

4.2: Introduction to Globalization

What you'll learn to do: explain why nations and U.S. firms engage in global business

Spice Route. Salt Road. Trans-Saharan Trade Route. Trade has been an aspect of the human experience for literally thousands of years, with merchants hazarding mountains, rivers, deserts and seas to obtain rare commodities. However, the environment of pre-21st century traders operated is significantly different than our current business environment.

In this section, we will draw a distinction between international trade and globalization and discuss the implications for businesses, workers, and societies. We will also introduce the concepts of comparative and absolute advantage and illustrate how these concepts relate to opportunity cost that serve as the basis for making specialization and trade decisions. We'll conclude with a video and interactive exercise that reinforces learning and the relationship between international trade, productivity, and standards of living—be it on Gilligan's Island or in the real world.

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