

# A Lesson Plan for an IPE Simulation: Contextualizing Globalization in the Classroom

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# Why Simulations in IPE (especially when teaching about globalization)?

- **Active learning** as a way to apply concepts and **show the links between themes** including trade, deindustrialization, multinational corporations (MNCs), offshoring, and foreign direct investment (FDI)
- Encourages students to **consider the perspectives of different actors** (such as workers, MNC executives, and foreign governments)
- Creates an **opportunity for discussion and reflection** after the simulation, demonstrating how the readings and scholarly theories played out “in real life”

# Background Information and Simulation Structure

- The activity is called “The Pepsiville Dilemma”
- Conducted in a class of 16 (upper-level undergraduate) students within the space of one lesson lasting 1 hour 15 minutes (including my introduction)
- The simulation provided a useful tool for further discussion/reflection in the next lesson, as well as a point of reference during the rest of the semester
- Recommended to do the simulation about halfway through teaching the following topics: trade, deindustrialization, multinational corporations (MNCs), offshoring, and foreign direct investment (FDI)
  - Therefore, students could apply their current understanding of some topics, and also contextualize other topics to come in the next few weeks of class

# What is the Pepsiville Dilemma Simulation?

- The simulation is designed to represent competing interests regarding globalization, in the context of a small town in the USA, although it could be applied to other small towns in the Global North
- “Pepsiville” represents a small community of 1700 people, where production of Pepsi products dominates the local economy, providing jobs and a taxation base
- The company is considering offshoring jobs to another country (in this case, I chose Vietnam)
- The students are split equally into four groups (company executives, local workers, representatives from the local community, and representatives from Vietnam trying to attract investment)

# Structure and Resources for the Simulation

- First, present the simulation slides (listed in this presentation) to provide overall information and clarify questions from students (10 minutes)
  - This provides information on the history and demographics of the town, the dilemma, and a brief overview of group interests
- Second, hand out prompts (also listed in this presentation) to each group, which further clarifies their aims
- Third, groups discuss briefly (10 minutes) their priorities and how they will present their positions to everyone else

# Structure and Resources for the Simulation

- The simulation then plays out in four rounds:
  - Round **one**: each group presents a short overview of their demands to the classroom, by assigning one or two speakers from their group (10 minutes)
  - Round **two**: groups then reassess and internally discuss any adjustments and compromises for individual negotiation (10 minutes)
    - During round two, announce an “exogenous shock”: Trump announces new tariffs (slide provided)
  - Round **three**: one to two representatives from the company executives group (depending on the amount of students) meet individually with the other three groups to discuss further considerations and potential compromises
    - (These discussions occur at the same time, as the company executives are divided and will later discuss as a group)

# Structure and Resources for the Simulation

- Rounds cont.:
  - Round **four**: representatives from the company executives group go outside the classroom to discuss their position: will they offshore jobs? If so, how many? Will they continue to invest in Pepsiville but in other ways e.g. a historical museum, or change the nature or jobs in the company for local workers?
    - In the meantime, the instructor holds an informal discussion with the other students: what did each group try to negotiate? What do they think the outcome will be? (10 minutes)
- Finally, the company executives group return to the classroom and announce their decision (5 minutes)

# Overall Clarification of Timing for the Simulation

1. Instructor presents simulation (10 minutes)
2. Groups read prompts and discuss priorities and negotiation tactics (10 minutes)
3. Round one, presentation to class (10 minutes)
4. Round two, reassessed internal group discussion (10 minutes)
  - a. (Announce new tariffs during group discussion) (30 seconds)
5. Round three, company executives meet individually with groups (10 minutes)
6. Round four, company executives discuss their decision, informal class discussion for the other three groups (10 minutes)
7. Company executives announce decision (5 minutes)
8. Post-simulation reflection (10 minutes)

# Simulation Slides

# The Pepsiville Dilemma

Welcome to the community of Pepsiville, est. 1898

Population: 1700, median age 45

Cost of living: 0.89 ratio to US average

Local school, health clinic, one gas station, a few small businesses downtown, Dollar Tree, train station

Main (modal) source/number of jobs: Pepsi (26% of population, 54% of economy)

Factory already highly automated, producing 600 million cans per year (1.5% of total Pepsi drink products)

# Overall considerations

- Company:
  - Profit vs. backlash
  - Tariffs from Vietnam currently 3%
- Workers:
  - Median salary per worker: \$54k
  - Good benefits: healthcare, dental, 16 days PTO, retirement contributions (matches 5%), 2 months paid maternity/paternity leave
  - Accept lower wages/benefits vs. lose jobs
- Community:
  - For many, principal household income salary dependent on Pepsi
  - Subsidize business through local taxes vs. lose tax base entirely
- Foreign group:
  - Outside jobs vs. labor standards/domestic industry
  - Consider: average salary in Vietnamese manufacturing = \$300 per month (\$3600)

# Organization

Four groups:

- Company executives
- Unionized domestic workers
- Local community/voters
- Foreign government/workers

Structure:

- Group strategy consultation (questions to consider)
- Negotiation phase:
  - Round one: short overview of demands
  - Round two: group adjustments/plan for individual negotiation
  - Round three: company representatives meet individually with other three groups
  - Round four: company decision

# BREAKING NEWS!!

Tariffs for Vietnam announced: 25%



AMERICA FIRST! For too long our jobs have been **STOLEN** by other countries. **NOT ANYMORE.** We are putting **BIG TARIFFS** on companies that ship jobs overseas. Build in the USA, hire **AMERICAN WORKERS**, or **PAY THE PRICE!!!**

# Prompts to distribute to students

# Prompt #1: Pepsi Corporation (Firm Owners/Management)

## **Goal:**

Maximize profits and long-term competitiveness

## **Ideal outcome:**

Lower costs

Flexibility in production

Minimal regulations (bureaucracy, labor rights, restraints on unions etc)

## **Points for consideration:**

Rising labor costs in Pepsiville vs. lower costs abroad

Pressure from competition and shareholders

Tariffs or policy changes affecting your profits

Reputation? Potential backlash in Pepsiville and state

## **Constraints:**

Protests, bad PR, political backlash

Loss of skilled/loyal workforce

## **Potential areas for compromise:**

Partial offshoring

Severance packages

Cutting benefits/wages for existing workers in exchange for keeping production in Pepsiville

Investing in more automation

Maintain production in Pepsiville under strict conditions that productivity rises

## Prompt #2: Local Workers Union

### Goal:

## Protect jobs, wages, long-term security

**Ideal outcome:**

No offshoring

## Higher wages and strong benefits

### Job security guarantees

### Points for consideration:

Pepsi plant employs a LOT of the town

Bargaining power (strike? Other forms of public pressure?)

## How replaceable your jobs are

## Whether certain compromises/concessions on your behalf NOW could save your jobs LATER

### Constraints:

Firm can relocate production

## Global competition lowers your leverage

### Potential for firm owners to increase automation in your factory

A strike could backfire (little public support, + angering Pepsi owners)

### Potential areas for compromise:

## Accept lower wages/wage growth to keep jobs

## Promise increased productivity to keep jobs

# Accept fewer benefits in exchange for job guarantees

### Prompt #3: Local community (residents and local gvmnt)

### Goal:

## Protect Pepsiville's economic stability and future

**Ideal outcome:**

## Pepsi plant stays and continues employing locals

## Stable + growing local economy

## Community investment

### Points for consideration:

Pepsi plant is a major source of GDP and employment in Pepsiville

Potential spillover effects (shops, schools, housing market)

## Tax revenue and public services

## Risk of long-term decline if the plant leaves

You can support and publicize worker interests within broader area (e.g. the state)

### Constraints:

## Limited power over firm decisions

## Town's dependence on one industry

### Budget constraints within the community/local government

### Potential areas for compromise:

Offering tax breaks or subsidies to the firm

Accept some offshoring if major operations stay in Pepsiville

Can also invest in trying to attract new industries to town

