

UNIT 9 International aspects of interdependence and possible conflicts between the aims of individuals, firms and governments

Recommended Prior Knowledge This Unit can be studied without any prior knowledge but it does relate to some of the concepts covered in previous Units. Specialisation links with the discussion of the factors of production in Unit 1 and economic growth in Units 6 and 8. The ideas of absolute and comparative advantage will link with the concept of opportunity cost in Unit 1, the consideration of international trade in Units 6 and 7 and with the discussion of living standards in different countries in Unit 8. The concepts of private and social costs and benefits in relation to conserving or exploiting resources will link back to the discussion of finite resources in Unit 1 and the issue of public versus private expenditure will link with the discussion of the allocation of resources in different economic systems in Unit 1, different types of business organisations in Unit 2 and the role of the private and public sectors in Units 5 and 6.

Context As already indicated, the Unit builds on a range of concepts already covered, including finite resources and the nature of the economic problem, the efficiency of factors of production, the concept of opportunity cost, the role of the public and private sectors in an economy, international trade and the reasons for different living standards in various countries.

Outline The Unit starts by describing the benefits and disadvantages of specialisation at individual, regional and national levels and then goes on to demonstrate the simple application of absolute and comparative advantage in trade. It then describes conflicts of interest in relation to short-term and long-term private and social costs and benefits in relation to the three particular areas of conserving resources versus exploiting resources, free trade versus protection and public expenditure versus private expenditure.

	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other Resources
9 a	Students should be able to describe the benefits and disadvantages of specialisation at individual, regional and national levels.	Students need to start by thinking about the potential advantages and disadvantages of specialisation at the individual level in terms of the division of labour. They could work on an assignment to contrast the good and bad aspects of a particular example of specialisation, such as working in a factory. Anderton (pages 20-21 and 52-53) is good on the division of labour with some useful study points and check points. Moynihan and Titley (pages 53-57), Harrison and Nutter (pages 34-36) and Paisley and Quillfeldt (pages 30-36) are also thorough. Students then need to consider the idea of specialisation at the regional level. They need to find out an example of an industry		Anderton, Unit 7, pages 20-21 Anderton, Unit 19, pages 52-53 Anderton, Unit 45, pages 114-115 Anderton, page 119 Anderton, Unit 71, pages 178-179 Harrison and Nutter, Chapter 5, pages 34-36

		<p>that is concentrated in particular regions, either in their own country or in another country of their choice, explain why it is concentrated there and then discuss the advantages and disadvantages of this regional specialisation and concentration of industry. Students should bring in the concepts of external economies and diseconomies of scale and external benefits and costs.</p> <p>Anderton (pages 114-115) is good on the location of industry, with an interesting data response question (page 119), and he also considers the possible problems of regional inequalities (pages 166-167). Moynihan and Titley (pages 132-140), Harrison and Nutter (pages 122-123) and Paisley and Quillfeldt (pages 172-178) are also good on the location of firms.</p> <p>Specialisation at the national level will be considered in the next section of the Unit.</p>		<p>Harrison and Nutter, Chapter 12, pages 122-123</p> <p>Moynihan and Titley, Chapter 4, pages 53-57</p> <p>Moynihan and Titley, Chapter 7, pages 132-145</p> <p>Paisley and Quillfeldt, Part 2, Unit 2.1, pages 30-36</p> <p>Paisley and Quillfeldt, Part 6, Unit 6.6, pages 172-178</p>
b	Students should be able to demonstrate the simple application of absolute and comparative advantage in trade.	<p>This section builds on the previous one and looks at specialisation at the national level. Students need to recognise that factor endowments will not be equally distributed around the world and, therefore, each country will need to use its resources as efficiently as possible. They could choose one country, consider the various factors that it has and then examine how these influence its trading activities. It would also be useful to try and discover if this pattern of activity has changed over a period of time. The s-cool website has a good resource on international competitiveness. They also need to understand how these factor endowments can be demonstrated in relation to absolute and comparative</p>	<p>URL – http://www.bized.ac.uk/virtual/dc/trade/theory/th2.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/development_models_comparative_advantage.htm</p> <p>URL – http://www.s-cool.co.uk/quicklearn Why Trade?: Why do countries trade?</p> <p>URL – http://www.s-cool.co.uk/quicklearn</p>	<p>Anderton, Unit 73, pages 184-185</p> <p>Anderton, page 198</p> <p>Harrison and Nutter, Chapter 14, pages 143-148</p> <p>Moynihan and Titley, Chapter 14, pages 296-300</p> <p>Paisley and Quillfeldt, Part 8, Unit 8.1, pages 264-272</p>

		<p>advantage. Anderton (pages 184-185) is good on this and students will benefit from doing the study points and check points; there is also a useful data response question (page 198). Moynihan and Titley (pages 296-300) are also good with a very clear worked example of comparative advantage. Harrison and Nutter (pages 143-148) and Paisley and Quillfeldt (pages 264-272) are also useful. The s-cool and tutor2u website resources are particularly helpful on both absolute and comparative advantage.</p>	<p>Why Trade?: The case for free trade – absolute advantage</p> <p>URL – http://www.s-cool.co.uk/quicklearn</p> <p>Why Trade?: The case for free trade – comparative advantage</p> <p>URL – http://s-cool.co.uk/quicklearn</p> <p>Why Trade?: International competitiveness</p>	
c	<p>Students should be able to describe conflicts of interest in relation to social costs and benefits, private costs and benefits, short-term/long-term costs and benefits through studies of the following issues:</p> <ul style="list-style-type: none"> conserving resources versus exploiting resources. 	<p>A good place to start would be for students to gain an understanding of the distinction between private and social costs and benefits. They need to appreciate that social costs bring together the private and external costs and that social benefits combine the private and external benefits. They also need to understand that such costs and benefits may be more applicable in the long-term rather than the short-term. Anderton (pages 10-11 and 116-119) deals with these costs and benefits and has some useful study points and check points. Moynihan and Titley (pages 185-200) and Harrison and Nutter (page 19) are also useful.</p> <p>The first area is the issue of conserving resources versus exploiting resources. Students need to work in groups and draw up a list of the advantages and disadvantages of exploiting resources today and conserving resources for the future. It would be a very interesting topic for a class debate as it focuses clearly on</p>	<p>URL – http://www.bized.ac.uk/virtual/economy/policy/outcomes/gdp/growth2.htm</p> <p>URL – http://www.bized.ac.uk/virtual/dc/copper/theory/th19.htm</p> <p>URL – http://www.bized.ac.uk/virtual/dc/wildlife/theory/th3.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/trade/free_trade.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/trade/trade_barriers.htm</p> <p>URL –</p>	<p>Anderton, Unit 3, pages 10-11</p> <p>Anderton, Units 40-43, pages 102-111</p> <p>Anderton, Unit 46, pages 116-119</p> <p>Anderton, Units 53-54, pages 134-137</p> <p>Anderton, page 198</p> <p>Anderton, Units 85-86, pages 212-215</p> <p>Harrison and Nutter, Chapter 4, pages 17-25</p> <p>Harrison and Nutter, Chapter 11, pages 107-113</p> <p>Harrison and Nutter, Chapter</p>

	<ul style="list-style-type: none"> free trade versus protection. 	<p>the short-term/long-term distinction. Anderton (pages 116-119) has a number of useful questions on deforestation, pollution and petrol consumption. Moynihan and Titley (pages 185-200) cover river life, chemicals and car exhaust fumes and exercises 1 and 2 are particularly useful. The second area of conflict is free trade versus protection. Students will have gained an understanding of the potential advantages of free trade in the second section of this Unit but they now need to consider its possible disadvantages and examine the possible reasons for protection. They need to work in groups and discuss the advantages and disadvantages of both free trade and protection; this would also be a very good topic to have a debate on. They also need to consider the possible forms that protectionism might take and to analyse the advantages and disadvantages of each of these.</p> <p>Anderton (pages 186-187) looks at both points of view and has a number of useful study points and check points for students to answer; he also has an interesting data response question (page 198) on the possibility of a trade war between the United States and Europe. Moynihan and Titley (pages 310-313) have a good section on this and exercise 5 on the trade barriers used by Japan would be worth doing. Harrison and Nutter (pages 148-149) cover the topic well and they have a helpful question and answer on it (pages 155-157).</p> <p>The final conflict of interest covered in the</p>	<p>http://www.tutor2u.net/economics/content/topics/externalities/what_are_externalities.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/externalities/policy_towards_externalities.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/trade/comparative_advantage.htm</p> <p>URL – http://www.tutor2u.net/economics/content/topics/trade/gains_from_trade.htm</p> <p>URL – http://www.s-cool.co.uk/quicklearn Market Failure: Externalities</p> <p>URL – http://www.s-cool.co.uk/quicklearn Market Failure: What can be done about these externalities?</p> <p>URL – http://www.s-cool.co.uk/quicklearn Why Trade?: The case for free trade</p> <p>URL – http://www.s-cool.co.uk/quicklearn Why trade?: The case</p>	<p>14, pages 148-149 and 155-157</p> <p>Harrison and Nutter, Chapter 16, pages 175-178</p> <p>Moynihan and Titley, Chapter 3, pages 26-37</p> <p>Moynihan and Titley, Chapter 5, pages 85-109</p> <p>Moynihan and Titley, Chapter 9, pages 185-200</p> <p>Moynihan and Titley, Chapter 14, pages 310-313</p> <p>Moynihan and Titley, Chapter 16, pages 342-348</p> <p>Paisley and Quillfeldt, Part 6, Unit 6.1, pages 136-141</p> <p>Paisley and Quillfeldt, Part 6, Unit 6.2, pages 142-148</p> <p>Paisley and Quillfeldt, Part 6, Unit 6.3, pages 149-155</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.1, pages 196-204</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.4, pages 222-228</p> <p>Paisley and Quillfeldt, Part 8,</p>
	<ul style="list-style-type: none"> public expenditure versus private 			

	expenditure.	<p>Unit is public expenditure versus private expenditure. This contrast was first examined in the section on the allocation of resources in market, planned and mixed economic systems in Unit 1 and students need to reconsider the various arguments in favour of public and private expenditure. They need to work in groups and think about the situations when public expenditure might be more appropriate in an economy and then to consider situations where private expenditure might be more applicable. They then need to present their findings to the whole class and, as with the other two areas of conflict, this would make for an interesting debate. Anderton (pages 134-137) covers the various forms of public expenditure and private expenditure is examined in the sections on different types of private sector business organisations and privatisation (pages 102-111); the two are contrasted in the sections on different economic systems (pages 212-215). Moynihan and Titley look at both public expenditure (pages 104-106 and 342-348) and private expenditure (pages 85-104) and then contrast them in relation to nationalisation and privatisation (pages 106-109) and the different types of economic system (pages 29-37). Harrison and Nutter examine private spending and privatisation (pages 107-113) and then go on to look at public expenditure (pages 112-113 and 175-178).</p>	<p>against free trade</p> <p>URL – http://www.wto.org</p>	Unit 8.1, pages 264-270
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