**RWS#3: Balance of Payments and Globalisation**

**Due for: Monday 19th November 2018**

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| **GENERAL INSTRUCTIONS:**  *Please complete a revision worksheet summarizing the work from the last two weeks. The work should be taking you* ***up to 2 hours*** *to complete and should consist of a 1 A4 double paged summary based on the questions below. Please print out a double sided version to be handed in and marked on the date above (emails will not be accepted so make sure you are printing off your sheet before the lesson).*  *Remember to use all of the space over your two sides of A4 and make sure the ‘margins’ in Word are put as ‘narrow’. Feel free to reduce the size of the font if you are running out of space but nothing less than size 10. A better way to reduce would be to reread what you have written and try to be more succinct; it must fit onto two sides of A4 only!*  *You should be reading and using all the compulsory resources below (remember you will have already read an awful lot of these for homework and in class but there are a few extras I want you to read.*  *This revision worksheet should be taking you 2.5 hours…I suggest you spend 45 minutes writing up all your notes from class into a rough draft. Then, spend the next hour reading any extra information or clarifying concepts if you do not understand them. Then use the final 45 minutes to edit the work, make it look pretty and print it off.*  *REMEMBER THAT IF YOU DO NOT HAVE A PRINTER AT HOME YOU MUST FIND TIME BEFORE THE LESSON TO PRINT IT OFF AT COLLEGE*  *ALSO MAKE SURE THAT AS WELL AS STORING A COPY ON A MEMORY STICK, YOU ALSO EMAIL YOURSELF SO THERE CAN BE NO COMPUTER ISSUES WHEN IT COMES TO PRINTING OFF YOUR WORK* |
| **SOURCES**  **COMPULSORY (YOU MUST USE)**   * Notes you have taken in class * Powerpoint * Class Textbook – pp 217-223 * PREP homework –three prep homeworks on Globalisation * ARTICLE – David Smith: predicting what will happen to the current account of the UK in the future (we will read this article in class) * ARTICLE – The productivity challenge to the British Economy * ARTICLE – Globalisation Recovery Nov 2016   **EXTENSION (IF YOU HAVE TIME, TRY TO READ 1 or 2 OF THESE – I am not sure you will be able to read all of them!!!)**   * ARTICLE – Daily Telegraph: World Currency Markets Brace for China reserve shock * ARTICLE – Current Account Deficit 2014   **ALL OF THESE RESOURCES CAN BE FOUND ON GODALMING ONLINE – ANY ISSUES, EMAIL OLLY on** [**ods@godalming.ac.uk**](mailto:ods@godalming.ac.uk) |

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| **SPECIFIC INSTRUCTIONS:**  **TITLE: RWS3 – The Balance of Payments and Globalisation**  **Defining the Balance of Payments and Exchange Rates (roughly 1/2 side of A4)**   * Define the balance of payments and explain how the balance of payments is measured (give a breakdown of the different accounts and their sub-headings). * State that the balance of payments must always end in zero (in other words balance). What is the role therefore of the ‘errors and ommissions’ section? * When the media talk about the ‘balance of payments deficit’, they are not talking about the whole account. Which part of the balance of payments are they making reference too? * Define the exchange rate and explain the difference between a strong or appreciating exchange rate and a weak or depreciating exchange rate * Using a graph, describe what has happened to ‘sterling’ (or the pound) since 2000?   **Globalisation** **(roughly 1/2 side of A4)**   * Define the following terms: Globalisation, Trade, Financialisation and FDI * Why was the 2008 Financial Crisis significant for Globalisation? * To what extent has Globalisation been a force for good in the World? Using examples from the UK, China and Zambia, create a series of arguments (for and against) before reaching your own conclusion   **UK Balance of Payments History (roughly 1 side of A4)**   * EFFECTS OF THE BALANCE OF PAYMENT ON THE MACROECONOMY:   1. Explain some possible effects on economic growth and unemployment of a persistent current account deficit like we have seen in the UK since 2000. What might happen to the current account of the UK in the future? (perhaps refer to David Smith’s hypothesis?) (HINT: for those who are keen, you could ALSO refer to a ‘balance of payments’ crisis such as we have seen with the Asian Financial Crisis of 1998…is the same thing happening in China 2016!?)   2. Explain some possible effects on Chinese economic growth and unemployment of the persistent current account surplus China has experienced for the past 20 years. * CAUSES OF A BALANCE OF PAYMENTS DEFICIT IN THE UK   1. With reference to the article we read in class, define productivity and explain what impact it can have on the balance of payments for a country like the UK   2. Using a timeline graph (copy on the Powerpoint) explain why the UK has suffered from an increasing current account deficit since the late 1990’s in the UK (HINT: Remember to refer to ‘relative prices’, ‘incomes’, ‘productivity’ and don’t forget about Globalisation (‘Trade Potential’)!   3. Briefly explain the difference between cyclical and structural causes of balance of payments imbalances |