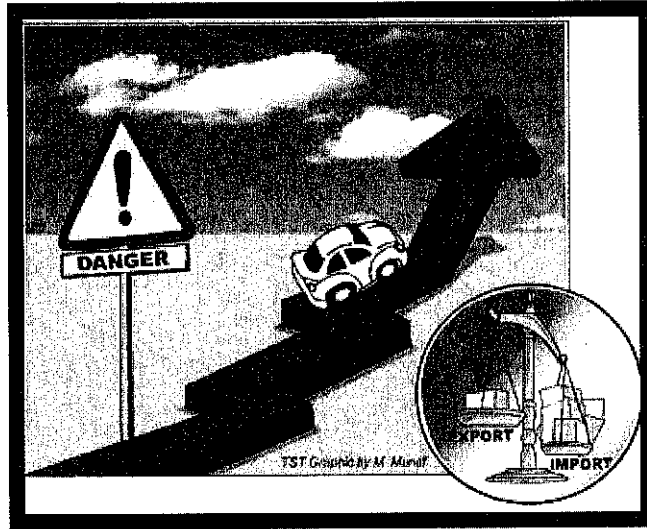


Is a Trade Deficit Bad for us?



Supporting Questions

1. Why do some countries restrict trade?
2. What is the difference between balance of payment and balance of trade?
3. How does a depreciating dollar impact trade?

Is a Trade Deficit Bad for us?	
Inquiry Standard	SSEIN1 Balance of Trade, Balance of Payments SSEIN2 Trade Barriers, Free Trade, Trade Agreements SSEIN3 Exchange Rates
Staging the Compelling Question	Students will be shown a video of Donald Trump on The O'Reilly Factor discussing the Trade Deficit with China. This will lead to a class discussion about what a trade deficit is, why should we care, is it good or bad?

Supporting Question 1	Supporting Question 2	Supporting Question 3
Why do some countries restrict trade?	What is the difference between balance of payment and balance of trade?	How does a depreciating dollar impact trade?
Formative Performance Task	Formative Performance Task	Formative Performance Task
T chart of the pros and cons of free trade. Paragraph response to Supporting Question 1.	1. Cause and Effect (Multi-Flow) Diagram on Trade Deficits. 2. Paragraph explanation of the difference between balance of trade and balance of payment, including relevant vocabulary.	Create an Infographic on the value of the dollar and trade.
Featured Sources	Featured Sources	Featured Sources
Source A: CrashCourse: Globalization and Trade Source B: China's Booming Economy is Nothing to Fear Source C: National Geographic Society: Globalization Source D: Is Globalization Wiping Out the American Surfboard Industry? Source E: Reasons For Using Trade Barriers	Source A: New York Times - Walmart's Imports From China Displaces 400,000 Jobs Source B: That China Trade Deficit Comes Back To The US: \$110 Billion Into Real Estate Alone Source C: CrashCourse: Imports, Exports, Exchange Rates Source D: How Chinese Manufacturing Became a U.S. Job Creator Source E: Is the U.S. trade deficit a problem? What is the link between the trade deficit and exchange rates?	Source A: The Down and Out Dollar Source B: Introducing the \$7.76 Big Mac Source C: The Big Mac index Source D: How Much Goods Cost Around the World Source E: Is a Strong Dollar a Good Thing or a Bad Thing? Source F: Why does a trade deficit weaken the currency?

Summative Performance Task	ARGUMENT Is a trade deficit bad for the us economy? In-class Debate.
	EXTENSION Students could extend these arguments by creating a public service announcement that addresses International Trade and the policies the United States should be taking. The public service announcements could take the form of a video, radio segment, or class skit.
Taking Informed Action	UNDERSTAND Students have the opportunity to Take Informed Action by researching current political candidates to determine their respective policies on International Trade. ASSESS Students then can assess whether a candidate takes a position on International Trade they can agree upon. ACTION Students can act by using assorted media platforms to create a presentation that conveys students' views about International Trade.

Overview

Inquiry Description

This inquiry leads students through an investigation of International Trade by examining trade barriers, protectionism, exchange rates, the depreciation of the dollar, and the difference between balance of payments and balance of trade. By investigating the compelling question "Is a Trade Deficit Bad for Us?" students dissect concepts in International Trade to understand current debates among politicians and economist. In investigating contemporary evidence on trade, students develop an understanding of what the implications of a trade deficit are and pros and cons.

The inquiry will address the following Georgia Performance Standards:

SSEIN1 c. Explain the difference between balance of trade and balance of payments. SSEIN2 The student will explain why countries sometimes erect trade barriers and sometimes advocate free trade. SSEIN3 The student will explain how changes in exchange rates can have an impact on the purchasing power of individuals in the United States and in other countries.

Structure

In addressing the compelling question "Is a Trade Deficit Bad for US?" students work through a series of supporting questions, formative performance tasks, and featured sources in order to construct an argument with evidence while acknowledge competing perspectives.

Note: This inquiry is designed to take two to four 90 minute periods, depending on the time spent on the summative task.

Created by Trey Coggins and Zack Hall

Staging the Compelling Question

Compelling Question	Is a Trade Deficit Bad for us?
Featured Sources	<ul style="list-style-type: none">● Source A: The O'Reilly Factor: Trump on Trade Deficit● Source B: International Trade Vocabulary

Staging the compelling question

The first couple of minutes of the video is all about the Trade Deficit. After watching the video, students should discuss what they think about it before studying the key terms. Is a Trade Deficit something to worry about? Should we start a Trade War with China?

Vocabulary terms have been added using Quizlet. Students can either begin with the terms, or refer to it as a resource throughout the inquiry.

Compelling Question

Featured Source A

The O'Reilly Factor: Trump on Trade Deficit

Excerpt

Bill O'Reilly and Donald Trump discuss his claim about the Trade Deficit with China in February 2016. Trump is forced to answer specifically how he would deal with the Trade Deficit and what is part of the cause.

Source:

<https://www.youtube.com/watch?v=ASoeNe3-HqA>

Compelling Question

Featured Source B

International Trade Vocabulary

Excerpt

Quizlet Flashcards on International Trade. Terms include Trade Barriers, protectionism, tariff, quota, balance of payment, balance of trade, current account, financial account...

Source:

<https://quizlet.com/2ikem0>

Supporting Question 1

Supporting Question	Why do some countries restrict trade?
Formative Performance Task	T chart of the pros and cons of free trade. Paragraph response to Supporting Question 1.
Featured Sources	<ul style="list-style-type: none">● Source A: CrashCourse: Globalization and Trade● Source B: China's Booming Economy is Nothing to Fear● Source C: National Geographic Society: Globalization● Source D: Is Globalization Wiping Out the American Surfboard Industry?● Source E: Reasons For Using Trade Barriers

What are trade barriers? What are their purpose? Why are other countries more free to trade?

Formative Performance Task

Students will construct a T chart of the pros and cons

of free trade. Write a paragraph responding the the supporting questions. "Why do some countries restrict trade?" Students should use all relevant vocabulary.

Supporting Question 1

Featured Source A

CrashCourse: Globalization and Trade

Excerpt

What is globalization? Is globalization a good thing or not. Well, I have an answer that may not surprise you: It's complicated. This week, Jacob and Adriene will argue that globalization is, in aggregate, good. Free trade and globalization tend to provide an overall benefit, and raises average incomes across the globe. The downside is that it isn't good for every individual in the system. In some countries, manufacturing jobs move to places where labor costs are lower. And some countries that receive the influx of jobs aren't prepared to deal with it, from a regulatory standpoint. Anyway, Jacob and Adriene can explain the whole thing to you in 10 minutes.

Source:

<https://www.youtube.com/watch?v=9MpVjxxpExM&index=..>

Supporting Question 1

Featured Source B

China's Booming Economy Is Nothing to Fear

Excerpt

America isn't great because it's the biggest, but because it's the best place to live, work, and innovate

Watch as 6-Year-Old Girl Stands Up to Ax-Wielding Attacker [Michael Phelps on the Moment He Knew 'Phelps Face'](#). [The 5 Biggest Things Apple Just Announced](#) [15 Hilariously Sarcastic Ecards](#)

Last week, during his State of the Union address, President Obama announced, “the United States is better-positioned for the 21st century than any other nation on Earth.” While it isn’t quite clear what indicators he was using to make that statement, we know one measure he *wasn’t* using: size. It’s only a matter of time before China overtakes the U.S. as the world’s largest economy, thanks to economic growth that has been four or five times faster than the U.S. over the last couple decades.

Source:

<http://time.com/4613/chinas-booming-economy-is-not..>

Supporting Question 1

Featured Source C

National Geographic Society: Globalization

Excerpt

Globalization is the connection of different parts of the world. Globalization results in the expansion of international cultural, economic, and political activities. As people, ideas, knowledge, and goods move more easily around the globe, the experiences of people around the world become more similar.

Source:

<http://nationalgeographic.org/encyclopedia/globali..>

Supporting Question 1

Featured Source D

Is Globalization Wiping Out the American Surfboard Industry?

Excerpt

Economic correspondent Paul Solman reports on an American-born product hit hard by globalization: the surfboard. In Southern California, U.S.-based manufacturers fear they will soon be wiped out by competing, foreign companies due to discrepancies in labor costs and duty taxes.

The surf's up for NewsHour economics correspondent Paul Solman — his subject tonight, how the monster waves of international trade and globalization threaten, yes, the surfboard industry here in the United States.

It's part of Paul's ongoing reporting: Making Sen\$e of Financial News.

Source:

<http://www.pbs.org/newshour/bb/business-jan-june13..>

Supporting Question 1

Featured Source E

Reasons For Using Trade Barriers

Excerpt

Trade barriers are being narrowly used in the 2000s than they were in the 20th century. Those barriers are believed to reduce the overall welfare of those countries. But some countries are still imposing trade barriers for different reasons. Even though trade barriers are expected to cut down the overall welfare of the importing countries, policy makers in many countries continue to use trade barriers for economic, political and social reasons.

Source:

<https://almahmoudm.wordpress.com/2012/07/15/reason..>

Supporting Question 2

Supporting Question	What is the difference between balance of payment and balance of trade?
Formative Performance Task	<ol style="list-style-type: none">1. Cause and Effect (Multi-Flow) Diagram on Trade Deficits.2. Paragraph explanation of the difference between balance of trade and balance of payment, including relevant vocabulary.
Featured Sources	<ul style="list-style-type: none">● Source A: New York Times - Walmart's Imports From China Displaces 400,000 Jobs● Source B: That China Trade Deficit Comes Back To The US: \$110 Billion Into Real Estate Alone● Source C: CrashCourse: Imports, Exports, Exchange Rates● Source D: How Chinese Manufacturing Became a U.S. Job Creator● Source E: Is the U.S. trade deficit a problem? What is the link between the trade deficit and exchange rates?

What is a trade deficit? Surplus?

Formative Performance Task

Students will read the attached sources and create a Cause and Effect Diagram (Multi-Flow) on Trade Deficits. Then students will write a paragraph explaining the difference between Balance of Payment and Balance of Trade, with all relevant vocabulary included.

Supporting Question 2

Featured Source A

New York Times - Walmart's Imports From China Displaces 400,000 Jobs

Excerpt

Walmart's imports from China amounted to at least \$49 billion in 2013, according to a new study by a progressive research group. Imports from China by Walmart, the nation's largest retailer and biggest importer, eliminated or displaced over 400,000 jobs in the United States between 2001 and 2013, according to an estimate by the Economic Policy Institute, a progressive research group that has long targeted Walmart's policies.

The jobs, mostly in manufacturing, represent about 13 percent of the 3.2 million jobs displaced over those same years that the study attributes to the United States' goods trade deficit with China. Walmart's Chinese imports amounted to at least \$49 billion in 2013, according to the study, which was based on trade and labor data. Over all, the United States' trade deficit with China hit \$324 billion that year.

Source:

Tabuchi, Hiroko. "Walmart's Imports from China Displaced 400,000 Jobs, A Study Says." Nytimes.com. The New York Times, 9 Dec. 2015. Web. 16 June 2016.

Supporting Question 2

Featured Source B

That China Trade Deficit Comes Back To The US: \$110 Billion Into Real Estate Alone

Excerpt

One of the more annoying things about the general discussion of trade in the political arena is this insistence that having a trade deficit is in some manner a bad thing for the American economy. Quite why foreigners making lots of lovely things which Americans want to have, at prices which Americans want to pay, is bad for Americans is never quite spelt out. But over and above that there's an insistence that sending dollars abroad to buy those things is in some manner bad. It is, perhaps, a leakage of what could be spent domestically and thus in some manner makes Americans poorer. This is not so of course and the reason it is not so is because the balance of payments does balance. That money comes back, as this little story shows:

Source:

<http://www.forbes.com/sites/timworstall/2016/05/16..>

Supporting Question 2

Featured Source C

CrashCourse: Imports, Exports, Exchange Rates

Excerpt

What is a trade deficit? Well, it all has to do with imports and exports and, well, trade. This week Jacob and Adriene walk you through the basics of imports, exports, and exchange. So, you remember the specialization and trade thing, right? So, that leads to imports and exports. Economically, in the aggregate, this is usually a good thing. Globalization and free trade do tend to increase overall wealth. But not everybody wins.

Source:

<https://www.youtube.com/watch?v=geoe-6NBy10&index=..>

Supporting Question 2

Featured Source D

How Chinese Manufacturing Became a U.S. Job Creator

Excerpt

Sept. 5 (Bloomberg) -- Hal Sirkin, senior partner at Boston Consulting Group, and Robert Burke, Chief Executive Officer at Robert Burke Associates, examine the trend of job creation from Chinese firms coming to the United States. They speak on "Bloomberg Surveillance."

Source:

<http://www.bloomberg.com/news/videos/b/2287d9ea-43..>

Supporting Question 2

Featured Source E

Is the U.S. trade deficit a problem? What is the link between the trade deficit and exchange rates?

Excerpt

Before we talk about trade deficits, we need to start with the things that make up the trade balance. The trade balance is the difference between exports (domestically produced goods and services sold to other countries) and imports (goods and services purchased from other countries). Exporting goods and services produces income for a country; therefore, exports add to the trade balance, which in turn contributes to total Gross Domestic Product (GDP). Alternatively, when a country imports goods and services, it sends some of its income abroad to pay for them; thus imports detract from the trade balance and from GDP. When a country exports more than it imports (i.e., the difference between exports and imports is positive), the country is said to have a trade surplus. When the opposite is true, the country is said to have a trade deficit. When a country exports exactly as much as it imports, the country is said to have balanced trade.

Source:

<http://www.frbsf.org/education/publications/doctor..>

Supporting Question 3

Supporting Question	How does a depreciating dollar impact trade?
Formative Performance Task	Create an Infographic on the value of the dollar and trade.
Featured Sources	<ul style="list-style-type: none">● Source A: The Down and Out Dollar● Source B: Introducing the \$7.76 Big Mac● Source C: The Big Mac index● Source D: How Much Goods Cost Around the World● Source E: Is a Strong Dollar a Good Thing or a Bad Thing?● Source F: Why does a trade deficit weaken the currency?

What does a weak dollar mean? When is it good and when is it bad?

Formative Performance Task

Students will create an Infographic informing the public of the impact of a depreciating dollar on International Trade. Students may use websites like <https://www.easel.ly/> to create their visual representation.

Supporting Question 3

Featured Source A

The Down and Out Dollar

Excerpt

Saturday Night Live depicts a depreciated dollar in relation to other currencies. The humorous sketched shows the fluctuations of currency and buying power.

Source:

<http://www.veoh.com/watch/v1227157HNxQDhXI>

Supporting Question 3

Featured Source B

Introducing the \$7.76 Big Mac

Excerpt

If you took your U.S. dollars to Norway, that's how deep the exchange rate would set you back. There, a McDonald's (MCD) Big Mac costs 48 Norwegian kroner, which translates to \$7.76 in U.S. dollars.

That makes the krone the most "puffed-up currency" in *The Economist's* iconic Big Mac index. The magazine created the unofficial economic indicator in 1986 as a lighthearted way to compare currencies and buying power around the world.

According to its latest iteration of the index, released Thursday, Norway's currency is overvalued. There, you pay 62% more than you would in the United States, to get essentially the same product.

Source:

<http://money.cnn.com/2014/07/24/investing/big-mac-..>

Supporting Question 3

Featured Source C

The Big Mac Index

Excerpt

THE Big Mac index was invented by *The Economist* in 1986 as a lighthearted guide to whether currencies are at their "correct" level. It is based on the theory of purchasing-power parity (PPP), the notion that in the long run exchange rates should move towards the rate that would equalise the prices of an identical basket of goods and services (in this case, a burger) in any two countries. For example, the average price of a Big Mac in America in July 2016 was \$5.04; in China it was only \$2.79 at market exchange rates. So the "raw" Big Mac index says that the yuan was undervalued by 45% at that time.

Source:

<http://www.economist.com/content/big-mac-index>

Supporting Question 3

Featured Source D

How Much Goods Cost Around the World

Excerpt

According to its study, if I wanted to buy Apple's iPhone in Europe, it would've cost me \$845; filling a car with a liter of petrol would cost over \$1 more than it does in the U.S. A pair of Levis nearly double the price than the same pair in New York City. On multiple measures, New York City offers more for your money compared to Paris, Sao Paolo or Tokyo. - See more at: <http://visual.ly/how-much-goods-cost-around-world#>.

Source:

<http://visual.ly/how-much-goods-cost-around-world>

Supporting Question 3

Featured Source E

Is a Strong Dollar a Good Thing or a Bad Thing?

Excerpt

You are probably way ahead of me on this, but I'll say it anyway: It depends.

A rising or declining dollar both affect different groups in the economy differently. A rising dollar relative to the currencies of our trading partners generally makes our imports cheaper to our consumers and our exports more expensive to foreign buyers. That translates loosely into being good for consumers consuming imports and bad for exporters selling abroad. Whether that is a net positive or a net negative depends in part on the state of the economy. It's probably a net negative if the economy has a lot of slack in it with low capacity utilization and high unemployment. Under those circumstances the trade effects won't help the economy come out of recession and may make a recession worse. In saying that, I'm focusing on aggregate demand in the economy, which is lowered if exports fall relative to imports.

Source:

<http://www.forbes.com/sites/bobmcteer/2015/01/24/i..>

Supporting Question 3

Featured Source F

Why does a trade deficit weaken the currency?

Excerpt

For the trade deficit to turn into a surplus, imports must fall and exports must rise. One way this adjustment can take place is if the dollar depreciates, making imports more expensive for Americans and exports cheaper for foreigners. If trade deficits are sufficiently large and unsustainable, economists believe that they will be associated with a weakening dollar at some future date.

Source:

<http://www.frbsf.org/education/publications/doctor..>

Summative Performance Task

Compelling Question	Is a Trade Deficit Bad for us?
Argument	Is a trade deficit bad for the us economy? In-class Debate.
Extension	Students could extend these arguments by creating a public service announcement that addresses International Trade and the policies the United States should be taking. The public service announcements could take the form of a video, radio segment, or class skit.

Argument

Students will participate in a debate answering the compelling question. Students should have pre-written prepared arguments, with evidence on index cards to support their claim.

At this point in the inquiry, students have examined the trade deficit, globalization, and currency valuation. Students should be expected to demonstrate the breadth of their understandings and their abilities to use evidence from multiple sources to support their distinct claims. In this task, students construct an evidence-based argument responding to the compelling question "Is a trade deficit bad for us?" It is important to note that students' arguments could take a variety of forms, including a detailed outline, poster, or essay.

Extension

Students could extend these arguments by creating a public service announcement that addresses International Trade and the policies the United States should be taking. The public service announcements could take the form of a video, radio segment, or class skit.

Taking Informed Action

Understand	Students have the opportunity to Take Informed Action by researching current political candidates to determine their respective policies on International Trade.
Assess	Students then can assess whether a candidate takes a position on International Trade they can agree upon.
Action	Students can act by using assorted media platforms to create a presentation that conveys students' views about International Trade.

Students have the opportunity to Take Informed Action by researching current political candidates to determine their respective policies on International Trade. Students then can assess whether a candidate takes a position on International Trade they can agree upon. Lastly, students can act by using assorted media platforms to create a presentation that conveys students' views about International Trade.

