy has a **unique** combination of 'private' and 'public' ownership, and different levels of control by governments.

Groupwork

2. Look at the information above for a few minutes. Try to remember the **ideas**, not the words. Your teacher will then give you a quiz.

14. Economic Systems (cont'd)



A.

I think my country has the best economic system. The government provides free healthcare, lots of public transport, and cheap electricity and water. They don't interfere much in my business, though. I decide what I want to do, and how much I charge.

B.

My country definitely has the best economic system. Almost all of our goods and services are produced by private businesses. Competition keeps prices low and levels of service high. The market makes almost all the economic decisions.



C.

You're both wrong! We have the best system. Our government provides everything for us: goods, services, jobs, healthcare, transport, infrastructure, housing, etc., and decides the prices. We don't have to worry about anything.



On Your Own 1. Which kind of economic systems are the three people above talking about? Read what they say, and decide below:

- A:
- B:
- C:

Economic freedom

Some economists and politicians talk about 'economic freedom'. They consider a free market economy to have more freedom than a planned economy, because the market, not the government, makes most of the economic decisions. They believe this will lead to a richer, better, freer society. However, many people do not agree totally with this point of view.

Discussion 2. What do you think about these questions on 'economic freedom'?

- a. Should people have the economic freedom to do anything in order to make money?
- b. Who should have more economic control, the government or the people?
- c. Should rights be more or less important than economic freedom?
- d. When and why should economic freedom be restricted?

Groupwork 3. What do you think might be the dangers of a completely free market, or completely planned economy? Discuss this in your group, and make two lists with ideas about possible dangers for each kind of system.

14. Economic Systems (cont'd)

Wealth distribution and economic freedom

While some people strongly support the ‘free market’, it is a **controversial** issue. Those who support the idea of the free market believe that it is the fairest way to manage an economy. They argue that, in a free market, competition encourages new ideas, keeps prices low, offers more choice to buyers, and gives opportunities to everyone to obtain wealth. They argue that government interference should be **minimised** - the free market can control itself.

However, other people disagree with them. They argue that the free market encourages huge inequalities in the distribution of wealth. They argue that, while some people are able to obtain great wealth, many other people have to live in extreme poverty. This happens both within countries, and between countries. They believe that the lack of government control helps the rich get richer, while the poor become poorer. Education, healthcare, transport become increasingly difficult for the poor to access because it is ‘private’, i.e. you have to pay for it.

Groupwork

1. You are the Economic Strategy Committee of the government of Mazalia. You have been asked by the prime minister to develop the economic strategy for the next 50 years. Next week you will present your strategy to the parliament and they will vote on whether to accept your ideas. You need to decide:

- What kind of economic system should Mazalia use, and why?
- How should the following resources and services be managed. Should they be managed by the public sector, the private sector, or both? Why?

Natural Resources

Education

Transport

Production

Healthcare

Agriculture

Energy

Communications

To help you to do this, fill in the table below as a group, and decide **why** you have made these choices.

	Public	Private	Mixed
Natural Resources	X		
Production			
Energy			
Education			
Healthcare			
etc.			

Present your strategy to the class, explaining your strategy and the reasons for your decisions.

15. Global Economic Institutions

Brainstorm

1. Do you know what the World Bank, the International Monetary Fund, and the World Trade Organisation do? If not, can you guess?

Pairwork

2. Quick Quiz. Your teacher will give you instructions on how to do this quiz.

The World Bank



The World Bank was created in 1944 to help rebuild economies after World War II. Today, the bank's stated purpose is to 'fight poverty and improve peoples' lives by providing **grants** and loans to developing countries to pay for development activities. Currently the bank provides US\$20 billion per year for development projects. There are 185 member countries in the Bank. Each member has 250 votes, and then 'shares' depending on on the size of its economy. They receive one extra vote for every share. This means that countries with large economies have more influence over Bank decisions. The largest shareholder is the United States, with 16.39% of votes.

Criticisms of the World Bank

The World Bank is often criticised for 'conditionality'. This is when loans are given with certain economic and social policy **conditions**. Before receiving money, countries must agree to these conditions. These can include privatising state **assets**, lowering import tariffs and **liberalising** their markets. The Bank has also been criticised for its shareholder policy. Poor countries, who are most in need of the Bank's assistance, have the least influence over its decisions.

On Your Own

3. True or false. The teacher will give you statements about the text above.

The Nam Theun 2 Dam Project, Laos



In April 2005, the World Bank approved US\$270 million in loans for the construction of a dam on the Nam Theun River in Laos, despite much criticism from local people and environmental NGOs. The dam will provide **hydroelectric** power, 95% of which will be sold to Thailand. The World Bank claims that the project will deliver many benefits to Laos, including \$US1.1 billion of electricity sales.

However, environmental NGOs, including the International Rivers Network (IRN), have strongly criticised the dam, and challenged the figures provided by the Bank. They say that the dam will cause a lot of environmental damage, and destroy the livelihoods of over 100,000 Lao people living near the river. 6,000 people will be moved from their land, and fields belonging to 40,000 villagers will be flooded. Fish stocks may also be affected. The IRN claims that the dam will only deliver about US\$30 million per year in electricity sales, with no guarantee that any of the money will be used to help local people. Despite such criticism, construction on the dam has begun.

Discussion

4. Follow the instructions given to you by your teacher.

15. Global Economic Institutions (cont'd)

The International Monetary Fund (IMF)



The IMF was created in 1945 to support an international system of **fixed exchange rates** to help rebuild economies after World War II. Now the Fund acts more as a money-lender for countries in desperate need. It also monitors the economies of its member states, and the global economy in general. The Fund has 184 members. The size of a country's economy determines the amount of money that they are allowed to request from the Fund (known as Special Drawing Rights). It has a similar shareholding system to the World Bank, meaning that larger economies can buy more shares, and so have greater decision-making power.

Criticisms of the IMF

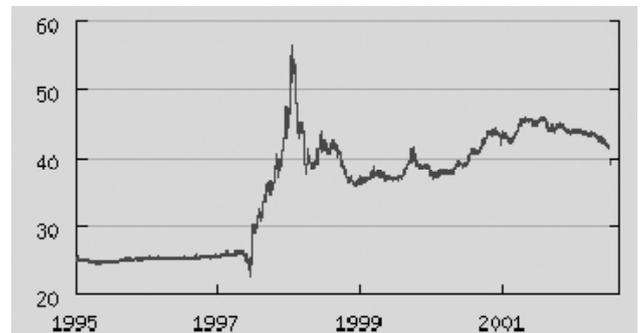
The IMF is criticised for giving rich countries too much control over its decisions. Critics argue that rich countries use the IMF to put pressure on poor countries to reform their economies for the rich countries' benefit (usually trade liberalisation). They argue that the IMF's policies have worsened the financial crises in many poor countries, and created greater poverty.

Pairwork

1. True or false. The teacher will give you statements about the text above.

The IMF and the East Asia Financial Crisis

In 1997, many of the economies in East Asia suffered financial crises. Thailand, South Korea and Indonesia suffered the most. The graph on the right shows the 'crash' of the value of the Thai baht against the US dollar in 1997.



Many people blamed the IMF for the crisis. They said that it had strongly encouraged these countries to liberalise their economies quickly, without enough consideration of the possible consequences. The IMF had also encouraged governments and businesses to take out loans in US dollars. When the value of the local currencies began to fall against the US dollar, these debts became more and more expensive. The solutions offered by the IMF were also heavily criticised. They demanded **drastic** economic reforms, including a huge cut in government spending, and no help for failing businesses. Many people argue that these policies have caused severe economic pain. However, other people say that there were many causes of the crisis, and that the IMF was only partly responsible.

On Your Own

2. Multiple choice. The teacher will give you a multiple choice exercise about the East Asia financial crisis.

15. Global Economic Institutions (cont'd)

The World Trade Organisation (WTO)



The WTO was created in 1995. Its stated aim is to 'ensure that trade flows as smoothly, **predictably** and freely as possible'. The WTO has 150 member countries. Unlike the World Bank and the IMF, each member country only receives ONE vote. The WTO makes the rules for international trade, ensures that countries **comply** with agreements, settles trade **disputes**, and **monitors** the national trade policies of member countries. Member countries meet every few years to negotiate gradual economic liberalisation. The last trade negotiations in July 2006 failed to produce any agreement. A new round of trade talks has not yet been organised.

Criticisms of the WTO

Critics argue that the WTO forces poor countries to liberalise their economies while allowing rich countries to protect their own economies. They also argue that the WTO's decision-making processes are too complicated, undemocratic and not **transparent**. Although there are four times more poor countries than rich countries in the WTO, poor countries are rarely able to negotiate trade policies that benefit them. Furthermore, WTO agreements can be more powerful than the national policies and laws of member countries. This threatens member countries' democracy, independence and decision-making power.

Groupwork 1. Memory game. How much of the information above can you remember?

The 'Battle of Seattle', 1999

One of the most infamous events in the WTO's history is the protests that took place at the WTO Ministerial Conference in Seattle, US in 1999. On November 30th, at least 40,000 people gathered outside the buildings where the conference was taking place. They wanted to protest against WTO trade policies.

Although the protests were initially peaceful, they turned violent when a group of protestors began destroying shops, cars and other property. Police responded by firing **tear gas** and rubber bullets into the crowd. Over 600 people were arrested over the next few days.



A fairer world?

The World Bank, the IMF and the WTO regulate international development, finance and trade. They are powerful and important institutions. However, they are criticised by some people for being unfair. These critics say that these institutions fail to adequately protect the economic interests of poor countries, while protecting the economic interests of rich countries.

Groupwork 2. Look at the information you have read about these institutions. What would you do to make them fairer?

Global Economic Institutions are also known as **International Financial Institutions (IFIs)**.

16. International Trade

- Groupwork** 1. In groups, prepare a mind-map about 'International Trade' on a piece of paper. Present your mind-map to the class explaining your choices.

International trade involves goods and services going into and out of a country. Goods and services sold to other countries are called **exports**. Goods and services bought from other countries are called **imports**.



- Discussion** 2. Why do countries trade with each other?

1. Supplying needs & wants

Countries often don't have enough resources and technology to meet people's needs and wants. For instance, it is difficult for Australia to efficiently produce enough cars for the needs and wants of its people, so it buys extra cars from Japan. It is difficult for Japan to produce enough beef for people's needs, so it buys extra beef from Australia.

- Pairwork** 3. Look at the questions below and write two lists.

- What do you think are Myanmar's main imports? Where do they come from?
- What do you think are Myanmar's main exports? Where do they go to?



2. Price advantage

Goods and services may also be cheaper in another country. This encourages businesses to **import** them from another country, rather than buying /producing them in their own country, because they can make more **profit**.

For instance, a pair of shoes that costs US\$10 to produce in the USA might cost US\$3 to produce in China. This is because labour, land and materials are usually cheaper in China. Even if it costs US\$3 to transport each pair of shoes to the USA, it is still US\$4 cheaper to produce them in China and transport them, rather than make them in the USA.

16. International Trade (cont'd)

3. Trade specialisation

Many countries specialise in producing large amounts of a limited number of goods and services.

- Some countries can produce the goods or services that other countries lack. Saudi Arabia can produce a lot of oil - which most other countries can't do - so the country specialises in oil production.
- Some countries can produce goods or services more cheaply than other countries. Thailand can produce clothes much more cheaply than the UK, so Thailand produces many more clothes than the UK.
- Some countries can produce better goods or services than others because they have better technology, more skilled workers, or better quality natural resources. For instance, France produces good wine. This is because of the quality of the soil, the climate, and their expertise.



Groupwork

1. What trade advantages does Myanmar, or your community, have?

Pairwork

2. You are members of the Trade Commission in Myanmar. Make a list of five goods that Myanmar should specialise in producing and exporting to other countries. What strategies can you recommend to increase exports for these goods? Present your ideas to the class.

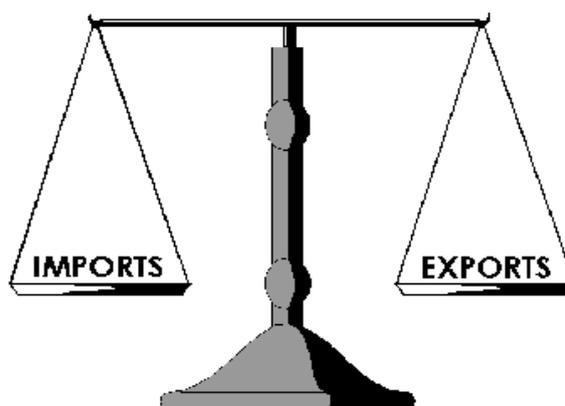
Balance of payments (balance of trade)

A perfect balance of payments: **money spent on imports = money spent on exports**

Most countries don't have a **balance of payments**. Many countries spend more money on imports than they earn from exports. This is called a **trade deficit**. Countries that earn more money from exports than they spend on imports have a **trade surplus**.

On Your Own

3. Your teacher will draw a table on the board showing the value of imports and exports from a group of countries in 2005. Copy the table into your books and work out the value of the trade deficit or trade surplus for each country.



16. International Trade (cont'd)

Trade deficits

The United States of America has the largest trade deficit in the world. In 2005 it totalled \$726 billion. Therefore the USA bought \$726 billion more goods and services from other countries than it sold to them. Compare that figure with the trade deficits in 2005 of other countries below:

Spain – \$64.6 billion	France – \$30.1 billion	Vietnam – \$1.7 billion
Australia – \$41.0 billion	India – \$13.2 billion	Pakistan – \$1.43 billion
UK – \$38.4 billion	Thailand – \$8.6 billion	Myanmar – \$215 million

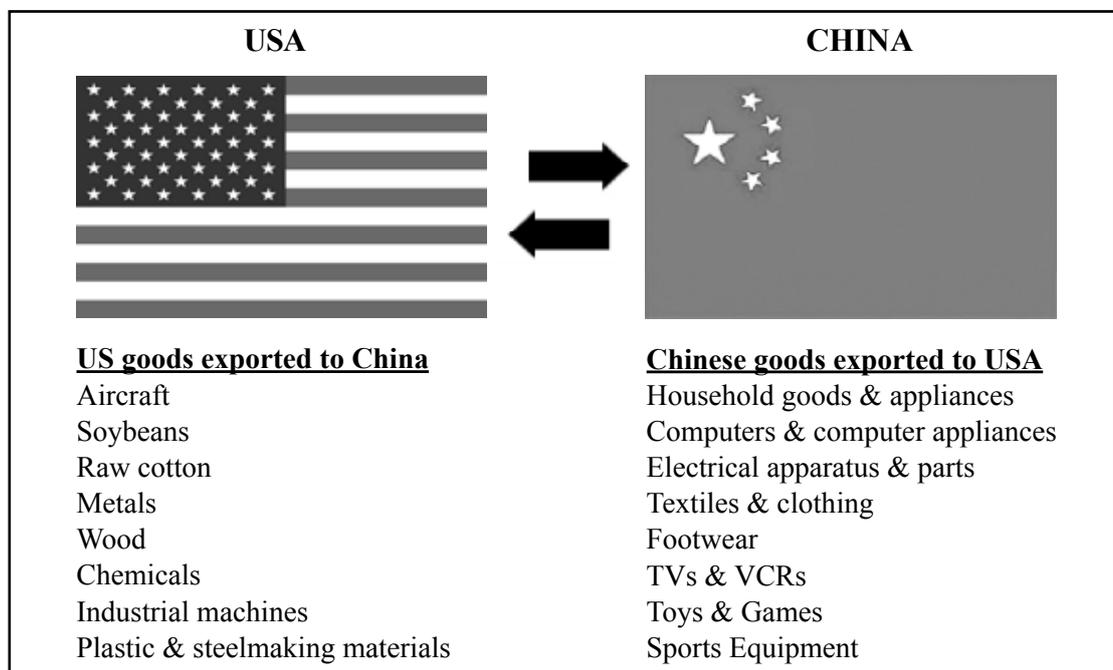
By far the USA's biggest trade partner is China, and the trade deficit between the US and China in 2005 was over \$200 billion. So the US bought \$200 billion more goods and services from China than it sold to China. This is despite the fact that the Chinese population (1.3 billion) is over four times larger than the US population (300 million).

Groupwork

1. Trade between China and the USA. Look at the table below which shows the main kinds of goods that the two countries buy from each other. What differences do you notice between them? What does this tell you about the economic differences between the two countries. Your teacher will give you some information to help you. Prepare your ideas in your group for a class discussion.

You might want to consider issues such as:

Labour Technology Wealth Production/Consumption Needs



Discussion

2. Why is the USA's trade deficit with China so huge?

16. International Trade (cont'd)

Trade deficits: bad or good?

Discussion

1. Why do you think that a large trade deficit might create the following problems? In pairs, think of possible reasons for a class discussion.

- an increase in unemployment in the country
- loss of independence for the country
- dependence on loans from foreign countries

Despite a huge trade deficit, the US economy continues to grow successfully. Some economists argue that this is because of the large amount of foreign **investment** that is flowing into the country, and the huge amount of investment that US companies are making in foreign markets (like China). This means that economic growth in China, and other foreign markets, makes money for US companies. Therefore, they argue that the deficit is not a problem as long as **'inward'** and **'outward'** investment continue to grow as well.

Many economists now agree that a trade deficit is not necessarily 'good' or 'bad', but depends on the particular economic circumstances of a country.



Groupwork

2. You work for the Ministry of Trade in Myanmar. The government has recently announced a plan to encourage the import of important goods and services from other countries, particularly things that Myanmar has difficulty producing.

The Prime Minister has asked you to draw up a list of five goods and/or services that you consider important, and that Myanmar has difficulty producing.

Present your work to the class and explain to the class why your group has chosen these items.

Trade protectionism: tariffs and subsidies

Many countries are afraid of a truly free international market. They fear that competition from other countries will damage their own economy. Therefore, they try to protect their economy. This is called **Trade Protectionism**.

Discussion

3. How might a country try to protect its economy from other countries?

1. Import tariffs

One way in which governments try to protect their economies from cheaper foreign exports is by imposing 'import tariffs'. This is a **tax** placed upon a good or a service when it is imported into the country. The government demands a percentage of the value of the import.

16. International Trade (cont'd)

Discussion

1. Why do you think import tariffs might be useful for developing countries?

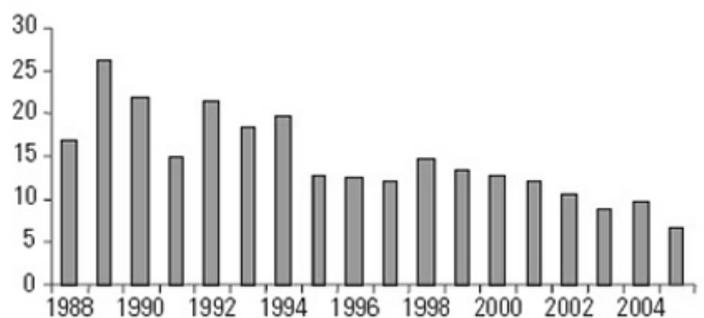
Import tariffs and developing countries

Import tariffs are often seen as a good way to protect the economies of developing (poor) countries. In a free market, developing countries often find it difficult to **compete** against developed (rich) countries who have more economic power and usually better technology, or other developing countries who are importing very cheap goods into their country. By using import tariffs, developing countries can increase the price of goods and services imported from another country. This protects the local market from cheap foreign goods, so local people can grow their businesses successfully until they are strong enough to compete against foreign markets.

Japan and South Korea built successful car industries in the 1960's and 1970's by using tariffs to protect their companies from British and American car makers, who **dominated** the global market. China's huge growth in the 1990's was helped by average import tariffs of 30%. Five of the six fastest growing economies between 1950 and 1973 (Japan, Italy, Austria, Finland and France) all had high import tariffs.

However, developed countries and organisations such as the International Monetary Fund (IMF) and the World Trade Organisation (WTO) often put pressure on developing countries to remove or reduce tariffs. They say that it will help the economies of developing countries to grow. They point to the success of East Asian economies in the last 20 years, where import tariffs have fallen from about 30% to about 10%. The graph above shows that IMF and WTO's pressure has been successful - levels of import tariffs in developing countries have fallen slowly for many years.

Weighted average tariff rates for developing countries (%)



However, other people argue that the economic situation has become worse for many developing countries who have reduced or removed import tariffs. In Senegal (Africa), after trade **liberalisation** in 1985, one third of the people working in the manufacturing sector lost their jobs. In Uganda (Africa), a huge rise in imports greatly decreased the demand for locally produced goods. In Mexico (South America), economic growth has slowed since the government liberalised trade.

Pairwork

2. Multiple choice. Complete the exercise that your teacher gives you.

On Your Own

3. Comprehension. Answer the following questions.

- Why do some people consider import tariffs good for developing countries?
- What do Japan, South Korea, China, Italy, Austria, Finland and France have in common?
- Why do the IMF and the WTO push for import tariffs to be removed?
- What happened when trade was liberalised in Senegal?

Groupwork

4. Do you think Myanmar should use import tariffs? Why/Why not?

16. International Trade (cont'd)

2. Subsidies

Another way that governments try to protect their economies is by using **subsidies**. A subsidy is money paid by the government to producers in that country to encourage them to produce particular goods or services, and help keep their prices low so that they can compete in international markets. Subsidies can be used in any economic sector, but are most common in agriculture. For example, the European Union (EU) has a system called the Common Agricultural Policy (CAP). In 2005, through the CAP, 43 billion euros were paid to farmers in the EU for products such as sugar, milk, meat, cotton, tobacco, olive oil, fruit, vegetables and rice.



Discussion

1. Who does the EU pay so much money to its farmers? Who is the EU protecting the farmers from? Who else produces sugar, milk, cotton, rice, etc.?

Subsidies and developing countries

Subsidies in developed countries are mostly designed to protect them from producers in developing countries. This is particularly true for agriculture. Agriculture is the most important economic sector for most developing countries. They can produce many agricultural products more cheaply than developed countries, as land and labour are cheaper. So, to protect their own producers, developed countries pay their farmers so that they can reduce the price of producing certain products. Subsidies and import tariffs mean that it can be very difficult for developing countries to sell certain agricultural products to developed countries for a competitive price. However, some developing countries also use subsidies to protect their producers, usually from producers in other developing countries.

On Your Own

2. True or false.

- Developed countries use subsidies to protect the economies of developing countries.
- Subsidies and import tariffs in developed countries help developing countries to sell products to them.
- Subsidies help farmers in developed countries to lower the prices of their products
- Developing countries don't use subsidies to protect their producers.

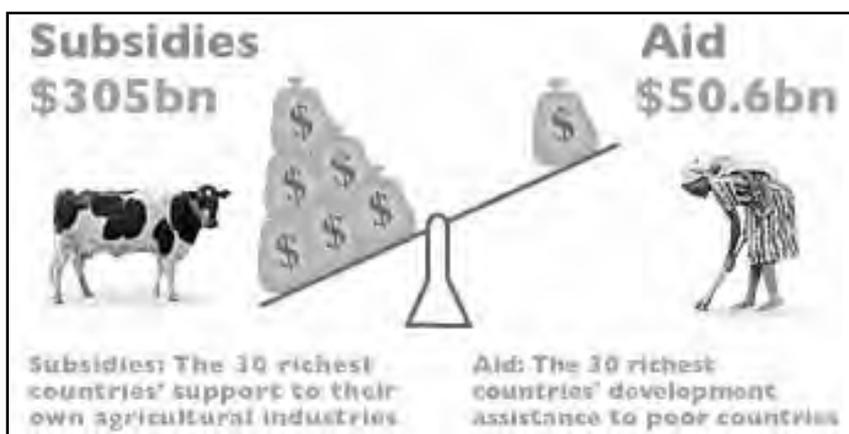
Discussion

3. Look at the picture on the right. What do you think is its message?

Do you think it is right that rich countries protect their economies using subsidies? Why? Why not?

Subsidies have been criticised not only

because they harm farmers in developing countries. Recent reports in the US and Europe have shown that most subsidy money goes to a small number of large farms owned by large companies. Small farmers receive little. Also, subsidies raise the price of food. Some people estimate that EU subsidies make food in Europe 25% more expensive.



16. International Trade (cont'd)

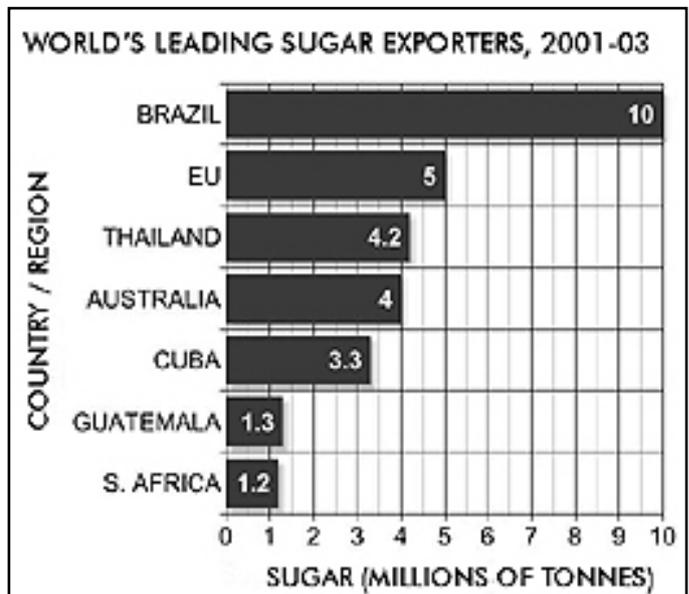
EU sugar subsidies and the developing world

Until February 2006, the EU paid European sugar producers and exporters around 1.5 billion euros each year in subsidies as part of the CAP. High import tariffs made it hard for developing countries to import sugar into the EU. This meant that the price of sugar within the EU was 3 times higher than the average in other international markets. At the same time, EU farmers were producing 5 million tonnes too much sugar each year. This extra sugar was dumped on international markets at very low prices, making the EU the world's second largest sugar exporter. For every 1 euro worth of sugar exported, the EU spent 3.30 euros in subsidies.



There are many poor farmers in developing countries growing sugar on small plots of land. The EU's policies of high import tariffs and subsidies made it almost impossible for them to sell their sugar in most European countries. The EU also forced down the price of world sugar by **dumping** millions of tonnes of **surplus** sugar onto international markets at reduced prices.

In 2004, Australia, Brazil and Thailand complained about EU sugar policy to the World Trade Organisation (WTO). The WTO investigated the EU and, in 2005, announced that their actions were against world trade rules. In February 2006 the EU agreed to cut subsidies to its sugar exporters by 36%. It also agreed to cut sugar production by 13.6%. The price of sugar exported from the EU will now be similar to the price of sugar exported from developing countries. Developing countries will be able to compete equally in international sugar markets.



Pairwork

1. Comprehension. Answer the questions that your teacher gives you about the text above.

Groupwork

2. You are members of Myanmar's Economic Strategy Committee. You must choose five goods that Myanmar produces that you want to protect with import tariffs and subsidies. Prepare a five minute presentation for the class, explaining why you have chosen those five goods.

16. International Trade (cont'd)

Free trade

'Free trade' means trade without **barriers** (i.e. no trade protection). Barriers include tariffs, subsidies, quotas or other trade policies that might give producers and exporters in one country advantages over producers and exporters in other countries. Look at the following story:

Fair free trade?

Zadie is an orange farmer in Mazalia. She produces 10,000 oranges a year. It costs her \$0.12 to grow each orange and she sells each one for \$0.20. Her total profits are therefore \$800 per year ($\$0.08 \times 10,000$).



The world price for oranges is \$0.10 per orange, but the tariff for importing oranges into Mazalia from another country is \$0.20. This means that imported oranges cost \$0.30 ($\$0.10 + \0.20), but Zadie's oranges sell for \$0.20. The tariff protects her from cheaper oranges produced in other countries.

If that the import tariff is removed, Zadie's business will face problems. The world price of oranges (\$0.10) is below her production costs (\$0.12). She will find it almost impossible to sell her oranges, and her \$800 profit is gone.

On the other hand, the people in Mazalia who are buying and eating the oranges (the consumers) are now more than \$800 better off. Previously, consumers had purchased 20 oranges at \$0.20 each, for a total of \$4. After the tariff is removed, 20 oranges can be purchased for \$2. But even this **underestimates** how much better off consumers are because consumers will buy more than 20 oranges now that oranges cost half the price.

Groupwork

1. What do you think is fairer?

- a) Import tariffs are used to protect Zadie from orange producers from other countries, but consumers in Mazalia have to pay high prices for their oranges.
- b) Import tariffs are removed so that the price of oranges in Mazalia decreases a lot, but Zadie can no longer sell her oranges.

As a group, decide which statement you support ('a' or 'b'), and your reasons why. Present your argument to the class.

The story above shows that it is difficult to say that free trade is necessarily a good, or a bad, idea. It is an advantage so some people and a disadvantage to others. In the world today there is a battle of ideas between people who support free trade, and those who support trade protection.

On Your Own

2. Write a short essay (about 200 words) giving your opinions about free trade and trade protection. The title of the essay is:

'Free trade is the fairest form of international trade.'

16. International Trade (cont'd)

Fair trade

'Fair trade' is trade which encourages good labour standards, environmental protection and the fair distribution of the benefits of trade. Fair trade aims to help poor people involved in production in developing countries. These people often have little power, and are usually dependent on larger companies and/or governments to trade internationally. These companies and/or governments often exploit them - they don't give them a fair price for their labour/products, the working conditions are bad, and the workers have very little opportunity to escape the system. Fair trade also ensures that women's work is properly valued and rewarded.

Fair trade helps poor people to become economically independent, and to get a fair price for their labour/products. Many fair trade organisations have been set up by NGOs and groups of poor people. In 2005, nearly US\$1 billion of goods were traded through fair trade organisations.

Fair trade organisations are regularly inspected and certified. The largest inspection and certification body is the Fairtrade Labelling Organizations International (FLO). It inspects and certifies producer organisations in more than 50 countries in Africa, Asia and Latin America. Certified producers can use the official Fair Trade logo on their products.



On Your Own

1. Memory game. How much can you remember about 'Fair Trade'.

Fairer farming in Thailand

Kanya is a rice farmer in north-eastern Thailand. She is a member of a fair trade **cooperative** called Rice Fund Surin which was founded by 45 farmers in her region.

Before she joined the fair trade cooperative, she was able to earn about 20,000 baht per year from growing rice on all of her 7.2 acres of land. This was not enough to support all the needs of her family. Since she joined the cooperative she has received a much better price for her rice by selling internationally through the fair trade system. This means she can afford to grow less rice, and can use the extra land to grow peanuts, fruits and vegetables, which she sells in the local market. Now her annual income is 43,000 baht. She can even save around 4,500 baht per year, which she is using to send her two daughters to high school and plan for the future.

Previously, in her region, many families were forced to go to the big cities in Thailand during the dry seasons to earn extra money. Now, however, because of Fair Trade, they can earn enough money to remain in their village all year round.



Pairwork

2. In pairs, write down two questions about Kanya's story above. Swap questions with another pair and answer their questions.

Groupwork

3. Your community wants to join a fair trade organisation. Prepare a short presentation for the organisation, showing why and how fair trade would be useful in your community. What kinds of goods/products would you want to include? What kinds of people would benefit from this?

17. Trade Blocs

A trade bloc is a group of countries that have agreed to **integrate** their economies. This makes it easier for them to trade with each other, and sometimes more difficult for countries outside of the bloc to trade with them. As a bloc, these countries have more economic power in the world. This can help them to negotiate more favourable trade conditions with other countries, blocs and world economic institutions like the WTO. There are different kinds of trade blocs with different economic and political goals. These include free trade areas, **customs** unions, single markets, and economic and monetary unions.

Brainstorm

1. Can you name any trade blocs in the world today. Do you know anything about them? Do you know who their members are?

We will look at four different trade blocs here: ASEAN, the EU, ECOWAS and Mercosur.

1. The Association of South East Asian Nations (ASEAN)

ASEAN is a regional political and economic organisation of 10 countries in Southeast Asia. Its members are Indonesia, Malaysia, the Philippines, Brunei, Singapore, Thailand, Vietnam, Laos, and Myanmar. ASEAN's main goal is to increase economic growth but it also focuses on social progress, cultural development and the promotion of regional peace. ASEAN was formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand. These countries were worried about the growth of communism in Vietnam, and growing insurgency in the region. Today, one of ASEAN's most important roles is to balance the influence of China and India, the two most powerful countries in the region.

The total population for all member countries is about 560 million, and GDP is US\$2.75 trillion. In the late 1990's ASEAN started developing closer economic links with other countries in the region. For example, ASEAN Plus Three was created in 1999 to improve existing links with China, Japan, and South Korea. This was quickly followed by the even larger East Asia Summit, which included these countries as well as India, Australia and New Zealand.



Pairwork

2. True or false. Complete the exercise that your teacher gives you.

Groupwork

3. Mini-Quiz. In groups, create a quiz with three questions about the text above. Swap your quiz with another group. Can you answer their questions?

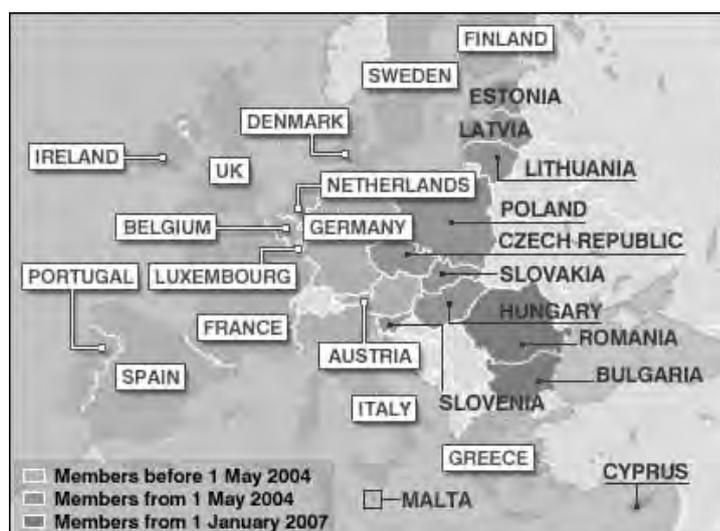
17. Trade Blocs (cont'd)

2. The European Union

The European Union (EU) is an economic and political union of 27 member states. It was originally founded in 1957 as the European Economic Community (EEC). The EU has a population of 494 million people, and a GDP of about US\$15 trillion. A currency called the *euro* is used by 13 member states.

The EU's activities cover many areas of policy including economics, foreign affairs, defence and health.

Citizens of EU member states are also EU citizens: they directly elect the European Parliament, once every five years. The parliament has 785 members (MEPs). The larger the population of each member state, the more MEPs they have.



The EU is a 'single market'. This means that there is free movement of land ownership, labour, and capital. EU citizens can freely live, travel, work, own property and invest in other member states (with some restrictions on new members). There are no passport controls or customs checks at most internal borders. The EU is part of a free trade zone called the European Economic Area (EEA) which includes three non-members of the EU - Iceland, Liechtenstein and Norway.

The EU (and the EEC) has had to overcome many obstacles in its history. Europe is a continent with many languages and cultures. Historically it has also been an area of conflict - both World War I and World War II started in Europe. There is much disagreement in most countries about how much they should integrate with the Union. Governments and citizens are worried about losing their independence. The UK, Denmark and Sweden refused to join the *euro* because they fear they will lose control over their economies.

Admitting new countries to the EU is also a controversial issue. Bulgaria and Romania, in Eastern Europe, joined in January 2007. Their membership was delayed for a number of years due to concerns over their economic and political situation. Despite being members, their citizens cannot move freely through other member states. This is because Western European member states fear that, if there is no control, huge numbers of Eastern Europeans will migrate to Western Europe.



The European Union Flag

Pairwork

1. Comprehension. Answer the following questions:
 - a. How many member states are there in the EU?
 - b. What areas of policy do the EU's activities cover?
 - c. Why did the UK, Denmark and Sweden refuse to join the *euro*?
 - d. Why aren't Bulgarian and Romanian citizens allowed to move freely within the EU?

17. Trade Blocs (cont'd)

3. Economic Community of West African States (ECOWAS)

ECOWAS, founded in 1975, is a regional group of fifteen West African countries. It aims to encourage economic integration and improve the economic stability of member states. It is one of twelve regional trade blocs of the larger African Economic Community.

Member states of ECOWAS are Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.



ECOWAS has a population of about 252 million people, and a GDP of US\$343 billion. It was originally founded to become a single market with a single currency. However, progress has been very slow, mainly because of the many civil wars and political problems that have occurred in the region. However, the proposed single currency, the *eco* is planned for introduction in 2009. Some countries have agreements which allow citizens to move freely across borders using ECOWAS passports or travel certificates. ECOWAS also has a peacekeeping force, ECOMOG, which has intervened in regional crises such as the civil wars in Liberia, Sierra Leone and Guinea Bissau.

Pairwork

1. True or false. Complete the exercise that your teacher gives you.

4. Mercosur

Mercosur is a Regional Trade Agreement (RTA) between five South American countries: Brazil, Argentina, Uruguay, Venezuela, and Paraguay. It was founded in 1991. Its purpose is to encourage free trade and the easy movement of goods, peoples, and currency. Mercosur has a population of 263 million and a GDP of US\$2.42 trillion.

Mercosur is partly a response to South American concerns about the economic power of other trade blocs such as the EU and the North American Free Trade Area (NAFTA). In 2004, Mercosur signed a cooperation agreement with another regional bloc, the Andean Community, which consists of Bolivia, Chile, Colombia, Ecuador and Peru.

Mercosur has been weakened by the Argentine economic crisis of 2001, and several trade disputes between members.



Groupwork

2. Mini-Quiz. Complete the exercise that your teacher gives you.

18. Economic Globalisation

Brainstorm

1. What do you think economic globalisation means? What is it about?

In economics, globalisation means the movement of goods, services, money, technology, information and people between countries. It means the economic **unification** of the world. Nations begin to see themselves as members of one big economy, rather than many separate economies. They become increasingly dependent on each other.



Pairwork

2. Think about the things that you can see around you - clothes, shoes, pens, etc. Do you know where they were made? If you are not sure, see if you can find a label which tells you. Write a list and share it with the class.

Economic globalisation is partly the result of the development of international trade over many hundreds of years. More recently, it has been helped by the following four developments:

1. The internet and modern communication networks

The internet makes it possible for all computers in the world to be connected together. It is an extraordinary communication tool, a massive information resource, and a huge global market. On the internet there is no distance; it is almost as if the whole world is living in one computer!

eBay: an internet miracle

eBay is an internet **auction** company which helps people to buy and sell things over the internet. If someone wants to sell something on eBay, they publish an advertisement for it on the eBay website from their computer. This advertisement can be seen by everyone who visits the eBay website. If someone wants to buy the item, they can **bid** for it from their computer. Whoever offers the highest amount of money wins the auction. The winning **bidder** usually pays with electronic money. eBay makes money by asking sellers to pay a small amount of money to place their advertisement, and also by taking a small percentage of the price for which the items are sold.



eBay was founded in California, USA, in 1995 by Pierre Omidyar when he was 28 years old. At that time he was the only employee. Today the company has about 11,600 employees and operates websites in more than 30 countries. In 2007 almost US\$60 billion of goods were sold through eBay websites and the site had 233 million registered users worldwide. For some people, buying and selling items on eBay has become their full-time job. About 100 million items are listed on eBay websites at any one time, including old furniture, clothes, toys, houses, cars, computers, sports equipment, books, music and many other things. The most expensive thing to be sold so far on eBay is a private jet aeroplane for US\$4.9 million.

Pairwork

3. True or false. Complete the exercise that your teacher gives you.

18. Economic Globalisation (cont'd)

2. Improvements in international transport networks

Air Travel

In the last thirty years there has been a huge increase in air travel. In 1975 about 40 million passengers per year travelled by airplane. By 2001 the number reached 1.6 billion. The **relative** cost of air travel has dropped over time, meaning that many more people can afford it. Over 30 million tonnes of goods are transported by air every year. This growth has brought world populations closer together.



3. Governments relaxing control over their economies

China

In the last 15 years, China has changed from an **isolated** economy, planned and controlled by the government, into one of the world's fastest growing markets. The **relaxation** of economic laws has enabled Chinese and foreign companies to take advantage of China's cheap labour and huge population. China is now the sixth largest economy in the world (soon expected to enter the top four), and consumes more wood, steel, coal, meat and grain than any other country. It is the world's 5th largest exporter.



Shanghai - one of the world's fastest-growing cities.

4. Technology to enable unskilled workers to work in modern production

Nokia Factory, Dongguan, China

Nokia is an international company that makes mobile phones. One of its biggest factories is in Dongguan city in China. Most of the 4 million factory workers in Dongguan are unskilled migrants from rural areas across China. 72% of the migrants are young women, many of whom return home after a few years to get married.



Nokia production line, Dongguan

Modern production **techniques** mean that Nokia can employ unskilled workers to produce high technology products. They work on production lines, assembling different parts of the mobile phones, and putting them into boxes. The workers' tasks are simple and **repetitive**. The complicated parts of the phones are made in other factories, using computers, robots and other machines.

Dongguan has many advantages for Nokia. Factory land and labour are cheap and **plentiful**.

Groupwork

Quiz. Read the information above. Try to remember as much as possible.

18. Economic Globalisation (cont'd)

Multinational (Transnational) Corporations

Globalisation has helped the rise of **multinational corporations**. These are huge businesses that operate in many countries. Of the 100 largest economies in the world, 37 belong to corporations, while 63 are countries. The world's top 200 corporations control 29% of world economic activity.

In 2005, the world's largest corporation was the US supermarket company Wal-Mart. Wal-Mart employs around 450,000 people in 2660 stores across 15 countries. In 2005, it sold US\$312.5 billion of goods. This made it the 20th largest economy in the world, larger than the GDP of Norway, Saudi Arabia, Thailand and many other countries.

Despite its success, Wal-Mart is often criticised for the way it does business.



Brainstorm

1. What do you think might be the problems and benefits of having such large and powerful multinational corporations in the world?

Is economic globalisation good or bad?

The word 'globalisation' has become highly political in the past few years. In many countries in the world there are now 'anti-globalisation' movements. These movements often accuse governments, world economic institutions (the World Bank, IMF, & WTO) and multinational corporations of working together to control the world economy. They say that poor countries, and poor people, are being exploited for the benefit of the rich minority.

Anti-globalisation means 'against' globalisation. However, many people involved in these movements say that they are not against globalisation. They state that they are against injustice, the concentration of huge economic power in the hands of a small number of multinational corporations, and the exploitation of the poor.

So, it difficult to say that globalisation is either 'good' or 'bad'. There are many kinds of economic globalisation, and it affects different people in different ways.



Groupwork

2. What do you think are the advantages and disadvantages of economic globalisation in the world today? You might want to consider:

labour, labour rights, poverty, trade, national sovereignty, the environment, individual freedom, communication, choice of goods and services, etc.

18. Economic Globalisation (cont'd)

Some advantages of economic globalisation

1. Helps businesses to minimise labour costs

Some countries have much lower labour costs than others, so companies can move production to countries where labour is cheap. The US sportswear corporation Nike produces most of its goods in China, Indonesia, Vietnam and Thailand. They pay the workers much less than in the US, so they can produce their goods more cheaply. Nike does not need highly skilled workers, but they do need to employ a lot of people.

2. Increases access to natural resources

Some countries do not have many natural resources (e.g. Singapore, Taiwan, Japan, Switzerland). Also, companies often require large quantities of a particular natural resource, which may not be available in one country. In a globalised economy it is easier for countries and companies to acquire natural resources from overseas. These include oil, gas, water, wood, metals, minerals and agricultural products.

3. Helps businesses to exploit beneficial government policies

Some countries have lower taxes, cheaper energy and materials, and weaker environmental and labour laws than others. Multinational companies can take advantage of these by setting up operations in these countries.

4. Helps businesses to minimise transport costs

If a company is able to set up operations in many countries, it can reduce transport costs because it is closer to the resources it needs and the people who want to buy its products.

5. Helps poorer countries to use their labour force advantage

Poorer countries have one clear advantage - cheap labour. As globalisation increasingly unifies world economies, poorer countries are able to attract companies who are keen to reduce the labour costs of production. Examples include China, India, Thailand and Taiwan.

6. Offers people more choice of goods and services

In some ways, globalisation has increased the range of goods and services available. It is now possible to buy similar goods and services in many markets around the world. The rise of the Internet has been particularly important in making this happen.

7. Helps to spread information around the world

Cheap and widely available communication systems (TV, mobile telephones, internet, etc.) have helped to make information more accessible to individuals, businesses and governments.

Groupwork

1. Memory game. Complete the exercise that your teacher gives you.

The Coca-Cola Company is one of the best examples of how corporations have benefited from globalisation. Coke was invented in 1886 as a flu medicine in the US. About 9 glasses per day were sold that year. Now it is perhaps the most famous brand in the world. The company sells over 200 million cans and bottles of Coke each day in more than 200 countries. In most parts of the world it is almost impossible to spend a day without seeing the Coca-Cola brand. The company sells 400 other products worldwide including water, soft drinks, fruit drinks and energy drinks.



Groupwork

2. Do you think globalisation has helped your community? How?

18. Economic Globalisation (cont'd)

Some disadvantages of economic globalisation

While there are many advantages to globalisation, it has also been strongly criticised.

1. Who is in control?

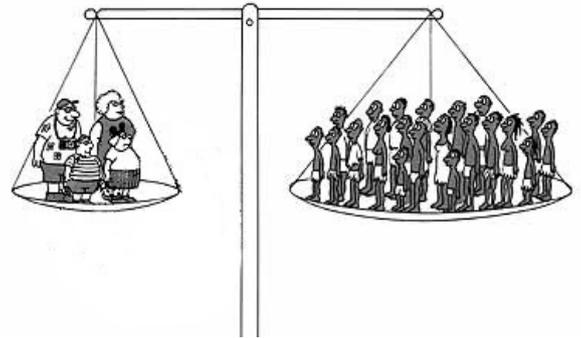
Some people argue that rich, powerful nations and corporations are controlling globalisation for their own benefit. They say that poorer nations are losing out because they have little influence in the world.

The poor feeding the rich?

The rise of globalisation is directly linked to increasing consumption in wealthy countries.

According to UN statistics, the 20% of the world's population living in the richest countries consume:

- 58% of total energy
- 45% of all meat and fish
- 87% of the world's vehicles
- 84% of all paper



By comparison, the 20% of the population living in the poorest countries consume:

- 4% of total energy
- 5% of all meat and fish
- 1% of the world's vehicles
- 1.1% of all paper

A lot of the natural resources and labour for this consumption come from poor countries. However, it is often multinational corporations and government **elites** who control natural resources in these countries, not the poor people. The poor people provide the labour, but often receive very low wages and have few labour rights. Therefore, although the poor people are an important part of this growth, they rarely receive a fair share of the benefits.

In many countries in the developing world, the poor are forced from their land so that multinational corporations can benefit from the natural resources that the land contains. The governments of these countries are usually poor and often contain a lot of corruption. They are often more interested in the money they will receive than protecting the rights and livelihoods of their citizens.

Pairwork

1. Design and draw a graph (or two graphs) to show the different levels of consumption between the richest 20% and the poorest 20% of people in the world. What kind of graph will you use?

18. Economic Globalisation (cont'd)

2. Economic globalisation & human rights

Natural resources and cheap labour are sometimes located in countries with poor human rights records or weak human rights laws. However, in the search for scarce resources and cheap labour, companies and foreign governments often ignore these problems, or even use them to their advantage.

The Tragedy of Bhopal

On 3rd December 1984 in Bhopal, India, around 500,000 people were exposed to **toxic** chemicals during a **catastrophic** gas leak from a **pesticide** factory owned by the US multinational corporation Union Carbide (UC). More than 7,000 people died within days. A further 15,000 died in the following years. Around 120,000 people are still suffering from illnesses for which treatment is largely **ineffective**. These victims are still waiting for justice to be done.



A man carries his dead wife past the factory



Dead women and children

The disaster shocked the world. It raised key questions about the responsibility of corporations and governments for industrial accidents that **devastate** human life and local environments. However, twenty years later the survivors are still waiting for fair **compensation** and adequate medical, social and economic assistance. The plant site has still not been cleaned up so toxic wastes continue to pollute the environment. An investigation conducted by the BBC in November 2004 for a TV programme confirmed that the chemicals are still present in drinking water in the area.

Other investigations have shown that the plant was losing money and that UC was more interested in reducing costs than ensuring the safety of the plant. The factory equipment was old and badly **maintained**. UC refused to move the factory away from the town because they said it would be too expensive, and ignored safety warnings from their own staff. So far, no one has been brought to justice for the disaster. UC and Dow Chemicals (UC's owner) have denied responsibility for the disaster or the pollution. They claim that the accident was caused by **sabotage** by an employee at the factory. The corporation has refused to appear in court to face trial.

In 1989 the Indian Supreme Court decided that UC should pay US\$470 million to the victims. Many international NGOs have criticised this settlement as totally inadequate. Furthermore, about 30% of injury claims have been rejected, around 16,000 **claims** are outstanding, and most of the successful applicants have only received small amounts of compensation. In early 2005, around US\$330 million of the US\$470 million was still held by the Reserve Bank of India.

On Your Own

1. Comprehension. Answer the questions that your teacher gives you.

Discussion

2. What do you think are the best ways of trying to stop businesses and governments benefiting from human rights abuses in other countries?

18. Economic Globalisation (cont'd)

3. Economic globalisation & the environment

Some critics of globalisation are concerned about environmental effects. Some companies deliberately set up factories in countries with weak environmental laws. This helps them to cut costs and raise profits. The host countries may not want to change their laws as they are afraid that the companies will leave. Many people are concerned that poor countries are selling their natural resources to richer countries and multinational corporations, causing pollution and environmental damage.

Soya beans and the Amazon rainforest

Soya beans are used to make many different kinds of food, including tofu, soya milk, soya sauce and animal food. In the last ten years, demand for soya beans has increased, particularly in China and Europe. Due to increased demand, the price of soya beans has risen quickly, so farmers are keen to grow them.

In 1997, scientists in Brazil, South America, developed a new variety of soya bean which is able to grow in the harsh Brazilian climate. Since 1999, soya production has risen 15% per year in Brazil. Many multinational food corporations are now involved in soya bean production there.



Although this is good for Brazilian farmers, there is one serious problem. In order to find enough land to grow the soya beans, farmers are cutting down huge areas of Brazil's Amazon rainforest. The deforestation of the Amazon has been happening for many years, but the recent introduction of soya beans has increased it dramatically. The Amazon is the world's largest rainforest. It covers 40% of the land of South America, and is home to many rare species of animals and plants. The trees and plants produce around 20% of the world's oxygen. Many of the plants have been used to create medicines.

It is estimated that about 32,000 square kilometres of the forest are cut down each year (about the same size as Kayin State). At the present rate, the rainforest will be completely destroyed in about fifty years. About 137 species of animals, plants and insects are destroyed every day.

Pairwork

1. Comprehension. Think of three comprehension questions about the text above. Swap them with another pair, and answer their questions.

Discussion

2. Do you know how globalisation is affecting the environment in Asia? Can you think of any examples?

18. Economic Globalisation (cont'd)

4. Economic globalisation & land rights

When an area is considered valuable in terms of natural resources, it can be difficult for the people who live there to protect their land rights. There are many cases in which national governments and multinational companies work together to deprive communities of their rightful land. This is a particular problem in countries where the laws are weak and corruption is widespread. Local people tend to be little more than a source of cheap labour, thereby participating in the destruction of their environment for little or no benefit.

Freeport Mine, West Papua, Indonesia



The largest mining company in West Papua is the US based Freeport McMoran Copper and Gold Inc. The company came to West Papua in 1967. Freeport is now the world's largest gold mine and third largest copper mine. The mine is protected by hundreds of Indonesian soldiers and policemen, largely paid for by the mining company. The land on which the mine is built is inhabited by the Amungme people. However, their land rights have been ignored by the mining company and the Indonesian government.

The construction of the mine required moving millions of tons of earth from the top of the Jayawijaya mountain near the mine. The Amungme people are very upset about this. In their beliefs, Jayawijaya mountain is the head of their sacred mother. To them Freeport has already cut off their mother's head by reducing the top of the mountain, and it is now digging into her heart. Without the permission of the Amungme people, large areas of rainforest and mangrove were cleared to establish the mine and the nearby port. Important rivers are being polluted with mining **byproducts**, contaminating river animals and coral reefs. The large quantity of sand produced by the mine has caused severe flooding and erosion.

Since 1977 the Amungme have tried to resist the destruction caused by the mine. Demonstrations have often been violently crushed by Indonesian police and soldiers. Resistance leaders have been imprisoned and tortured. However, there have been some victories for the Amungme. In 1996, after large demonstrations, the Freeport company agreed to create a landowners' trust to help people whose land has been affected by the mine. The rules of agreement and value of the trust are still not agreed. Violent demonstrations continue today.



West Papuan demonstrators clash with police

Pairwork

1. True or false. Complete the exercise that your teacher gives you.

Discussion

2. If you were asked to negotiate between the Amungme and the Indonesian government, what kind of agreements would you try to obtain? How can the dispute be resolved? Who do you think has more right to the land?

18. Economic Globalisation (cont'd)

5. Economic globalisation & national sovereignty

Sovereignty means the independence and **supreme** authority of a nation (government and people) over its own **territory**. With globalisation, national economies are becoming increasingly unified into the global economy. National governments now have less control over their economies because much of their economic activity happens outside their territory and **jurisdiction**. They can still make national economic laws, but these have limited influence. The World Bank, the WTO and the IMF are able to make decisions which override national economic laws. Increasingly powerful multinational corporations, in search of more profits, natural resources and customers, are expanding all over the world. Many poorer countries find their economies dominated by these corporations, often with the agreement of their governments. This threatens citizen's rights and national sovereignty.

Colombia: a victim of economic globalisation?

Colombia is a country of 40 million people in South America. For much of its recent history Colombia has suffered from civil wars and military **coups**. In the last forty years, it has been known for massive illegal **cocaine** production. However, Colombia also has rich natural resources including petroleum, natural gas, coal, iron ore, nickel, gold, copper, emeralds and forests. In the last few years, increasing numbers of multinational corporations, particularly from the US, have come to Colombia to exploit these resources.



In 1998, the US government launched 'Plan Colombia' which continues today. This plan consists of military and economic aid which is supposed to help the Colombian government **eradicate** drug production and terrorist groups, and create economic growth. However, the plan has been criticised by many people as an excuse for US control of the Colombian economy. They say that US multinational corporations now have **unrestrained** access to Colombia's natural resources in areas controlled by the Colombian government. The corporations are also accused of using **paramilitary** groups to protect their interests and crush opposition.

Many human rights abuses have been recorded. Occidental Petroleum was accused of aiding the murder of civilians in the village of Santo Domingo in 1998. In 2001 both the Coca-Cola bottling company and the US mining company Drummond were accused of hiring paramilitaries to kill senior labour union members. Three million people have been forcibly displaced since 1985 so that the natural resources in their areas can be exploited. Nevertheless, the multinational corporations continue to expand in Colombia with the assistance of the Colombian government.

On Your Own

1. Comprehension. Answer the questions that your teacher gives you.

Discussion

2. How would you try to solve the problems in Colombia, and protect national sovereignty?

19. Financial Crises

Pairwork

1. What is a financial crisis? What are the causes and effects of a financial crisis?

A financial crisis is a time when large amounts of currency or parts of financial institutions lose much of their value in a very short time. Currently (in late 2011), the world is in a deep financial crisis. It started in the middle of the 2000s and some economists call it the worst financial crisis since 1929. The current crisis affects almost the whole world, as globalisation has linked financial institutions together and people do more and more business internationally. A crisis in New York will have some effect on Yangon, though it may be very small.

There are several different kinds of financial crisis and often they are connected. We will look at four main kinds:

1. **banking crises**
2. **speculative bubbles and crashes**
3. **currency crises**
4. **wider economic crises**

1. Banking crises

Banks lend money to borrowers but the money they lend is usually the money of savers – people who keep their money in the bank. There is never enough money in a bank to pay all the savers, but this is usually not a problem because savers don't normally all want all of their money at the same time. If, however, people become worried about their bank – usually because they think it doesn't have enough money to give them *their* money – large numbers of people try to withdraw their money at the same time. This is called a *bank run*. Large bank runs can leave banks *bankrupt* (unable to pay the money they owe).



A run on the Northern Rock bank in England

2. Speculative bubbles and crashes

Investors buy assets to make money on them in the future. This is called *speculation*. A *bubble* is a time when the price of an asset becomes greater than its real value. A *crash* happens when investors find out (or believe) that the value of an asset is smaller than its real value. They try to sell their assets as fast as they can and the value drops even further.

3. Currency crises

A currency crisis happens when the value of a currency increases or decreases very quickly. This is most often in countries with fixed exchange rates. These countries fix their currency (Currency A) to a foreign currency (Currency B); for example, the Hong Kong dollar is currently fixed at 7.80 to one US dollar.

To keep the value of Currency A stable, the country must have enough **reserves** of Currency B in its own central bank and buy and sell Currency B. This increases or reduces supply and demand of the two currencies, and the values stay the same.

If investors become worried about the value of Currency A (if they think a country doesn't have enough foreign currency to keep the currencies balanced), they will sell Currency A. Currency A will lose its value, more investors will sell their currency, and local people will try to buy foreign currency because it is stronger and more valuable than their own currency.

19. Financial Crises (cont'd)

4. Wider economic crises

Negative GDP growth for six months or more is called a *recession*. A very long period of negative growth is sometimes called a *depression*. The reasons for these crises are often complicated and involve bank runs, crashes and currency devaluations, as well as higher unemployment and a drop in demand for goods and services.

Pairwork

1. Answer the questions about financial crises.
 - a. Why might lots of people want to take all of their money out of a bank quickly?
 - b. A bubble happens when people think goods have no value, true or false?
 - c. A crash happens because people want to sell assets at the same time and their price drops, true or false?
 - d. Why do governments keep reserves of foreign currencies in their central banks?
 - e. What happens to the value of a currency if investors all try to sell it at the same time?
 - f. Why might people in some countries want to have dollars instead of their own currency?
 - g. What events or problems in a country might be signs of a wider economic crisis?

Pairwork

2. Look at the five descriptions of financial crises from recent world history and decide what kind of crisis each is.

a. The Wall Street Crash, USA, 1929

In the 1920s, the US was a place of great wealth. Large numbers of investors traded **shares** in companies on the **stock market**. The value of shares increased for six years in the 1920s. Some people bought shares with their life savings and most people thought prices would never fall.

Then, on Thursday, October 24, 1929, the price of shares started to fall. Their total value fell 11% in one day. The next Monday, the value of shares fell 13%, and the next day they fell another 12%. This continued for almost three years. Many people had borrowed money to buy shares and were unable to pay back their debts.

b. The Great Depression, 1931 - 1939

The Wall Street Crash in 1929 was the start of a long period of poverty and unemployment for millions of people in different countries. Economists argue about the Great Depression and the Wall Street Crash. Some think that the Great Depression was the result of the Wall Street Crash but some think the depression started before the crash. Here are some of the worldwide effects of the Great depression:

- World stock markets fell.
- People lost their savings.
- People lost their jobs and couldn't pay their **mortgages** or their rent.
- People became poorer so demand for goods and services fell worldwide.
- Factories and businesses around the world laid off millions of staff.



Americans during the Great Depression

19. Financial Crises (cont'd)

c. Asia, 1997 - 1998

The Asia crisis started in Thailand in 1997. At the time, Thailand had a fixed exchange rate of 35 baht to the US dollar. Investors became worried about the value of the baht and began to sell it. The Thai government then began to sell dollars to raise the value of the baht. The Thai government used all of its reserves of US dollars and the baht lost over half its value. The crisis spread to other countries because investors sold Asian currencies and bought back dollars.



Poor children play in a Bangkok slum

Some companies, especially in Indonesia, had borrowed money in dollars because their currencies were strong compared to the dollar. When the currencies collapsed, companies had to repay in dollars but it was difficult because the value of their own currencies was much lower than before. The impact of the crisis was huge. The GDP of Thailand fell 10% and millions became unemployed

d. Subprime mortgage crisis, USA, 2008 - 2009

For several years in the 2000s, banks in the USA lent money to **high-risk** customers – people with small incomes, other debts and a history of bad repayments. In financial terms, these mortgages are called **subprime**. There was also a bubble in the housing market and people were borrowing large amounts of money to buy houses. When interest rates rose, mortgage repayments became too big for people to repay. In 2008, there was an increase in the number of foreclosures (banks taking back homes because the owners didn't pay their debts).



One of many foreclosures during the sub-prime mortgage crisis

e. Global Financial Crisis, 2008

The Global Financial Crisis started in the USA in 2008. The subprime mortgage crisis in the USA caused problems in other countries, such as the UK and Iceland, because US banks sold large numbers of the subprime mortgages cheaply to foreign banks. The foreign banks and investors didn't know that the home owners were high-risk borrowers. Foreclosures increased and institutions around the world began to face problems. Banks and investors all borrowed from other banks and investors to buy the subprime mortgages, and suddenly they couldn't repay. Other countries also had subprime mortgage crises, there were bank runs and banks collapsed, and recession started in many countries around the world.

Pairwork

1. Answer the questions about the texts.

- In text **a**, what asset fell in value during the crisis?
- The Great Depression affected only the USA, true or false?
- During the Asian crisis, why did companies have problems paying back the dollar loans they had taken out?
- Text **d** talks about a 'bubble in the housing market'. What do you think this is?
- Why did the US subprime mortgage crisis create problems in other countries?

19. Financial Crises (cont'd)

The effects of financial crises

The wealthiest people in society are usually protected from the worst effects of financial crises. They have savings, property and businesses, and can use these resources in difficult times. Businesses protect themselves by laying off workers and banks demand the repayment of loans so they can pay their creditors. Governments, businesses and individuals need banks to lend them money, to allow them to save their money, and to help in global trade. No government wants banks in their country to go bankrupt, so they offer bailouts (large sums of money) to banks and bankers, usually with the money of taxpayers.

This often causes anger. People with no home ask why the banks get help but not them. People with no jobs want governments to help them pay for food and rent and mortgages, and protests and riots sometimes break out in countries with financial problems.

There are larger social problems, too. A crisis in one country can create problems in many other countries. In a globalised economic system, no country is independent; all countries need each other for trade, banking, tourism, financial help in times of need, and so on. This was a problem in the 1930s in the Great Depression, and it is even more of a problem now. Here are a few examples:

- China's biggest customer is the USA. When Americans stop buying Chinese-made goods, factories need fewer workers to produce the goods, and staff are laid off.
- Thailand has a large tourism industry – over 13 million tourists a year. If people have less money to spend, they may choose to take fewer holidays in countries like Thailand.
- There are many Myanmar migrant workers in Thailand, Malaysia and Singapore. These workers may face problems with factories laying off staff, or with governments deciding to keep jobs for local people.
- If the value of the Myanmar kyat rises, the wages of migrant workers are worth less when the currency is changed to Myanmar kyat. If the kyat is very strong, customers buying Myanmar goods will have to pay more, and may try to find cheaper goods in other countries.

Groupwork

1. Answer the questions about the text.

- a. Who suffers most in financial crises? Why?
- b. What are the advantages and disadvantages of bailouts?
- c. Why are financial crises worse now than in the past?

Groupwork

2. Read the sentences below and decide which type of financial crisis may affect the people involved, and how.

- a. Gilly and Clive own a shoe shop in England. They own a small house. They want to sell the house and buy a house in Spain. The shop doesn't make much money but they save money each month.
- b. Maung Maung Aye opened a hotel in Mandalay one year ago. He lost money for the first year, but he hopes to make money in the second year.
- c. Daw Yi Yi is 48. She sells DVDs in the downtown of Yangon. She makes enough money to live, but no more. Her daughter works in Thailand, in a clothes factory. She sends money back to her mother each month.

Review

Below are some exercises that will help you to review the key topics in the module. How much can you do without looking back through your book?

1. Draw an economic map for a good of your choice, showing production, distribution and consumption.
2. True or false?
 - a. Economics is about the things that people need and want.
 - b. Scarcity is when there is too much of a particular resource, good or service.
 - c. There are three parts of production: Capital, Labour and Enterprise.
 - d. GDP per person measures life expectancy, literacy and standard of living.
 - e. In proportional taxation, everyone pays the same percentage of the money they earn.
 - f. Hyperinflation is when prices fall very fast.
 - g. In free trade, countries use many import tariffs and subsidies.
 - h. Economic globalisation means the unification of world economies.
3. Fill in the blanks with some of the key words in the box below.

labour rights	money	trade deficit	tools
inflation	globalisation	barter	consumption
demand	subsidy	labour union	supply

- a. _____ is the number of people that want goods and services, and the amount that they want. _____ is the amount of goods available.
 - b. A _____ is when a group of workers get together to obtain, improve and protect their _____ and working conditions.
 - c. A _____ is when a country imports a lot more than it exports.
 - d. In _____ goods are exchanged directly. _____ is not used.
 - e. Capital is the money and _____ needed for production.
4. Write an essay of about 300 words arguing for or against ONE of the statements below.
 - a. Oil is the world's most important commodity.
 - b. Money is better than barter.
 - c. Globalisation is bad for poor countries.
 - d. Free trade is the solution to poverty.
 - e. Financial crises are caused by governments.

Glossary

This glossary is in alphabetical order. The meanings of words given relate to the context of this module. The words may have other meanings in other contexts.

activist (noun): a person who uses direct action to achieve change.

allocation (noun): sharing out.

appropriation (noun): to take something illegally and without payment.

armed (adj): carrying a weapon

asset (noun): an item of value.

barbed-wire (noun): wire with sharp points used as a fence.

to bid (verb): to offer a price to buy something, often in competition with other people.

bidder (noun): someone who bids.

boycott (noun): a refusal to do something, or buy something, out of principle.

bulldozer (noun): a machine for moving earth.

to censor (verb): to remove sensitive information, or forbid its publication.

catastrophic (adj): terrible, very destructive.

Chair (noun): position of leadership.

chaos (noun): total disorganisation or confusion.

claim (noun): a demand.

to claim (verb): to demand as a right.

cocaine (noun): a drug made from the coca plant.

to colonise (verb): to take over, populate and rule an area of land.

compensation (noun): money given to someone who has suffered an injustice.

to compete (verb): to be in competition.

to comply (verb): to obey, agree to do.

to condemn (verb): to say that something is wrong.

condition (noun): a requirement attached to something given.

constitution (noun): the basic principles and laws of a nation.

controversial (adj): creates a lot of disagreement and argument.

corruption (noun): use of power, or position, for personal benefit.

coup (noun): a taking of power by force, usually by the military.

to cultivate (verb): to grow.

customs (noun): the agency that administers tax ('duty') placed on goods crossing borders, and searches for and tries to prevent the smuggling of untaxed or illegal goods.

debt (noun): money that is owed.

democratise (verb): become more democratic.

demonstration (noun): a gathering of people who protest against something.

to devastate (verb): to cause great damage.

development (noun): advancement, improvement.

dispute (noun): argument.

domestic (adj): home, as in country.

to dominate (verb): to have a lot of control over.

drastic (adj): very severe and sudden.

dump (verb): to get rid of unwanted things.

elite (noun): privileged group of people, often in positions of power and influence.

to eradicate (verb): to get rid of, destroy.

essential (adj): absolutely necessary.

to expand (verb): to grow, get bigger.

export (noun): a good or service sold to a foreign country.

exploitation (noun): to make use of someone's labour unfairly.

extortion (noun): using authority and threats to take money from people illegally.

fake (adj): not real, not original, not authentic.

to fire (verb): to dismiss someone from their job.

fixed exchange rates: a system where the exchange rates of the currencies of a group of countries are fixed so that they do not change. This is usually done to increase economic stability in a region.

formation (noun): creation.

to found (verb): to start, create.

garage (noun): a small building (usually one room) used for storage, or in which a car is parked. Some people use this space for a 'home-office'.

grant (noun): money given to support an individual or a country.

gross (adj): total, whole.

hectare (noun): an area of land (10,000m²).

import (noun): a good or service bought from a foreign country.

incentive (noun): a motivation or encouragement to do something.

income (noun): the money that people receive from their salary and other investments.

indicator (noun): a value or statistic which shows the health of an economy.

ineffective (adj): not working properly.

inequality (noun): not being equal.

to inspire (verb): to give someone hope and the desire to try to do something.

to integrate (verb): to join together.

intensive agriculture (adj): production of a lot of food from a small area of land using farm machinery and chemical fertilisers.

interest (noun): fee paid (usually every month) when you borrow money.

Glossary (cont'd)

to interfere (verb): to get involved in something to try to influence it.

to intervene (verb): to get involved in.

isolated (verb): separated from others.

to issue (verb): to come out, to send out, to publish.

jurisdiction (noun): the limits in which law or authority can be used.

landless (adjective): without land.

lawsuit (noun): a legal process.

to lay off (verb): when an employer tells an employee to leave their job.

legitimacy (noun): legal status, recognition.

to liberalise (verb): to make more free, reduce restrictions.

liberalisation (noun): making more free, removing controls.

life expectancy (noun): the estimated average amount of time that someone can expect to live.

literacy (noun): being able to read and write.

to maintain (verb): to keep in good condition.

to maximise (verb): to make as big as possible.

media (noun): newspapers, TV, and radio.

to minimise (verb): to make as small as possible.

to monitor (verb): to oversee, check.

mortgage (noun) a loan from a bank. A mortgage is used to buy a house.

to nationalise (verb): when the government takes ownership of private companies.

to negotiate (verb): to discuss in order to reach an agreement.

non-legitimate (adj): not lawful.

to obtain (verb): to get, acquire.

to occupy (verb): to enter and take control of a place.

opposition¹ (noun): resistance, disagreement.

opposition² (noun): politicians and others who are against the government.

paramilitary (noun, adj): a semi-official or auxiliary military force.

pension (noun): income paid to people after they retire, by governments or from private funds.

pesticide (noun): chemicals used to kill insects on crops.

plentiful (adj): available in large quantities.

poverty (noun): being poor.

predictably (adverb): in a way that people can tell what is going to happen.

product (noun): anything that is produced.

to protest (verb): to argue against, object.

publicity (noun): information about something in the media.

pus (noun): yellow liquid that comes out of a wound or sore.

to rank (verb): to put in order.

relative (adj): considered in relation to something else, proportionate.

to relax (verb): to make less strict.

repetitive (adj): repeated many times.

repressive (adj): restricting freedom.

reserve (noun): money held by banks

resource (noun): store, supply.

restriction (noun): limitation.

to rig: to manipulate/set up unfairly/dishonestly.

rural (adj): countryside (opposite of 'urban').

sabotage (noun): deliberate destruction of something.

sector (noun): a part of the economy

to segregate (verb): to divide.

to seize (verb): to take by force.

self-sufficient (adj): not dependent on anyone else.

servitude (noun): being a slave.

severely (adverb): seriously.

shares (noun): small amounts of a company or its goods. Traders buy shares and in return companies shares their profits with the traders.

to shrink (verb): to get smaller.

slave (noun): a person who is owned by another person, and usually used for labour.

slum (noun): an overcrowded, poor part of a town or city with bad housing.

to specialise: to focus on a small number of tasks.

specialisation (noun): focusing on a small number of tasks which one becomes good at.

stock (noun): goods to be sold.

stock market (noun): a system of buying and selling shares in a company.

substitute (adj): replacement, alternative.

substantially (adverb): a lot.

supreme (adj): highest, most powerful.

surplus (noun): extra.

to survive (verb): to remain alive.

technique (noun): a way of doing something.

tear gas: gas that stings your eyes, used by police to break up crowds.

territory (noun): geographic area claimed under a particular law or authority.

totalitarian (adj): the state having total control.

toxic (adj): poisonous, harmful to health.

transparent (adj): free from deceit, clear.

discrimination (noun): denying someone equal treatment on the basis of age, skin colour, nationality, religion, gender, etc.

unification (noun): joining together.

unique (adj): different from all the others.

unrestrained (adj): without any limitation, free.

wages (noun): salary, pay.