

## Macroeconomics Activity: Mystery Nations

The following macroeconomics activity is taken from the Instructor's Manual to Accompany "Teaching Tools for Microeconomics from John Stossel -- College edition" by James Gwartney, John Morton, Mark Schug, and Joseph Calhoun. The accompanying Stossel DVDs may be purchased at: [AbcNewstore.com](http://AbcNewstore.com)

### Common Sense Economics Part II: End of Part 2

#### Key Economic Words and Concepts: Economic Freedom and Prosperity

Distribute the handout "Mystery Nations" to the class. Ask the students to read the characteristics of each nation and predict whether the nation is rich or poor. Then distribute the handout "Mystery Nations Revealed." Discuss the identities of the nations. Finally, discuss how high levels of economic freedom explain why some nations are rich while other nations are poor.

### Mystery Nations<sup>1</sup>

Predict which of the following nations are rich and which are poor.

<b>Country A</b> <ul style="list-style-type: none"><li>• Size: Three-tenths the size of the United States</li><li>• Population: About 40 million (small for a nation this size)</li><li>• Natural Resources: Rich resources with fertile land, lead, zinc, tin, copper, iron ore, oil, uranium</li></ul> Is this nation likely to be rich or poor?	<b>Country B</b> <ul style="list-style-type: none"><li>• Size: About the size of California</li><li>• Population: Over 127 million</li><li>• Natural Resources: Fish, no mineral resources</li></ul> Is this nation likely to be rich or poor?
<b>Country C</b> <ul style="list-style-type: none"><li>• Size: Twice the size of California</li><li>• Population: Large population of 128 million</li><li>• Natural Resources: Vast resources including oil, tin, iron ore, coal, limestone, lead, zinc, natural gas</li></ul> Is this nation likely to be rich or poor?	<b>Country D</b> <ul style="list-style-type: none"><li>• Size: 1.8 times the size of the United States.</li><li>• Population: 143 million</li><li>• Natural Resources: Vast resources with major deposits of oil, natural gas, coal, many strategic minerals, vast timber supplies</li></ul> Is this nation likely to be rich or poor?
<b>Country E</b>	

<ul style="list-style-type: none"><li>• Size: 3.5 times bigger than Washington, D.C.</li><li>• Population: 4 million</li><li>• Natural Resources: Fish, deepwater port</li></ul> <p>Is this nation likely to be rich or poor?</p>	
---	--

<sup>1</sup> The source of statistics for this exercise is the *CIA World Factbook* available at [www.cia.gov/cia/publications/factbook](http://www.cia.gov/cia/publications/factbook).

## Mystery Nations Revealed

<p><b>Country A:</b> Argentina            Population: 39,537,943            Per capita GDP: \$13,600 (2005)            Life expectancy: 75.91 years            Literacy rate (age 15 and over can read and write): 97.1%            Infant mortality: 15.18 deaths/1,000 live births</p>	<p><b>Country B:</b> Japan            Population: 127,417,244            Per capita GDP: \$30,400 (2005)            Life expectancy: 81.15 years            Literacy rate (age 15 and over can read and write): 99%            Infant mortality: 3.26 deaths/1,000 live births</p>
<p><b>Country C:</b> Nigeria            Population: 128,771,988            Per capita GDP: \$1,000 (2005)            Life expectancy: 46.74 years            Literacy rate (age 15 and over can read and write): 68%            Infant mortality: 98.8 deaths/1,000 live births</p>	<p><b>Country D:</b> Russia            Population: 143,420,309            Per capita GDP: \$10,700 (2005)            Life expectancy: 67.1 years            Literacy rate (age 15 and over can read and write): 99.6%            Infant mortality: 15.39 deaths/1,000 live births</p>
<p><b>Country E:</b> Singapore            Population: 4,425,720            Per capita GDP: \$29,700 (2005)            Life expectancy: 81.62 years            Literacy rate (age 15 and over can read and write): 92.5%            Infant mortality: 2.29 deaths/1,000 live births</p>	

What are the characteristics of nations that have produced wealth? These nations have a common set of institutions<sup>2</sup> that provides a stable environment which rewards the activities of entrepreneurs. These factors include:

- Limited size of government in terms of expenditures, taxes, and state-run enterprises,
- Stable legal structure which has an independent system of justice and secure protection of property rights,
- Low levels of inflation and access to sound money,
- Freedom to trade internationally, and
- Limited government regulation of financial institutions, labor markets, and business.

<sup>2</sup> *Economic Freedom of the World, 2005 Annual Report*, Fraser Institute, 2005.