

ECONOMICS ILLUSTRATED



A HIGH TECH HIGH PROJECT
BY THE TENTH GRADE STUDENTS OF
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Why Buying American Doesn't Work

Kai Wells

Buying American-made products would likely help with the immediate recession by creating more jobs. But, in the long-term, it will damage our economy badly



Buy American. In recent years, and especially since the recession, this has been the mantra of "patriots" across the nation. The recent jobs bill that went through Congress may even have subsidies to encourage it. But what effect would buying products made in the United States really have? Would it create jobs for Americans? Would it save the failing auto industry? Or would it ultimately hurt our economy? According to the Theory of Comparative Advantage, the latter could be true. Rather than only buying merchandise from the US, we should redirect our workforce towards industries in which we have an advantage and trade for products created abroad. This is the only way that our global economy can flourish in the long run.

Why does buying American sound so attractive? The most common and convincing argument is that it will create more jobs for Americans. An estimated 8.4 million jobs were lost between the beginning of 2009 and the end of 2009. It stands to reason that if we bought more domestic products, our economy would grow and we could create jobs. Furthermore, we could save failing sectors such as renewable manufacturing. The wholehearted support of thousands of people, many of whom have become highly specialized workers. This is an enormous investment in human capital that would simply be wasted if they were forced to learn new skills.

Finally, there is our trade deficit. In 2009, we imported \$1.853-billion-worth of goods while only exporting \$995-billion-worth. In effect, we shipped almost half a trillion dollars from our economy and distributed it around the world. If we could import fewer items and produce them locally instead, we could reduce the amount of capital that is sent out of the country and hopefully improve our nation. It seems like an obvious strategy that we should only buy things from other Americans. But is it really?

Economics tells a very different story. While it is imperative that we create more jobs for Americans, this is only a temporary bandage over the much larger wound in the system. According to the Theory of Comparative Advantage, self-sufficiency is never the most efficient way to survive. The United States must expand its trade with other countries. In fact, this took place in December of last year, exports from the United States grew by 1% from the month before, probably because the weak dollar made American exports more appealing. However, American exports are not immune to the global market. Spending that would not even meet foreign goals. It is still encouraging that exports have risen at all, though it is a sign that there is still hope.

What about the failing American auto industry? Ultimately, they are in markets in which the United States does not have a comparative advantage. For decades Japan, Germany, and others have been at the forefront of the auto industry with immense advances in quality and fuel efficiency. During the same period, Americans developed the Hummer. Additionally, General Motors and Chrysler received billions of dollars from the federal government to try to save the jobs of the people who they employed. That represents a huge investment that the auto manufacturers are unlikely to return in full. This was a monumental waste. We should simply relinquish the auto market to other countries and move on to other manufacturing sectors such as renewable energy production.

If we became too insular, our trading partners may look elsewhere for their equipment and materials. Also, the price of consumer products would drastically increase. They make up almost a third of our imports and are often manufactured in countries where low labor costs give them an advantage over other locations. In case minimum wage is so relatively high in the United States, the costs associated with making things like clothing, electronics, and toys would skyrocket if they were created here. In fact, the price of electronics pay for them would go up and fewer people would be able to afford them—lowering both the economy and the standard of living for millions of Americans.

So what can we do? Buying American-made products would likely help with the immediate recession by creating more jobs. But, in the long-term, it will damage our economy badly. The rest of the world needs us to create products, build financial stability, and we need them to produce the tools and merchandise that we enjoy so much. In short, "buying American" is only mortgaging our future. Trade is the route to salvation.

Greed Advances Technology?

Camille Gomez

The invisible hand does not apply to all matters in society, but in the case of incentives for producers and consumers, it works magnificently



The invisible hand is the theory that shows greed in society as a positive thing. However, if it worked in all situations, society would more harmonious and untroubled than it is now. The invisible hand does not apply to all matters in society, but in the case of incentives for producers and consumers, it works magnificently. Companies will continuously make a profit by updating features on laptops that consumers want, and this benefits the buyers as these new features make their work easier and their lives more enjoyable.

People rely on laptops and the internet for various things: renting movies, ordering off the web, keeping in touch, writing papers, storing information etc. Huge companies, offices and businesses require their use along with average individuals; the laptop has become a widely used product. It has been shown that producers will take a commonly used product and make it better in the interest of self gain, which also benefits all who use the product.

A specific example of the constant development of laptops is the pc Notebook. The pc Notebook was first developed in the 1970's, although it took many different versions to make it cheaper, smaller, and more efficient. The first pc Notebook of 1972 was extremely heavy and chunky, had limited features, and was expensive. Still, its development was an incredible technological breakthrough for its time. It became an example for future designs, and with every year there were more efficient versions. Now, the pc Notebook is barely five pounds, can easily be slipped into a bag, has high speed internet almost anywhere, and has a battery life of more than two hours.

Laptops are relatively durable and can last for years, so the only way that companies can continue to make money off of them is by coming out with ones that are better than the latest versions. In the thought of saving money, companies and designers focus on the main aspects of the laptop that would appeal most to consumers. For example, when talking over the web with video chat became the latest trend among computer users, companies worked on designing high speed, high definition web-cams.

It can be argued that society advances with selfish acts. As with the pc Notebook and other technological advances, most incentives have to do with material, financial, or reputational gain. It's possible that a more efficient device will replace the laptop, such as the iPad. The invisible hand would be guiding designers and inventor's to make a more efficient product with the intention of making a profit. This would benefit all who buy it. The invisible hand theory does not apply to all situations but properly explains the functions and incentives of manufacturers, businesses, and companies.

\$33 Billion: Deal or No Deal?

Stephanie Fortin

Most skeptics claim that it's a short term solution that doesn't offer enough of an incentive for businesses to hire more people. Will \$33 billion put hiring more people on the employers' indifference curves?

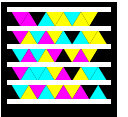


More than 10% of the population unemployed, employers are encouraged to start hiring more people. However, in the current economy, what will make them want to hire more people? This is where the indifference curve comes in. Indifference curves show the options that people would be willing to take, options over which they are indifferent. What makes it worth spending the extra money to employ more people? President Obama seems to think he has the solution.

President Obama recently announced that \$33 billion would be put to work, offering incentives for employers to hire more people. Under the president's proposal, businesses will be given \$5,000 in tax credit for every new person who the business hires in 2010. The maximum a business can receive in credit is \$500,000, to ensure that the majority of the benefit goes to small businesses. President Obama described this as, "an incentive to hire more people and a little bit of extra money to pay higher wages, to expand work hours or invest in their company." An estimated 1 million small businesses would benefit from this proposal.

Much skepticism has been expressed over President Obama's plan to decrease the unemployment rate. Most skeptics claim that it's a short term solution that doesn't offer enough of an incentive for businesses to hire more people. Will \$33 billion put hiring more people on the employers' indifference curves? President Obama's proposal to lower unemployment puts \$33 billion onto business owners' indifference curves. At \$5000 in tax credits per every new employee, some businesses are bound to take the deal, but for how long? The proposal does not offer an eternity of tax credits and benefits. What happens when there is no longer an incentive for employers to continue employing? Does the creation of new jobs move up an indifference curve? And without the incentives for employers, where does the job market stand?

Economics Illustrated
Dan Wise, Humanities, High Tech High
Jeff Robin, Art, High Tech High



Tenth grade students in Humanities and Digital Imaging created a book on economic concepts and their applications. Each student created two pages: the first defining an economic term and providing examples of it, and the second applying the term to a current event in an original article. For each page, the student created a linoleum block print to illustrate the content.

Teacher Reflection

I wanted my students to see the world through the lens of economics. We began with whole-class instruction and shared readings before breaking into literature circles and, eventually, individual research topics. I was pleased with the variety of content that students chose to address: international issues like donations to Haiti and AIDS in Uganda, national concerns like foreclosures and unemployment, and local ones like disputes over local beaches and fear of shark attacks.

—Dan Wise

Student Reflection

Economics is called the Dismal Science, but with *Economics Illustrated* it was anything but. In this project we balanced writing, social science and art. Beforehand we may have had a basic understanding of economics, but nothing really beyond the clichés of the stock market. We learned about dozens of economic principles, ranging from everyday inflation to more cutting-edge regression analyses. We tried to get each article just perfect; my article on the Theory of Comparative Advantage is probably my most heavily edited piece to date. Some people had difficulties with the linoleum block carving, both in what to carve and how to carve it. In the end, though, we managed to create a stunning book that we can be proud of.

—Kai Wells

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danwise.googlepages.com and jeffrobin.com

To buy the book visit www.blurb.com and search for *Economics Illustrated*.

To see coverage of the project on The New York Time's Freakonomics Blog, visit: <http://freakonomics.blogs.nytimes.com/2010/06/24/economics-for-and-by-10th-graders/>

