

Principles of Macroeconomics (ECON252)

This course introduces economic analysis of aggregate employment, income, and prices. Topics include major schools of economic thought; aggregate supply and demand; economic measures, fluctuations, and growth; money and banking; stabilization techniques; and international trade. Upon completion, students should be able to evaluate national economic components, conditions, and alternatives for achieving socioeconomic goals.

Activity and Author Name

Economic Development Activity

Objectives:

1. To extend the international component of a macroeconomics class.
2. To explore three indices associated with economic development.
3. To appreciate the differences between GDI per capita and broader measures of economic development.
4. To understand the role of institutional factors in explaining economic development.
5. To demonstrate written communication skills.

Global Learning Outcome(s):

1. Students demonstrate global research skills
2. Students analyze and interpret global economic data
3. Students synthesize and communicate the results of a global analysis

Time:

Allow students one week to collect data, complete table, and write comparison of results.

Materials:

1. Human Development Index (HDI): <http://hdr.undp.org/en/composite/HDI>
2. Economic Freedom Index (EFI): <http://www.heritage.org/index/>
3. World Economic Forum Global Competitiveness Index (GCI)
<http://reports.weforum.org/global-competitiveness-report-2015-2016/>
4. HDI, EFI, & GCI Data Template (Excel)
5. Grading rubric

Procedure:

1. Select three countries for study.

Option 1: Sort countries according to scores on the EFI and GCI. Limit to countries included in both the EFI and GCI and to those that fall into three distinct categories (to ensure wide range of development levels). Exclude all other countries.

- i. Group 1: EFI Score 70-79.9 and GCI > 5
- ii. Group 2: EFI Score 60-69.9 and $4 < \text{GCI} < 5$
- iii. Group 3: EFI Score 50-59.9 and $\text{GCI} < 4$

	GCI Score (range: 0-6)		
EFI Score (range: 0-100)	< 4	$4 < \text{GCI} < 5$	GCI > 5
> 80			
70-79.9			Group 1
60-69.9		Group 2	

50-59.9	Group 3		
< 50			

Group 1

Austria
Canada
Denmark
Finland
Germany
Ireland
Israel
Japan
Korea, South
Luxembourg
Malaysia
Netherlands
Norway
Qatar
Sweden
Taiwan
United Arab Emirates
United Kingdom
United States

Group 2

Armenia
Azerbaijan
Bulgaria
Costa Rica
Cyprus
Guatemala
Hungary
Italy
Jamaica
Jordan
Kazakhstan
Kuwait
Macedonia
Malta
Mexico
Montenegro
Morocco
Namibia
Oman
Panama
Peru
Philippines
Poland
Portugal
Romania
Rwanda
Slovak Republic
Slovenia
South Africa
Spain
Thailand
Turkey
Uruguay

Group 3

Bangladesh
Benin
Bhutan
Bosnia and Herzegovina
Burundi
Cambodia
Cameroon
Egypt
Ethiopia
Gabon
Gambia
Guinea
Guyana
Haiti
Kenya
Kyrgyz Republic
Lebanon
Lesotho
Liberia
Malawi
Mali
Mauritania
Mongolia
Mozambique
Nepal
Nicaragua
Nigeria
Pakistan
Senegal
Sierra Leone
Swaziland
Tanzania
Tunisia
Uganda
Zambia

(Update this list periodically to reflect changes in country scores on the indices.)

Option 2: Simplify the data collection and use only the GCI (omit the EFI). Pick one country from each GCI range.

< 4	4 < GCI < 5	GCI > 5
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Option 3: Let students select any three countries, regardless of scores on the EFI and/or GCI.

2. Collect data from each index and fill in the HDI, EFI, & GCI Data Template (Excel)
3. Essay – Set the Stage
 - a. Compare/contrast the outcomes of the economic development process – HDI scores/rankings, the lifespan, schooling, and GDI per capita – across three countries.
 - b. Compare/contrast the sign and magnitude of the difference between the GNI per capita rank and the HDI rank across the three countries. (Note that the highest rank is 1. Positive differences mean the HDI rank is higher than the GNI per capita rank.)
 - c. Additional information about the HDI
<http://hdr.undp.org/en/content/human-development-index-hdi>
<http://hdr.undp.org/en/faq-page/human-development-index-hdi>
4. Study your completed HDI, EFI, & GCI Data Template and identify three main sources of difference in the overall scores for each index. (Select 6 components total = 3 aspects from the EFI and 3 pillars from the GCI)
5. For each of the 6 components selected:
 - a. Read the description/methodology for each Index to understand what is being measured by each component.
 - i. To learn more about the EFI see <http://www.heritage.org/index/about>
See Defining Economic Freedom - <http://www.heritage.org/index/book/chapter-2>
to learn about each of the aspects.
Review the EFI website for country specific information
 - ii. To learn more about the GCI see Chapter 1.1 of the Report. Review the Methodology and the Appendix to learn about each of the pillars contained in the GCI.
<http://reports.weforum.org/global-competitiveness-report-2015-2016/appendix-methodology-and-computation-of-the-global-competitiveness-index-2015-2016/>
 - b. Explain/summarize what is being measured by each component. Explain why this measure is interesting/important for economic growth. Write one paragraph per measure. In your own words. Do not cut and paste. Do not cut, paste, and edit/paraphrase.
 - c. Determine what explains each country's score and explain why the values for each measure differ across the three countries. Be specific. One paragraph per measure.
 - i. From the EFI home page, use the search function to "Find your country" and read the summary.
 - ii. From the GCI home page, use the search function to find the 2-page Country / Economy Profile". Read the "Performance Overview". Click "Expand All Pillars" to see the values for each of the variables underlying the pillar.
6. Summary Analysis – Write an essay summarizing the results of this analysis. (In your own words. Do not cut and paste anything from anywhere. No paraphrasing.)

- a. Using the information from the EFI and GCI analysis, explain why the three countries have different levels of economic development (as indicated by the HDI).
- b. Explain what the countries in group 2 and group 3 need to do to become a group 1 country.
- c. Explain what the group 1 country can do to improve its scores. 0

Assessment:

See Economic Development Activity Grading Rubric

1. Completion of HDI, EFI, & GCI Data Template (87 points = 1 point per cell)
2. Set the Stage Essay (20 points)
3. Select and describe six components (24 points = 6 components x 4 points each)
4. Explain why component scores differ (24 points = 6 components x 4 points each)
5. Summary Analysis Essay comparing and contrasting differences in the levels of economic development across the three countries.