Lesson 6 Activity: How free is that country?

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In this economics lesson, students will use data to explore the relationship between the economic institutions/economic freedom of a country and other key indicators.

Description of the lesson

Students will explore data on Canada including historical data on the economic institutions, poverty rates, income and poverty descriptive statistics, GDP, economic growth, and other metrics. Next students will use this data to compare with historical data from other countries that range in their level of capitalism/economic freedom. Students will use this information to help them understand the importance of economic institutions, rising standards of living, and other metrics of a country.

Economics

This lesson focuses on and extends the definition and understanding of capitalism and the economic institutions that make up that economic system. The focus of this lesson is to see that there is a range of how capitalist or economically free a country is that economists have been studying for decades. Students will have the opportunity to examine data and the implications of economic freedom on other metrics in that country including GDP, income, among others.

Objectives:

After completing this lesson students will:

* understand the general importance and use of data.
* understand the use of key data sources and metrics for various indicators including poverty rates, income and poverty descriptive statistics, GDP, economic growth, and others.
* collect and synthesize data to explain trends and current economic status for Canada and other countries.

Voluntary National Content Standards in Economics

* Standard 4: People respond predictably to positive and negative incentives.
	+ Acting as consumers, producers, workers, savers, investors, and citizens, people respond to incentives in order to allocate their scarce resources in ways that provide the highest possible returns to them.
* Standard 10: Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and well-enforced property rights, is essential to a market economy.
	+ Property rights, contract enforcement, standards for weights and measures, and liability rules affect incentives for people to produce and exchange goods and services.

Concepts

Economic Systems, Institutions, GDP

Time Required

60 minutes (20 minutes for the activity plus 40 minutes for research on the assessment)

Materials Needed

* 1 Copy of Activity 6.1
* Slide presentation, “Lesson 6 Activity: How free is that country?”
* Device with internet access, at least one per group of 2-3 students
* Copies of Activity 6.2, one per student
* 20 Copies of Assessment 6.1

Teacher Preparation

This lesson is easy to adjust for classroom size. Students will be representing a country in Activity 6.1 and then standing in a line in front of the classroom to show economic freedom and other economic metrics for that country. You can easily add more countries to have more students participate or reduce the number of countries.

Be sure to access the Fraser Institute’s Economic Freedom of the World(freetheworld.org) and update the slides with most up to date numbers and ranking.

*Note that this lesson follows up from lesson 6: How are Capitalism and Economic Freedom related? If you have not completed that lesson be sure to more fully explain the economic institutions to complete this lesson.*

Procedure

1. Remind students that **economics** is the study of choices and that the **economic system** (method of production, resource allocation, and distribution of goods and services within a country or society) of a country affects the choices that the citizens can make. Show slide 2 with the definitions. Follow this up by explaining that one way to measure the type of economic system is to look at the economic institutions within the country.
2. Next, remind students that **economic institutions** are the established behavior practices and patterns upon which the life of a community is built. The major institutions that we’re going to focus on are the following. Define each institution for the students and show the definitions on slide 3:
	1. **Open Markets**—Institutions governing voluntary exchange
	2. **Property Rights**—institutions governing the ownership, use and transfer of private property. The definition of property rights includes individuals’ rights to self (labor) and possessions
	3. **The Rule of Law**—the extent and limits of authority and privilege.
	4. **Entrepreneurship**—institutions governing risks and rewards of organizing resources for production.
		1. Note that Entrepreneurship can only exist and thrive when there are open markets, property rights (including the right to your own self), and the rule of law are protected. Without those institutions there is no incentive for entrepreneurship.
3. Tell students that these operate on a spectrum and that countries all range in how well they support and protect these institutions or how prevalent these institutions are in the country. Additionally, these institutions act as incentives for how decisions are made and conflicts resolved—either cooperatively and peacefully or non-cooperatively and violently. Explain to students that economic institutions are key to defining a country’s economic freedom.
4. Show slide 4 and ask for 21 volunteers to come up to the front of the classroom. Hand each volunteer one country from Activity 6.1.
5. Tell the volunteers that each person represents that country, and you are going to line up in order from “most” to “least” in the front of the classroom (teacher note: be sure to clearly define where the “most” and “least” sections are so students can quickly get into that order). Here is a list of the countries for this activity:
	1. Canada
	2. United States
	3. Sweden
	4. South Africa
	5. Singapore
	6. South Korea
	7. Iceland
	8. Austria
	9. Jamaica
	10. Spain
	11. Mexico
	12. Belize
	13. Morocco
	14. Cambodia
	15. India
	16. China
	17. Venezuela
	18. Iraq
	19. Sudan
	20. Switzerland
	21. Australia
6. Have students line up based on economic freedom, telling the students to line up based which country they think is the most free to least free. Show slide 5. Give students 2-3 minutes. There will be countries that are obvious and others that are much harder. Remind them that there are no ties and that all countries are in some sort of range. Once students are in an order ask the whole class (volunteers and those in their seats):
	1. Do you think this is the correct order? *Answers will vary greatly but students will point out countries they think should move one way or another. You might pick some countries to ask specific questions about their freedom.*
7. Display slide 6 to reveal the correct order. Follow this reveal by asking them questions about the differences between the student order and the correct order. There should be room for a lot of discussion here where students are seeing this visually for likely the first time.
8. Show slide 7. If needed, explain that **GDP** is the gross domestic production or the market value of all goods and services produced in a country in a given year. Next explain that **real GDP** is the GDP of a country adjusted for inflation. This allows us to make comparisons over time. Finally, explain that the per capita is dividing real GDP by the population of the country and that allows us to make comparisons across countries. Next ask students to line up in order they think are the wealthiest to least wealthy based on Real GDP per capita. Give students about 1 minute to line up.
9. Display slide 8 to reveal the correct order. Follow this reveal by asking them questions about the differences between the student order and the correct order. There should be room for a lot of discussion here where students are seeing this visually for likely the first time.
10. Show slide 9 which has the Real GDP added to the table in Economic Freedom order to help students visualize the connection. Next ask the following questions:
	1. What do you notice about the order of Real GDP per capita compared to the previous order about economic freedom. *Answers will vary but include that for the most part countries that have more economic freedom are wealthier or have higher Real GDP per capita.*
	2. Thinking about the indicators of economic freedom (open markets, property rights, rule of law, and entrepreneurship), why do you think there is a relationship between economic freedom and Real GDP (also a measure of the country’s income)? *Answers may vary but may include that economic freedom allows for people to make more choices. It also allows for entrepreneurship and new goods or services in the economy. Others might say that economic freedom allows for more trading.*
11. Have students return to their seats. Collect all the country sheets and set to the side.
12. Next, tell students that economists have studied economic freedom and other economic data for decades. There are a lot of correlations between economic freedom and important indicators for countries. Explain that the Fraser Institute in Canada is an independent non-partisan research and education organization has been focusing on economic freedom and other implications for over 50 years
13. Display the Economic Freedom of the World map on slide 10 which shows a heat map of data divided into quartiles. Ask students what they notice about the map. *Answers may vary but include that North America and Europe is relatively free while countries in Africa, Asia, and South America seem to be relatively unfree.*
14. Next show students the International Monetary Fund heat map about real GDP per capita on slide 11. If possible, show both at the same time or click back and forth. Ask students what they notice between the two maps. *Answers may vary but include the incomes of countries look similar to the economic freedom—countries that are generally more free have a higher GDP and vice versa.*
15. Explain that the Freedom of the World index measures the degree of economic freedom present in five major areas: [1] Size of Government; [2] Legal System and Security of Property Rights; [3] Sound Money; [4] Freedom to Trade Internationally; [5] Regulation. Comprehensive data are available with a two-year lag, so the index itself has a two-year lag. Within each category there are 26 components in the index. Each component and sub-component is placed on a scale from 0 to 10 that reflects the distribution of the underlying data.[[1]](#footnote-1) Use slides 12-15 to work through Activity 6.2 in procedures 15-18.
16. Have students individually or with a partner (or 2) near them use their devices to access the internet. Have them navigate to freetheworld.org. Next have the students click on Canada to see the data from Canada. As a class, the students fill out Activity 6.2 with the data in Country Info.
17. Continue by explaining the 5 major categories which are also on Activity 6.2. These are brief summaries from the Fraser Institute’s approach website. For full information on every sub-category, you can look at the technical details[[2]](#footnote-2). Note that students do not need to read through the technical details to complete this lesson.
	1. Size of the government is a measure of the degree to which a country relies on personal choice and markets rather than government budgets and political decision-making.
	2. Legal System and Property Rights measures how consistent the legal system is with the rule of law, security of property rights, an independent and unbiased judiciary, and impartial and effective enforcement of the law. The components in this area are indicators of how effectively the protective functions of government are performed.
	3. Sound Money is a measure of how well a country follows policies and adopts institutions that lead to low (and stable) rates of inflation and avoid regulations that limit the ability to use alternative currencies.
	4. Freedom to Trade Internationally is a measure of a wide variety of restraints that affect international exchange: tariffs, quotas, hidden administrative restraints, and controls on exchange rates and the movement of capital.
	5. Regulation is a measure of the extent to which regulations and bureaucratic procedures restrain entry and reduce competition. Countries must allow markets to determine prices and refrain from regulatory activities that retard entry into business and increase the cost of producing products. They also must refrain from “playing favorites,” that is, from using their power to extract financial payments and reward some businesses at the expense of others.
18. Have students work in their groups to discuss and categorize where the Freedom of the World Index categories fit with each economic institution on Activity 2.2. For example, the size of the government would affect the Open Markets institution and the Entrepreneurship institution. Give students about 3-5 minutes to complete it and then go through each institution asking which category(ies) they feel fits best. Have students justify their thinking.
*Teacher note: this exercise is meant to get students thinking about how the economic institutions and index categories are related. There are no exact answers but allow for the conversation to* expand upon the ideas and incentives within each index category. *See Activity 2.2 Suggested answers for talking points.*

Closure

1. Bring the class back together and have students return to their seats if needed. Remind students that economic freedom is the freedom of choice that individuals enjoy in acquiring and using economic goods and resources. The underlying assumption of those who favor economic freedom is that individuals know their own needs and desires best and that a self-directed life, guided by one’s own philosophies and priorities rather than those of a government.
2. Ask students the following questions
	1. What key economic indicators make up economic freedom? *Answer: Open Markets, Property Rights, The Rule of Law, Entrepreneurship*
	2. Why do you think it is important to maintain economic freedom? *Answers may vary but include a discussion of higher GDP, higher incomes, increased life expectancy, lower infant mortality, or other indicators discussed in the lesson.*
3. Next explain that data is important to read and understand to justify statements. Tell the students that they are going to be looking more closely at the data using the Fraser Institute’s Economic Freedom of the World. They will be working in groups of students using the internet to fill out the information in Assessment 6.1.
4. Have students get into 5 groups (count off the students, assign the groups, or have them work with people around them). Each group will need at least one device connected to the internet. Next shuffle and hand out the Country cards in Activity 6.1 so that each group has 4 countries.
5. Hand out 4 copies of Assessment 6.1 (or 1 copy per country assigned the group of students) to each group and have them complete it as a group using the Fraser Institute’s Economic Freedom of the World (freetheworld.org) to search for countries and collect the data.
6. (optional extension) Have groups of students prepare infographics about their 4 countries. Use these infographics to print out of have students briefly talk about the data and implications they found in their research.
7. Finish the lesson by saying that it is important to look at credible data when making decisions. This lesson allowed you all to examine the economic freedom of countries around the world while also looking at their Real GDP to see the relationship. There are more metrics to examine, and we will continue looking at how economic freedom impacts many other metrics including poverty, happiness, and women’s status in the next lesson.

Activity 6.1 Country Cards

Canada

United States

Sweden

South Africa

Singapore

South Korea

Iceland

Austria

Jamaica

Spain

Mexico

Belize

Morocco

Cambodia

India

China

Cuba

Iraq

North Korea

Switzerland

Australia

Activity 6.2: Economic Freedom Data Research

DIRECTIONS: Navigate to freetheworld.org. Select Canada to see the data from Canada. Fill out the table below with the data in Country Info.

Country: Canada

|  |  |  |
| --- | --- | --- |
| **Category** | **Description from Fraser Institute Freedom of the World Index** | **Score** |
| World Rank |  |  |
| Government Size | A measure of the degree to which a country relies on personal choice and markets rather than government budgets and political decision-making. |  |
| Legal Systems & Property Rights | Measures how consistent the legal system is with the rule of law, security of property rights, an independent and unbiased judiciary, and impartial and effective enforcement of the law. The components in this area are indicators of how effectively the protective functions of government are performed.  |  |
| Sound Money | A measure of how well a country follows policies and adopts institutions that lead to low (and stable) rates of inflation and avoid regulations that limit the ability to use alternative currencies of capital.  |  |
| Freedom to Trade Internationally | A measure of a wide variety of restraints that affect international exchange: tariffs, quotas, hidden administrative restraints, and controls on exchange rates and the movement |  |
| Regulation | A measure of the extent to which regulations and bureaucratic procedures restrain entry and reduce competition. Countries must allow markets to determine prices and refrain from regulatory activities that retard entry into business and increase the cost of producing products. They also must refrain from “playing favorites,” that is, from using their power to extract financial payments and reward some businesses at the expense of others. |  |

Activity 6.2 (continued): Economic Freedom Data Research

DIRECTIONS: List the category(ies) from the Freedom of the World Index that fit best with each economic institution.

|  |  |
| --- | --- |
| **Economic Institution** | **Freedom of the World Index Category(ies)** |
| **Open Markets**—Institutions governing voluntary exchange |  |
| **Property Rights**—institutions governing the ownership, use and transfer of private |  |
| **Rule of Law**—the extent and limits of authority and privilege. |  |
| **Entrepreneurship** —institutions governing risks and rewards of organizing resources for production. |  |

Activity 6.2: Economic Freedom Data Research—SUGGESTED ANSWERS

Country: Canada

|  |  |  |
| --- | --- | --- |
| **Category** | **Description from Fraser Institute Freedom of the World Index** | **Score** |
| World Rank |  |  |
| Government Size | A measure of the degree to which a country relies on personal choice and markets rather than government budgets and political decision-making. |  |
| Legal Systems & Property Rights | Measures how consistent the legal system is with the rule of law, security of property rights, an independent and unbiased judiciary, and impartial and effective enforcement of the law. The components in this area are indicators of how effectively the protective functions of government are performed.  |  |
| Sound Money | A measure of how well a country follows policies and adopts institutions that lead to low (and stable) rates of inflation and avoid regulations that limit the ability to use alternative currencies of capital.  |  |
| Freedom to Trade Internationally | A measure of a wide variety of restraints that affect international exchange: tariffs, quotas, hidden administrative restraints, and controls on exchange rates and the movement |  |
| Regulation | A measure of the extent to which regulations and bureaucratic procedures restrain entry and reduce competition. Countries must allow markets to determine prices and refrain from regulatory activities that retard entry into business and increase the cost of producing products. They also must refrain from “playing favorites,” that is, from using their power to extract financial payments and reward some businesses at the expense of others. |  |

|  |  |
| --- | --- |
| **Economic Institution** | **Freedom of the World Index Category(ies)** |
| **Open Markets**—Institutions governing voluntary exchange | * Government size—smaller government intervention would allow for more market involvement in allocation of resources.
* Sound Money—having sound money allows for markets to function properly.
* Freedom to Trade Internationally—open markets also include buying and selling in international markets with little to no limitations.
* Regulation—when there is little regulation the market and the information and incentives from the market can function properly.
 |
| **Property Rights**—institutions governing the ownership, use and transfer of private | * Legal Systems & Property Rights—property rights provide the rules and incentives in place for individuals to keep their ideas, resources, and selves.
* Sound money—having sound money allows for people to transfer ownership of resources as needed including their time.
* Regulation—There should be regulation regarding property rights but those should be clear and consistent.
 |
| **Rule of Law**—the extent and limits of authority and privilege. | * Legal Systems & Property Rights—the person governing is not the sole determining factor. There are rules and guidelines to make it consistent for all to follow.
* Regulation—There should be regulation that are clear and consistent.
 |
| **Entrepreneurship** —institutions governing risks and rewards of organizing resources for production. | * Government size—allowing for markets in an economy makes it possible for entrepreneurs to be successful.
* Legal Systems & Property Rights—without consistent rules and property rights there would be little incentives for someone to take the risks needed for entrepreneurship.
* Sound money—having sound money allows for entrepreneurship to flourish as they can be confident in the money they are investing and also the money they are accepting.
* Freedom to Trade Internationally—Entrepreneurs can sell their goods or services internationally. Additionally, their supply chain might require international purchases and when there are restrictions put into place that can limit the ability for entrepreneurship.
* Regulation—When there is clear and consistent regulation entrepreneurs have more confidence and willingness to take on risks.
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Assessment 6.1

Country:

|  |  |
| --- | --- |
| **Category** | **Score** |
| World Rank |  |
| Government Size |  |
| Legal Systems & Property Rights |  |
| Sound Money |  |
| Freedom to Trade Internationally |  |
| Regulation |  |

1. How free is this country? Explain in 2-3 sentences

1. Of the economic indicators which is best protected (highest score)? How does this indicator rank in the world? What is happening currently to explain this? You might need to do some additional research about policies or other current events.
2. Of the economic indicators which is worst protected (lowest score)? How does this indicator rank in the world? What is happening currently to explain this? You might need to do some additional searching about policies or other current events.
3. Describe the historical trend of economic freedom in this country. What do you notice—is it increasing, decreasing, staying the same? Is there any historical events that might explain this? (You will need to do some searching to see what has happened historically for this country).
4. Using the World Bank open data (data.worldbank.org) what is the current Real GDP? How might the economic indicators affect this in the country?
1. <https://www.fraserinstitute.org/economic-freedom/approach> [↑](#footnote-ref-1)
2. <https://www.fraserinstitute.org/sites/default/files/uploaded/2022/economic-freedom-of-the-world-2022-appendix.pdf> [↑](#footnote-ref-2)