

LESSON 4: COMPARATIVE ECONOMIC SYSTEMS

Focus Question: *How does the U.S. economy compare to its competitors? (Case study: China)*

Objectives

Students will be able to:

- Compare the U.S. to the Chinese economy.
- Discuss the positive and negative changes resulting from China’s move to a more capitalist economy.
- Examine the life styles of people at different economic levels in China.

Standards

NES: 3, 16, 17

ELA: 1, 2, 3

Time Frame/

One day, double period

Note to Teachers

Selected section from *The World is Flat* by Thomas L. Friedman (Farrar, Straus and Giroux, 2005) needs to be read prior to the lesson.

Materials

- Textbook chapter on: Comparing Economic Systems
- *The World is Flat* by Thomas L. Friedman, “Chapter 2: The Ten Forces that Flattened the World, Flattener #6: Offshoring”
- Distribute prior to the lesson: Worksheet 4A, Worksheet 4C

Teaching Strategies

I. China vs. U. S. in 2000 and 2004

Distribute Worksheet 4A, “China vs. U.S. in 2000 and 2004 (Standard of Living).” Have students complete the exercise for homework prior to this lesson. On the day of the lesson, as part of the whole-class discussion, have students explain their answers to the following:

- What did you write in your memo?
- In your own words, how would you compare the standard of living in China with that of the U.S.?
- In what ways is the standard of living in China and the U.S. most similar? Most different?
- What would be the most useful pieces of information to a businessperson about China that appears on this chart?
- To what extent would you consider China a serious economic competitor to the U.S. today?

II. China’s Economy: Four Views

Divide the class into groups of four. Distribute Worksheet 4B, “China’s Economy: Four Views.” Have students follow the directions on the worksheet, and then have them explain the answers to the following:

- What did you learn about the lives of the four Chinese people you read about?
- What did you learn about the Chinese economy?
- How do the lives of the Chinese you read about compare to the lives of Americans with similar positions?
- If your firm were interested in doing business in China, what kinds of information found in these four accounts would be most useful?

III. Offshoring

- Discuss the following from Worksheet 4C, which was completed for homework:
 - Define “offshoring.”
 - Why is China suited for offshoring?
 - What effect does China’s membership in WTO have on:
 - American businesses?
 - Other developing countries, such as Mexico and Vietnam?
 - How does the author describe China’s long-term strategy?
 - What could disrupt China’s successes?
 - A study by Morgan Stanley published in *Fortune* magazine (10/4/04) found that this China flattener (offshoring) helped consumers. How?
 - According to the reading, how might offshoring help the U.S. economy?

- Divide the class into four groups. Assign each group one of the following topics to discuss and present to the class:
 - What does the author mean by “Either you get flat or you’ll be flattened by China.”
 - According to the author, what effect does offshoring have, and will it continue to have, on the U.S. economy?
 - You are running for office and your campaign is in favor of offshoring. Explain why.
 - You are running for office and your campaign is against offshoring. Explain why.

Summary/Assessment

Ask students: “If you were a consultant to the Chinese government, what steps would you suggest the Chinese take to challenge the U.S. as the number one economic power in the world? Explain.”

Homework

- Read materials in preparation for Lesson 5
- Assign questions for homework

Worksheet 4A

China vs. U.S. in 2000 and 2004* (Standard of Living)

	China		U.S.	
	2000	2004	2000	2004
Population	1.3 billion	1.3 billion	268.2 million	281.6 million
Life expectancy	70.3 years	71.4 years	77.1 years	77.4 years
GDP (total dollar value of goods and services produced in one year)	1.1 trillion	1.9 trillion	9.8 trillion	11.7 trillion
Inflation	2%	6.9%	2.2%	2.6%
Fixed lines and cell phones (per 1,000 people)	182	499.4	1,070	1,222.7
Internet users (per 1,000 people)	17.8	72.5	439	630.0
Merchandise trade** (% of GDP)	35.5	59.8	20.7	20.0

* Data from www.worldbank.org

** Merchandise trade as a share of GDP is the sum of merchandise exports and imports divided by the value of GDP.

***Exercise:** Your boss is going to China and wants you to write a memo in which you compare the U.S. and Chinese Standards of living. Write the memo in the space below:*

To: The Boss

From: Me

Subject: Chinese vs. U.S. Standards of Living

Worksheet 4B

China’s Economy: Four Views

Assume that you work for the marketing department of your VE firm. Have one person from your group report on a different one of the four Chinese people below. In each report, you should discuss:

- The kind of work the person does.
- How well the person lives.
- Whether or not you think the person would be a good target for the merchandise your firm sells.

THE FARMER

About 800 million Chinese are peasants. For most, farming is now often a losing proposition. Li Yongrong, 53, is a farmer. He says he earns about 5,000 yuan (\$1 = 8.28 yuans) a year from the rice, wheat, canola, and pigs he has on four acres and leases from the state. But taxes and fees now eat up about 4,000 yuan of that income. School fees cost him another 2,000 yuan.

To make ends meet, he transports pigs and produce for fellow farmers in a Flying Tiger pickup truck that he bought four years ago with 10,000 yuan borrowed from relatives and 3,000 yuan in savings.

The trucking earns him enough to pay his electricity and telephone bills but there is barely enough left over for the red envelopes of cash he is obliged to give as gifts each year during the Lunar New Year holiday and at weddings and funerals. He saves almost nothing and remains deep in debt to relatives.

Besides the truck and the telephone his grandest possession is a 21-inch color TV that he bought in 1996. Mr. Li and his wife, age 48, have no pension. Mr. Li wants his children to go to college. However, he does not know how he will pay for this even if they manage to pass the exams that allow just 13 percent of China’s young people to attend the state-run universities.

THE GOVERNMENT WORKER

Wang Dongfeng, 36, is one of China’s roughly 30 million government employees. Despite the fact that China’s leaders have vowed to cut millions of jobs, people like Mr. Wang continue to draw substantial salaries from the state.

Mr. Wang works for the China Family Planning Association, a state-run organization that helps coordinate China’s one-child policy with more than a million branches or lower-level organization across the country. He lives with his wife and son in a two-bedroom apartment for which he pays 230 yuan a month.

Mr. Wang’s government salary is just 1,200 yuan a month, but he receives various benefits from his employer, like free lunches, that effectively increase his monthly income to about 2,000 yuan a month. His biggest expenses are his son’s kindergarten, for which he pays 4,000 yuan a year, and yearly tuition of 10,000 for a two-year course he is taking towards a master’s degree in social welfare.

Mr. Wang and his wife own a tiny car. Their most expensive possessions are a Motorola mobile telephone, desktop computer assembled from parts by a friend, and an aging color TV set. Thanks to Mr. Wang’s wife’s salary, the couple save about 3,000 yuan a month, and they have put about 60,000 yuan in the bank so far.

(continued)

Worksheet 4B, continued

THE BUSINESSMAN

China’s economy remains largely state-owned, but its private sector is growing fast. There are now at least 10 million private business owners, not including millions more independent merchants, traders, and street hawkers.

Xue Bing, 39, is typical of the new capitalist breed amassing wealth in the transitional economy. Mr. Xue was a manager of a state-owned construction company until two years ago, when it began to privatize many of its businesses. He invested 80,000 yuan, his life savings, to buy 8 percent of one of the businesses, a company that manufactures paint. He owns a quarter stake in the company’s Beijing subsidiary.

Like most private businessmen, Mr. Xue spends much of his time cultivating relationships with officials to win his company business. He spends as much as 20,000 yuan a month on entertaining and gifts, though his company reimburses him for at least half of that.

One of his biggest expenses is his daughter, for whom he spends about 20,000 yuan a year on school fees and an annuity.

Mr. Xue draws a salary of 4,800 yuan a month and his wife earns 1,600 yuan a month as an office worker. But his annual income fluctuates because he can earn as much as 300,000 yuan for a single project. He has also made money on the stock market and today his savings total millions of yuan.

His dream is to take control of the company and then take it public in about five years.

THE FACTORY WORKER

China has roughly 60 million factory workers, most of whom are still employed by the government. Many of these workers are losing their jobs, as a large number of the state-run factories close down. Tang Nianshan and his wife Tang Airong have spent most of their lives working in government-owned factories. Ms. Tang, 43, has been working for the same factory since she was 18. It makes enabled washbasins. She earns just under 1,000 yuan a month.

Mr. Tang, 47, quit his factory job when the business began failing in the late 1980s as the government began withdrawing funding from the state-owned enterprises. Millions of people have lost their jobs in that transition, but Mr. Tang was lucky and found work in a Chinese-Thai joint venture that manufactures automobile parts. He earns 2,600 yuan a month on a welding line.

After work he goes home to a very small two-bedroom apartment that he and his family share with his parents. He and his wife sleep in one bedroom. Their 15-year-old son sleeps in the other with Mr. Tang’s parents.

His biggest possessions are his bicycle and a mobile telephone. The family has three TVs, one in each room.

The family saves little money, but Shanghai’s rapid development has filled Mr. Tang with hope, particularly for his son, whom he wants to go to college someday. “Our generation has seen many, many things,” he says. “Today, life is getting better.”

The New York Times, 6/15/02, p. A6. Permission pending.

