

News Review-Homework Assignment #2

Title: "The halo effect"

Author: Not given

Source: Economist.com

Topic Reference: Employment and Unemployment

China's global integration and its future significant impact on the world economy express the message of this article. This impact stems from two catalysts: the country's openness to trade and investment, and the second, China's "access to an almost unlimited supply of cheap labor." The argument favoring China's contributions to developed economies' growth includes great specialization, improved terms of trade, and role model. Essentially, while China's expansion may exert a draining impact on available resources, the country still possesses the opportunity to become an intelligent and successful economic power and influence.

A significant reason for China's newfound strong economic influence stems from its vast supply of cheap labor. Currently, estimates project 200 million underemployed workers in rural areas. These citizens may move into industry, where they will enjoy better wages and benefits. However, the process of converting these laborers might take at least twenty years, which would keep wages down for low-skilled workers. By transferring from rural to urban, these laborers will earn sufficient income for their cost of living; considering when previously employed they were not technically "unemployed" because they had an income, although it did not suffice to cover their needs of the laborer and any family members this laborer supports ('Lecture: February 11, "I. The Anatomy of Unemployment"). Also, China's expansion will affect the global market, with job specialization. Those experiencing structural unemployment and underemployment gain an opportunity to train for an occupation that promises to remain necessary in the years to come (Reading: Ch. 6 Section: Unemployment and Full Employment). Take note that China can afford to pay low wages due to the surplus within the confines of the

labor force. Low wages are synonymous with low productivity (Reading: Ch. 6 Section: The Business Cycle). Therefore, as productivity increases with China's ever advancing foray into the global market, these technological advances could reach new levels that would rid China of its surplus labor, and in turn, prices would soar. China has emerged as a resilient and influential sector of the global economy, and the labor surplus and its repercussions contribute to this amazing endeavor.

Word Count: 348