Introduction

What is Globalization?
In an economic context, globalization refers to the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, services, and labor.

http://www.youtube.com/watch?v=3oTLyPPrZE4
Some Macroeconomic Concepts

- **GDP:** Total value of final goods and services produced within a country during a period of time. There are different methods to calculate it. For example the Expenditure Approach: \( Y = C + I + G + (X - M) \)

GDP \((Y)\) is a sum of **Consumption \((C)\), Investment \((I)\), Government Spending \((G)\) and Net Exports \((X - M)\).

- **Unemployment rate:** Defined as the ratio of unemployed workers over the labor force.
  - "unemployed workers" are those who are currently not working but are willing and able to work for pay, currently available to work, and have actively searched for work
  - Labor Force: The sum of employed and unemployed workers

- **Inflation** is a rise in the general level of prices of goods and services in an economy over a period of time. When the price level rises, each unit of currency buys fewer goods and services; consequently, inflation is also an erosion in the purchasing power of money. A chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index.
Examples

An economy produces three goods: cars, computers, and oranges. Quantities and prices per unit for years 2008 and 2009 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Price</td>
<td>Quantity</td>
</tr>
<tr>
<td>Cars</td>
<td>10</td>
<td>$2,500</td>
<td>12</td>
</tr>
<tr>
<td>Computers</td>
<td>4</td>
<td>$1,000</td>
<td>6</td>
</tr>
<tr>
<td>Oranges</td>
<td>1000</td>
<td>$1</td>
<td>1000</td>
</tr>
</tbody>
</table>

• **What is nominal GDP in 2008 and in 2009? By what percentage does nominal GDP change from 2008 to 2009?**
  
  (1) Nominal GDP2008 = (2500x10+1000x4+1x1000) = 30,000;
  
  (2) Nominal GDP2009 = (3000x12+500x6+1x1000) = 40000
  
  (3) % change = (40,000-30000/30000)x100 = 33%

• **Using 2008 as the base year, what is real GDP in 2008 and in 2009?**
  
  1) Real GDP2008 = (2500x10+1000x4+1x1000) = 30,000
  
  2) Real GDP2009 = (2500x12+1000x6+1x1000) = 37,000

• **Suppose we use 2009 as the base year to compute real GDP for 2008 and 2009. Compute the GDP deflator for 2008 and for 2009, and the rate of inflation from 2008 to 2009.**
  
  Nominal GDPs: 2008 (30,000), 2009 (40,000)
  
  Real GDPs (base 2009): 2008 (33,000), 2009 (40,000)
  
  GDP-Deflator = Nominal GDP/Real GDP
  
  2008GDP-Deflator = 30,000/33,000 = 0.91
  
  2009GDP-Deflator = 40,000/40,000 = 1
  
  Rate of Inflation = (2009GDP-Deflator)-(2008GDP-Deflator)/(2008GDP-Deflator) = (1-0.91)/0.91 = 0.1
• http://www.pbs.org/wnet/wherewestand/reports/globalization/video-report/7/

• http://www.youtube.com/watch?v=FzxGyKyzfP8&feature=related