Unit 4: Lesson 1
Why Are Some Nations Richer than Others?

DURATION: 45 minutes

OVERVIEW:

In this lesson, students will be introduced to the way economists think about the wealth and poverty of nations. They'll engage in a hands-on activity to discern determinants of national wealth and to dispel common misconceptions on the matter. Later in the lesson, students will reflect on how their thinking about the drivers of national wealth and prosperity has changed. **Note**: The handout for this lesson includes references to concepts addressed in Units 1 -3 (Economic Foundations, Microeconomics, and Macroeconomics). Consider changing the hints if students are not familiar with the relevant concepts.

LEARNING OBJECTIVE:

Students will be able to:

- Identify factors that promote national wealth.

RELEVANT UNIT BIG IDEAS: Economic Development and International Trade

- Voluntary trade generates benefits for both parties.
- Effective institutions and policies drive economic development and improvements in the standard of living.

RELEVANT UNIT ESSENTIAL QUESTION:

- Why are some countries richer than others?

MATERIALS:

Instruction Slides (display during class period)

Determinant Cards p. 4 (Class Set - 1 copy per pair of students, cut apart into 12 cards.) Consider printing on cardstock for longevity and placing individual sets of cards in an envelope or paperclipping them together. **- OR-** Digital Card Sort (make a copy for each student pair and enable editing access.)

Student Handout p. 5 (1 copy per student)

Suggested Responses p. 6 (1 copy for educator reference)

SEQUENCE:

Activator - 5 minutes (Slides 2-3)

1. Display Slide 2. Allow students a moment to consider the prompt on the slide and then call on several students to share their responses with the class. Do not offer feedback on student responses at this point. (Additional educator tips/details/suggested answers are in the notes section throughout *Instruction Slides*.)
2. Proceed to Slide 3. Identify the learning objective for the lesson and explain that this lesson marks the start of a new unit of study. Students will explore this objective in more detail and develop a more nuanced response to the activator prompt throughout the unit. This lesson will reveal an economist's answer to the prompt in the activator.

**Printing Pro Tip: print everything as 2 sheets per page to cut down on the amount of paper used. "How To"*

Card Sort - 12 minutes (Slides 4-9)

3. Progress through Slides 4-5. Organize students into pairs and explain that economists consider six determinants described in *Determinant Cards* to be causally linked to national wealth and prosperity, while the remaining cards represent commonly mistaken factors.
4. Distribute 1 set of *Determinant Cards* to each pair of students. Instruct pairs to sort the cards into their correct categories. Let students know that they may not know all the answers yet and should focus on discussing and making their best guesses with their partners.
    a. If you are using the digital option, substitute *Digital Card Sort* in place of *Determinant Cards* throughout the lesson. Give each pair a link to their copy of *Digital Card Sort*.
5. Allow pairs four minutes to attempt to sort the cards into the correct categories. Progress through Slides 6 and 7. Read the quote aloud and explain that although economists generally agree on which factors do and do not determine a nation's wealth, there is no universal agreement as to which of the determining factors are most or least important. Because each country has a different set of circumstances, a successful approach to economic development for one country cannot simply be replicated in another country to achieve identical results.
6. Display Slide 8 to reveal the factors that economists agree are *causally* linked to a nation's wealth. Instruct pairs to reference the slide as they check their work and move incorrectly categorized cards. Tell students not to write these factors down. They will receive a handout with the information later in the lesson.
7. Proceed to Slide 9. Allow pairs approximately one minute to discuss the questions on the slide. Collect *Determinant Cards* and survey the class to gauge the class's confidence level and common surprises/questions/curiosities.

Clarifying Misconceptions and Making Connections - 23 minutes (Slides 10-22)

8. Advance through Slides 10-11. Click to reveal the text and acknowledge that it's understandable if students had originally miscategorized some of the cards. There are examples of wealthy countries that also stand out in terms of some of the non-determinants of wealth. For example, there are some rich countries that have a large population, or a powerful military, or an abundance of natural resources, but the overall relationship between these characteristics and being a rich country is weak.
9. Display Slide 12. Tell students to consider the prompt on the slide as they examine data related to each of the non-determinants.
10. Progress through Slides 13-19. Encourage students to review the data and identify the counterexamples. Once students have had a chance to briefly discuss the counterexamples with their partner(s), debrief them as a class and explain how they demonstrate the weak relationship between each non-determinant factor and national wealth. (Additional information and explanation are provided in the notes section of the *Instruction Slides*).
11. Proceed to Slide 20. Instruct students to discuss the question on the slide with a peer. Call on several students to share their responses.
12. Display Slide 21. Distribute 1 copy of *Student Handout* to each student and remind students that economists largely agree that these factors contribute to a nation's wealth.

13. Proceed to Slide 22. Use the text on the slide to explain students' task. Draw attention to the hints on the handouts and explain that this is an opportunity for students to connect what they have learned in previous units to concepts they will explore in depth throughout Unit 4.
14. Allow pairs approximately ten minutes to discuss and add their thoughts to the handout. After ten minutes, call on volunteers to explain their connections and elaborate as needed. (Refer to *Suggested Responses* as needed). **Pro Tip**: As students learn more about each factor throughout the unit, students can return to the handout and add to their explanations of how each factor contributes to the wealth of a nation.

Summarizer - 5 minutes (Slides 23)

15. Display Slide 23. Instruct students to get out a half sheet of paper and follow the instructions on the slide.
16. Collect half sheets and review summarizer responses for misconceptions or gaps in understanding. (Refer to the notes section of the slide as needed.)

STANDARDS: Voluntary National Content Standards in Economics

STANDARD 10 Institutions

STANDARD 16 Role of Government and Market Failure

FEEDBACK & QUESTIONS

Fill out this 30-second feedback form to let us know how the lesson went. Thank you!

Contact Kathleen Cusack with questions at Kathleen@econiful.org.

4.1 Determinant Cards (Why Are Some Nations Richer than Others?)

Efficacy of Institutions (governments, rule of law, property rights, and financial systems)	**Natural Resource Abundance** (oil, minerals, arable land, etc.)
Human Capital (residents' level of education, training, experience)	**Size of Population** (number of people living within a country)
Efficacy of Economic Policies (monetary and fiscal policies)	**Size of Land Area** (amount of land that a country controls)
Physical Capital (broadband internet, machinery, buildings, transportation networks, etc.)	**Military Power** (level of military spending, personnel, technology and equipment)
Innovation and Technology (government support for research and entrepreneurship)	**Access to Water Transportation Routes** (borders an ocean or sea)
Global Trade and Integration (international trade partners; willingness and ability to import and export products)	**Tourist Attractions** (Natural features, parks, cultural attractions)

4.1 Student Handout (Why Are Some Nations Richer than Others?)

Name:__________________________________ Period:__________

DETERMINANTS OF NATION'S WEALTH AND PROSPERITY

DETERMINANTS

Efficacy of Institutions

(governments, rule of law, property rights, and financial systems)

Hint: Think back to what you learned about the tragedy of the commons and other market failures.

Efficacy of Economic Policies

(monetary and fiscal policies)

Hint: Recall the chain reactions set off by fiscal and monetary policy.

Human Capital

(residents' level of education, training, experience)

Hint: Reflect on the PPF and the relationship between GDP per capita and quality of life.

Physical Capital

(broadband internet, machinery, buildings, transportation networks, etc.)

Hint: Recollect the PPF and what you know about firms.

Innovation and Technology

(government support for research and entrepreneurship)

Hint: Remember what you've learned about the PPF.

Global Trade and Integration

(international trade partners; willingness and ability to import and export products)

4.1 Suggested Responses (Why Are Some Nations Richer than Others?)

Note: Student responses will vary widely depending on how well they grasped concepts in previous lessons and will deepen over the course of the unit.

1. Efficacy of Institutions
Strong institutions, like courts and governments that enforce property rights and contracts, help prevent market failures like the tragedy of the commons. When people know their property is protected, they are more likely to invest and innovate, which increases economic activity and wealth. For example, if property rights are unclear, overuse of resources can occur, reducing long-term prosperity.

2. Efficacy of Economic Policies
Effective fiscal and monetary policies stabilize the economy by managing inflation and unemployment. For instance, if the government uses fiscal policy to increase spending or lower taxes, it can boost economic activity and reduce unemployment. On the other hand, if the central bank raises interest rates, it reduces economic activity in order to bring inflation under control.

3. Human Capital
A healthy and well-educated population is more productive, which shifts the country's production possibilities frontier (PPF) outward, representing an increase in a country's capacity to produce goods and services. This also leads to a higher GDP per capita and a better quality of life. Countries that invest in human capital tend to experience faster economic growth and higher living standards.

4. Physical Capital
Physical capital, such as machinery, factories, and infrastructure, increases productivity by allowing firms to produce more efficiently. This also shifts the PPF outward, as the economy can produce more goods and services. When a country invests in physical capital, it boosts its economic output and creates wealth over time.

5. Innovation and Technology
Technological advancements increase efficiency and allow countries to produce more with the same amount of resources, shifting the PPF outward. When the government supports innovation (through subsidies, grants, public universities, etc.) productivity increases, making firms more competitive globally and boosting national wealth.

6. Global Trade and Integration
Global trade allows countries to specialize in what they produce best, increasing overall efficiency. By integrating into the global economy, countries can access new resources, markets, ideas, and technologies, which drive innovation and growth and improve living standards.