

Workshop 8

Growth and Entrepreneurship

Description

The key to improving a nation's standard of living is economic growth. Economic growth is a rise in the real per capita GDP of a country. Important factors in increasing economic growth include investment in new factories and machinery; development of new technologies; and investment in the health, education, and training of a nation's people.

A market economy creates incentives for economic growth. Profit is an incentive for entrepreneurs to take risks in developing new products and production methods. Patents and copyrights also provide incentives to innovate.

Jay Grenawalt, from George Washington High School in Denver, leads off the workshop session with an activity that dramatically illustrates the keys to economic growth. This segment is followed by practical lessons in entrepreneurship with Mark Melkonian, a teacher at the High School of Economics and Finance in New York. Ted Hartsoe, from Choate Rosemary Hall in Wallingford, Connecticut, relates entrepreneurship to the broader economy. Finally, from the High School of Economics and Finance in New York, Ghandi Moussa discusses with his students the incentives for innovation created by patents and copyrights.

Key Concepts

- Economic growth improves the standard of living of a nation's people.
- The sources of economic growth include technological advancement, investment in capital equipment, investment in worker skills, and incentives to innovate and work productively.
- Profits provide incentives to businesses and individuals to increase wealth.
- Entrepreneurs take risks to improve products and to make resources more productive.
- Patents and copyrights are incentives that encourage future production.

Voluntary National Content Standards in Economics

The activities shown in this video illustrate the following standards:

- Entrepreneurs are people who take the risks of organizing productive resources to make goods and services. Profit is an important incentive that leads entrepreneurs to accept the risks of business failures. (Content Standard 14)
- Investment in factories, machinery, new technology, and in the health, education, and training of people can raise future standards of living. (Content Standard 15)

Workshop Session

Getting Ready (20 minutes)

Form groups to work on Activity 1 in Lesson 8.1, "Rich Nation, Poor Nation." Each group member should read Activity 1. Then the group should rank the nations from richest to poorest. Discuss the rankings among the groups. Read Activity 2. How successful were the groups in ranking the mystery nations? Discuss the factors that influenced your rankings. If you guessed wrong, what misled you?

Watching and Discussing the Video (90 minutes)

1. View Section One (what makes countries rich?). (15 minutes)
2. Discuss the "Mystery Nations" lesson that Jay Grenawalt used. (10 minutes)
 - How did Jay's lesson differ from the lesson everyone did at the beginning of the workshop?
 - What improvements can you suggest to this lesson?
 - What misconceptions might your students have about the factors that make nations rich or poor? How would you deal with these in class? Look at Visual 1. Go around the room and have each participant describe how he or she might explain one of the factors so students can understand it. Are any factors that contribute to economic growth missing from the list?
3. View Section Two (entrepreneurs) and Section Three (business and finance). (25 minutes)
4. Form small groups and discuss the following questions: (15 minutes)
 - How would a good student business plan differ from a poor student business plan?
 - What are the advantages and disadvantages of using student reports, such as the business plan presentations in Mark Melkonian's class, to teach economics?
 - What are the advantages and disadvantages of using case studies, such as the ones used in Ted Hartsoe's class, to teach economics?
 - Ted examined entrepreneurship as an academic concept while Mark's students developed specific plans. Which technique do you think would work better with your classes? Why?
 - Lesson 8.2, "Can I Become an Entrepreneur?" examines important traits that can make an entrepreneur successful. Can these traits be taught in a class, or are they traits that cannot be taught?
5. View Section Four (patents and copyrights). (15 minutes)
6. Discuss Section Four. (10 minutes)
 - What is the purpose of patents and copyrights in a market economy?
 - How does the fact that patents and copyrights are not honored in some countries hurt the economies of those countries?
 - True, false, or uncertain? Why?

"Napster provided some benefits to consumers that expensive CDs purchased in stores do without hurting the economy."
 - What examples and case studies do you use in your classes to teach about patents and copyrights?

Workshop Session, cont'd.

Closure (10 minutes)

Go around the room and discuss the differences and similarities between teaching techniques and characteristics of the students at each of the following:

- Jay Grenawalt's class at a public school in Denver (Section One).
- Mark Melkonian's class at a public school in New York (Section Two).
- Ted Hartsoe's class at a private school in Connecticut (Section Three).
- Ghandi Moussa's class at the same public school as Mark in New York (Section Four).

Lesson 8.1: Mystery Nations

"Mystery Nations" is from *Capstone II*, by Jane Lopus, John S. Morton, Robert Reinke, Mark C. Schug, and Donald Wentworth, National Council on Economic Education, to be published in 2003.

Overview

The debate on globalization often centers on why some nations are rich and others remain in poverty. A nation's wealth affects the standard of living of its citizens. The key to economic prosperity is long-term economic growth.

In this lesson, students work in groups to examine data from several nations regarding size, natural resources, and population. Using these data, they try to identify the nations and predict whether each nation is rich or poor. Students rank the nations from richest to poorest. After the mystery nations' identities are revealed, students discuss economists' findings about factors that contribute most to long-term economic growth.

Materials

- Activity 1: Rich Nation/Poor Nation
- Activity 2: Mystery Nations Revealed
- Visual 1: Factors Contributing to Long-Term Economic Growth

Procedures

1. Explain to the class that in this lesson they will predict which nations of the world are wealthy and which are not, using data on each nation's size, natural resources, and population.
2. Divide the class into groups of three.
3. Give each group a copy of Activity 1. The students must identify the five nations and rank them from richest to poorest.
4. Have each group report its findings to the class. Discuss why they ranked the countries the way they did. Most will focus on the amount of natural resources.
5. Use Activity 2 to reveal the mystery nations.
6. Have the students answer the following questions, but do not comment on their answers until everyone has had a chance to answer.
 - a. How can some nations with few natural resources, such as Japan and Singapore, be relative wealthy?
 - b. How can other nations with vast amounts of natural resources, such as Nigeria and Russia, be relatively poor?
7. Explain that some economists call this problem "the natural resources paradox." Natural resources have certainly contributed to the economic success of some nations, including the United States, South Africa, and the oil-rich nations of the Middle East. But there are many examples of nations, such as Japan and Singapore, that have achieved great economic success with relatively few natural resources. And some nations with vast stocks of natural resources, such as Nigeria and Russia, remain relatively poor. In a class brainstorming session, have the students list other factors that might promote or discourage long-term economic growth and high standards of living.

Lesson 8.1, cont'd.

8. Project Visual 1 and discuss the major points:

- **High investment levels in physical and human capital.** Investments in both physical capital (factories and machines) and human capital (the health, education, and training of workers) promote long-term economic growth. Both are also related to the widespread use of new technologies, which often require new machinery and the training of workers. Over the past two centuries, technological innovation has been the single most important determinant of economic growth, followed closely by investments in physical and human capital. Wealthier nations are usually in a better position to fund additional investments in human and physical capital, but less developed nations often present other opportunities for new investments. For example, lower levels of incomes mean that labor costs are lower in those nations, and it is often possible to transfer new technologies and production methods from wealthier nations to the poorer nations.
- **Strong incentives to save, invest, and increase productivity.** Successful economies have institutions that encourage saving and investment. Saving means not spending all of the nation's income for the current consumption of goods and services. Resources that are consumed today can't be used for investment, and vice versa. But successful investments lead to higher future levels of production, income, and consumption.
- **Competitive markets.** Competitive markets generate innovation and lower prices.
- **Low inflation.** A stable currency (low levels of inflation) enhances incentives by maintaining the value of financial assets, which encourages saving and investment. Preventing inflation also keeps people's efforts directed at work, saving, and investing, rather than searching for ways to protect their assets from the effects of inflation.
- **Political stability.** Political stability means a change in government won't cause confiscation of its citizens' property. That is an incentive for long-term investment.
- **Free trade.** The high-income nations of the world are heavily involved in world trade. In fact, the United States is both the wealthiest nation in the world and the world's largest trader. Canada, Germany, the United Kingdom, Japan, France, Singapore, and Hong Kong are also heavily engaged in international trade. Trading leads nations to specialize in the production and export of the goods and services they can produce at the lowest opportunity cost. Trading those exports for other products that can be produced at a lower cost in other nations reduces the total cost of production and allows higher levels of consumption worldwide. Free trade also results in increased competition, which keeps prices lower for consumers and helps ensure that businesses are responsive to consumer demand. Levels of trade have increased dramatically over the past 25 years. As much as one-third of U.S. economic growth during the 1990s was attributed to the international trade sector of the economy. Nevertheless, international trade is controversial because it adversely affects businesses that must compete with foreign producers.

Lesson 8.1: Activity 1

Rich Nation/Poor Nation

You are secret agents assigned to find out if a country is rich or poor. From the information below, identify each country. Then rank the countries from richest to poorest. After you complete this activity, we will see how good a secret agent you are.

Country A

- Size: Three-tenths the size of the United States
- Population: 37,000,000 (small for a nation this size)
- Natural Resources: Rich resources with fertile land and minerals such as lead, zinc, tin, copper, iron ore, oil, and uranium

Country B

- Size: About the size of California
- Population: 127,000,000
- Natural Resources: Fish, no mineral resources

Country C

- Size: Twice the size of California
- Population: 127,000,000
- Natural Resources: Vast resources including oil, tin, iron ore, coal, limestone, lead, zinc, and natural gas


Country D

- Size: 1.8 times the size of the United States
- Population: 145,000,000
- Natural Resources: Vast resources with major deposits of oil, natural gas and coal; many strategic minerals; vast timber supplies

Country E

- Size: 3.5 times larger than Washington, D.C.
- Population: 4,000,000
- Natural Resources: Fish; deepwater port

Identify the five countries and rank them in order, with the richest country being "1" and the poorest country "5." Write the letter of the country used in the list above along with the name of the country.

Richest	Country Letter	Country Name
	1. _____	_____
	2. _____	_____
	3. _____	_____
	4. _____	_____
	5. _____	_____

Poorest

Lesson 8.1: Activity 2

Mystery Nations Revealed

Country A

Name of country: Argentina
Population: 37,384,816
Per capita GDP: \$12,900
Life expectancy: 75.26 years
Literacy rate: 96.2%
Infant mortality rate: 17.75/1,000

Country B

Name of country: Japan
Population: 126,771,662
Per capita GDP: \$24,900
Life expectancy: 80.8 years
Literacy rate: 99%
Infant mortality rate: 3.88/1,000

Country C

Name of country: Nigeria
Population: 126,635,626
Per capita GDP: \$950
Life expectancy: 51.07 years
Literacy rate: 57.1%
Infant mortality rate: 73.34/1,000

Country D

Name of country: Russia
Population: 145,470,197
Per capita GDP: \$7,700
Life expectancy: 67.34 years
Literacy rate: 98%
Infant mortality rate: 20.05/1,000

Country E

Name of country: Singapore
Population: 4,300,419
Per capita GDP: \$26,500
Life expectancy: 83.35 years
Literacy rate: 93.5%
Infant mortality rate: 3.62/1,000

All data from *CIA World Factbook 2001*, www.odci.gov.

Factors Contributing to Long-Term Economic Growth

- High investment levels in physical and human capital
- Strong incentives to save, invest, and increase productivity (including property rights)
- Competitive markets
- Low inflation
- Political stability
- Free trade

Lesson 8.2: Can I Become an Entrepreneur?

"Can I Become an Entrepreneur?" is adapted from a lesson in *Economics and Entrepreneurship*, by John E. Clow, Carolyn R. Holleran, Calvin A. Kent, Gary Rabbior, Francis W. Rushing, and Alan Stafford, National Council on Economic Education, 1993.

Overview

Entrepreneurs tend to exhibit some unique "packages" of characteristics that distinguish them from other people in the economy. Their principal motivations are the need for achievement and a strong desire for independence.

Although money is important—and no entrepreneur launches an initiative with the expectation of going broke—the earning of money tends to be a secondary consideration. Money tends to serve more as a barometer of success and accomplishment than as a goal in and of itself.

Generally, the following characteristics are common among entrepreneurs: independent, responsible, goal-oriented, self-confident, creative, and willing to take calculated, somewhat controllable risks. Deficiencies in any one of these characteristics tend to limit entrepreneurial activity.

The most essential characteristic of an entrepreneur is self-confidence, or what psychologists call "inner control." This is simply a belief in oneself, a belief that "I can do it." Entrepreneurs consider their ideas worthy of pursuit and themselves capable of seeing the venture through to a successful conclusion. Entrepreneurs are agents of change. If entrepreneurs do not believe in themselves, they are likely to abandon the effort when faced with resistance.

While research has revealed a number of characteristics and traits that are common to successful entrepreneurs, it has also shown that many of these skills and traits can be acquired. Entrepreneurs develop their abilities through education, training, experience, apprenticeships, and role-modeling, all of which assist them in their entrepreneurial ventures.

It is important for potential entrepreneurs to acquire personal insight into their own abilities, strengths, and weaknesses. Anyone exploring entrepreneurship should develop a personal profile to focus their abilities and to pursue initiatives compatible with their strengths rather than their weaknesses.

Materials

- Activity 1: Important Traits for the Entrepreneur
- Activity 2: Ratings of Traits by Entrepreneurs

Procedures

1. Distribute Activity 1. After discussing the various traits to assure that students understand their meaning, ask students to place an "X" in the appropriate box for each trait.
2. Tabulate the students' ratings of the traits. Add the numbers assigned to each trait by each student. The higher the total figure for each trait, the more important its ranking.
3. Distribute Activity 2. Compare students' ratings with the list given by entrepreneurs. Numbers in parentheses correspond with numbers on Activity 1. Discuss the three levels of traits. Be sure that each student is able to define these characteristics.
4. Have students discuss whether they have the characteristics necessary to be an entrepreneur.

Lesson 8.2: Activity 1

Important Traits for the Entrepreneur

Rate the traits below in terms of how important you think they are for entrepreneurial success.

A "1" would indicate that you believe the trait is *relatively unimportant*.

A "2" would indicate that you believe the trait is *somewhat important*.

A "3" would indicate that you believe the trait is *very important*.

Not important	Somewhat important	Very important	Quality or trait
1	2	3	
_____	_____	_____	1. A high level of energy
_____	_____	_____	2. Good physical health
_____	_____	_____	3. A strong need to achieve
_____	_____	_____	4. A willingness to take risks
_____	_____	_____	5. A desire to create
_____	_____	_____	6. A need to closely associate with others
_____	_____	_____	7. A strong desire for money
_____	_____	_____	8. A willingness to tolerate uncertainty
_____	_____	_____	9. An ability to get along with employees
_____	_____	_____	10. Being well organized
_____	_____	_____	11. Self-reliance
_____	_____	_____	12. A need for power
_____	_____	_____	13. Patience
_____	_____	_____	14. Competitiveness
_____	_____	_____	15. Desire and willingness to take the initiative
_____	_____	_____	16. Self-confidence
_____	_____	_____	17. Versatility (ability to do many things)
_____	_____	_____	18. Perseverance (sticking at something difficult)
_____	_____	_____	19. Innovativeness (willingness and ability to do something untried)
_____	_____	_____	20. Ability to lead effectively

Ratings of Traits by Entrepreneurs

A. Most Important for Success

- Perseverance (18)
- Desire and willingness to take the initiative (15)
- Competitiveness (14)
- Self-reliance (11)
- A strong need to achieve (3)
- Self-confidence (16)
- Good physical health (2)

B. Important for Success

- A willingness to take risks (4)
- A high level of energy (1)
- The ability to get along with employees (9)
- Versatility (17)
- A desire to create (5)
- Innovativeness (19)

C. Least Important for Success

- Ability to lead effectively (20)
- A willingness to tolerate uncertainty (8)
- A strong desire for money (7)
- Patience (13)
- Being well organized (10)
- A need for power (12)
- A need to closely associate with others (6)

The numbers in parentheses correspond with the numerical listing shown in Activity 1.