

Economics and State 2017: **FINAL ASSESSMENT**

DUE AT THE START OF CLASS ON JUNE 7, 2017 - THERE WILL BE A **GRADED FINAL DISCUSSION IN CLASS ON JUNE 7**
 (participation is required in order to qualify for a maximum discussion & simulation participation score of 2 out of 2)
 The Final Assessment (written) is 10% of the grade, and the discussion + the many days of participation = 5% of the grade

<p>4: Advanced understanding and completion: All questions are answered in paragraph form, using complete sentences. Responses are thoughtful, many connections are made between the documents and simulation situations and results; also, responses refer to specific examples and data from the simulation.</p>	<p>3: Solid understanding and completion: All questions are answered in paragraph form, using complete sentences. Responses are complete, demonstrate some connections between the simulation and the documents provided, and usually refer to specific examples and data from the simulation.</p>	<p>2: Gaps in understanding and completion: Most - but not all - questions are answered using complete sentences and/or: Responses are incomplete, or may be general and not consistently connected to data or situations from the simulation. There may be minimal analysis of the documents in the responses given.</p>	<p>1: Minimal understanding and completion: Multiple responses are basic, and perhaps not written using complete sentences. There are few or no references to specific data or situations from the simulation, or the documents are ignored in the responses. Alternatively, many questions are not answered.</p>
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PART 1: DOCUMENTS TO USE IN YOUR ANSWERS

DOCUMENT A: Economics & State NATIONAL Results: Era-by-Era Maps and Scores (this document will be posted to the History Haus web site during the afternoon of Monday, June 5). Go to the site (Economics & State 17 page) to consult this document and incorporate it into your answers in order to qualify for a possible 4 on this assessment.

DOCUMENT B: Economics & State INDIVIDUAL Results: Final Earnings and Utility Point Leaderboards Across Classes (this document will be posted to the History Haus web site during the afternoon or early evening of Monday, June 5). Go to the site (Economics & State 17 page) to consult this document and incorporate it into your answers in order to qualify for a possible 4 on this assessment.

DOCUMENT C: Excerpt from chapter 13 of *Naked Economics: Undressing the Dismal Science*, by Charles Wheelan (2010):

“Every country has resources, if only the wits and hard work of the people who inhabit it. Most countries, including some of the poorest nations on Earth, have far more resources than that. Let me get the bad news out of the way: Economists do not have a recipe for making poor countries rich. True, there have been some fabulous success stories, such as the original Asian ‘tigers’ - Hong Kong, Singapore, South Korea, and Taiwan - which saw their economies grow at more than 8 percent a year for nearly three decades. China and India have had a terrific decade [2001-2010], much to the benefit of hundreds of millions of people. But we do not have a proven formula for growth that can be rolled out in country after country like some kind of development franchise. Just think about China and India. One is the world’s largest democracy; the other is not democratic at all.

On the other hand, we do have a good understanding of what makes rich countries rich. If we can catalog the kinds of policies that functional economies have in common, then we can turn our attention to Nobel Laureate Douglass North’s common sense question, ‘Why don’t poor countries simply adopt policies than make for plenty?’

The following is a sample of the kinds of policies and, in some cases, lucky geographical endowments that developmental economists have come to believe make the difference between the wealth and poverty of nations . . . Effective government institutions . . . Property rights . . . No excessive regulation . . . Human capital [education and training] . . . Geography [only two of 30 countries classified as rich - Hong Kong and Singapore - lie between the Tropic of Cancer and the Tropic of Capricorn] . . . Openness to trade . . . Responsible fiscal and monetary policy . . . Natural resources matter less than you think . . . Democracy . . . War is bad [counterproductive to development] . . . Woman power [Greater gender equality].”

DOCUMENT D: Excerpt from “Why Do Countries Trade?” from *Economics Online* (2017): <http://economicsonline.co.uk/Global_economics/Why_do_countries_trade.html>

“International trade brings a number of valuable benefits to a country, including:

- 1 The exploitation of a country’s **comparative advantage**, which means that trade encourages a country to specialize in producing only those goods and services which it can produce more effectively and **efficiently**, and at the lowest **opportunity cost**.
- 2 Producing a narrow range of goods and services for the domestic and export market means that a country can produce at higher volumes, which provides further cost benefits in terms of **economies of scale**.
- 3 Trade increases competition and lowers world prices, which provides benefits to consumers by raising the **purchasing power** of their own income, and leads to a rise in **consumer surplus**.
- 4 Trade also breaks down domestic **monopolies**, which face competition from more efficient foreign firms.
- 5 The quality of goods and services is likely to increase as competition encourages innovation, design and the application of new technologies. Trade will also encourage the **transfer of technology** between countries.
- 6 Trade is also likely to increase **employment**, given that employment is closely related to production. Trade means that more will be employed in the export sector and, through the multiplier process, more jobs will be created across the whole economy.

DOCUMENT D, continued:

Despite the benefits, trade can also bring some disadvantages, including:

- 1 Trade can lead to overspecialization, with workers at risk of losing their jobs should world demand fall or when goods for domestic consumption can be produced more cheaply abroad. Jobs lost through such changes cause severe **structural unemployment**. . . .
- 2 Certain industries do not get a chance to grow because they face competition from more established foreign firms, such as new infant industries which may find it difficult to establish themselves.
- 3 Local producers, who may supply a unique product tailored to meet the needs of the domestic market, may suffer because cheaper imports may destroy their market. Over time, the diversity of output in an economy may diminish as local producers leave the market.”

DOCUMENT E: Excerpt from chapter 1 of *Homo Deus: A Brief History of Tomorrow*, by Yuval Noah Harari (2017):

“In the twentieth century per capita GDP was perhaps the supreme yardstick for evaluating national success. From this perspective, Singapore, each of whose citizens produces on average \$56,000 worth of goods and services a year, is a more successful country than Costa Rica, whose citizens produce only \$14,000 a year. But nowadays thinkers, politicians, and even economists are calling to supplement or even replace GDP with GDH - gross domestic happiness. After all, what do people want? They don’t want to produce. They want to be happy. Production is important because it provides the material basis for happiness. But it is only the means, not the end. In one survey after another Costa Ricans report far higher levels of life satisfaction than Singaporeans. Would you rather be a productive but dissatisfied Singaporean, or a less productive but satisfied Costa Rican?

. . . It appears that our happiness bangs against some mysterious glass ceiling that does not allow it to grow despite all our unprecedented accomplishments. Even if we provide free food for everybody, cure all diseases, and ensure world peace, it won’t necessarily shatter that glass ceiling. Achieving real happiness is not going to be much easier than overcoming old age and death.

The glass ceiling of happiness is held in place by two stout pillars, one psychological, the other biological. On the psychological level, happiness depends on expectations rather than objective conditions. We don’t become satisfied by leading a peaceful and prosperous existence. Rather, we become satisfied when reality matches our expectations. Dramatic improvements in conditions, as humankind has experienced in recent decades, translate into greater expectations rather than greater contentment. If we don’t do something about this, our future achievements too might leave us as dissatisfied as ever. On the biological level, both our expectations and our happiness are determined by our biochemistry, rather than by our economic, social or political situation . . .”

PART 2: THE INDIVIDUAL ASPECT OF THE SIMULATION (How YOU did)

1. **Salary you earned across all Eras combined: \$_____**
Utility points earned from trading cards you purchased across all Eras combined: _____
Did you place among the top 15 in salary? _____ The top 15 in Utility points? _____
2. **Critically examine the idea that the individuals on the Leaderboards in Document B were the individual “winners” of the Economics & State simulation. In what ways do you agree and disagree with this idea? Support your answer with examples from the simulation, the documents provided and / or from real life.**

PART 2: THE NATIONAL ASPECT OF THE SIMULATION (How YOUR NATION did)

- 3. Consulting Document A (and considering Document E), which nation do you think “won” Economics & State, and why? Make specific reference to data from Document A to support your decision. Take into account the nation’s starting position and special resources. If you do not believe it is possible for a nation to have “won,” make a clear and compelling case why this is true (for the simulation and perhaps also in real life).**

4. Discuss and explain whether indicators such as GDP, Life expectancy, Literacy rates, HDI (overall), trade balances or military rankings, etc. can tell us which nations in THE ACTUAL WORLD are, so to speak, “winning” (or perhaps thriving)? Specifically, which economic indicators (include these and things like inflation rate, unemployment rate, Gini coefficient for income inequality) are most helpful in evaluating a nation’s progress? What are the benefits and drawbacks of using statistical indicators to compare nations?

5. Use Document C to answer this question: Identify any of the benefits, or disadvantages, of trade (listed and explained in Document C) that affected your nation, or another nation’s, results (positively or negatively) during the simulation. Is it possible to perform well without trading effectively in the simulation? If so, how? Is this realistic?

6. Identify what you consider to be the single best (most beneficial to your nation) and single worst (most damaging to your nation, or perhaps the biggest missed opportunity) decisions made by your nation during the simulation. Consider decisions made about trades, trade routes, choices regarding Legos to build, knowledge to research, armies to build (or not build), or Public Goods to invest in (plus decisions about whether or not to go to war).

7. Looking back now with the benefit of experience, and hindsight, what would you recommend your nation do differently if you were to run through the simulation again from the beginning? Put another way, what advice or recommendations would you make to future students preparing to run through the simulation?