

## COSTS & BENEFITS OF GLOBALIZATION

BENEFITS	COSTS
International trade is beneficial because it allows a country to specialize in the activities it does best, given its endowments of labor, natural resources & technology.	Losers in globalization may be owners of capital (shareholders) in industries that cannot compete with foreign manufacturers.
International trade has increased real household income by between \$7,000 and \$13,000 since the end of WWII.	Faced with unemployment, workers in declining industries will need temporary assistance (unemployment benefits) & longer-term assistance (education) — additional costs that the worker & society may have to bear.
Innovations in software & the development of the internet have allowed firms to more easily import services they used to produce themselves.	Increased economic uncertainty among workers may spur legislation to limit the import of goods & services (rising protectionism).
Trade increases the variety of goods & services available to consumers.	A rise in the domestic wage rate will cause a decline in the quantity of domestic labor demanded because firms can now substitute a cheaper foreign source of labor.
The quality of today's automobiles is the result of technological advances due to competition in the international marketplace.	One potential consequence of the development of high-skilled labor is the rising income inequality between low-skilled & high-skilled workers.
Services such as voice mail or data entry can move offshore to countries where the average wage is much lower.	Sometimes achieving an efficient outcome requires the winners of free trade to compensate the losers.
Economic efficiency increases when resources are allowed to flow to their most productive uses.	Because many public policymakers & workers evidently associate rising inequality with globalization, some economists argue that additional steps are needed to prevent further erosion in the public's support for international trade.
Globalization helps workers in relatively poor countries by providing them access to new ideas & technologies, increasing their productivity & real wages.	Traditional responses to economic dislocation caused by international trade are job retraining, wage insurance or temporary income assistance