

Chapter 19 Project

Macroeconomic Policy Around the World

Purpose

In this chapter, you learned how to make comparisons of aggregate (total) economic well-being across countries on a per-capita basis. You learned how small differences in economic growth rates lead to large differences in economic outcomes over long periods of time and what constitutes the natural rate of unemployment across different countries. You studied the causes of unemployment and inflation in different countries and nations' balance of trade issues.

The purpose of this project is to develop an understanding of the rule of 72 and use it to explain how large differences in economic outcomes can occur over long periods of time between nations with disparate rates of annual economic growth. You will also evaluate the meaning of cyclical unemployment and the natural rate of unemployment and describe the problems of youth unemployment.

Directions

This project has two parts. In the first, you will investigate the rule of 72 and utilize it to explain how large differences in economic outcomes have appeared over time.

In the second, you will explore the concepts of cyclical unemployment and the trends of labor unrest and labor strikes.

Part 1 - Investigating the Concept of the Rule of 72

Review Lesson 19.2 and then read the following articles, including the video at the second link.

(hawkes.biz/72Rule1)

(hawkes.biz/72Rule2)

Define and explain how the rule of 72 model works.

Using the 2017 article from the *Journal of Economics and Finance Education* and utilizing the rule of 72, explain how differences in growth rates of China and South Korea massively outperformed long-standing economic powerhouses, such as the U.S. and Germany.

Using the CNBC article and video, explain (while providing specific examples) how this formula can work for you, in terms of investing, or against you, in terms of debt.

Part 2 - Exploring the Concepts of Cyclical Unemployment

Review Lessons 19.3 and 19.4 and then read the following article.

(hawkes.biz/CyclicalUnemployment)

Explain the concepts of cyclical unemployment and the natural rate of unemployment, and describe the problems of youth unemployment.

Which factors do you attribute to the dramatic rise in labor strikes occurring in the U.S. since 2018?

In what ways does the article demonstrate how even a very low unemployment rate by historical standards in the U.S. can mask serious labor unrest? Is this labor unrest justified? Explain.

Do you expect the trend of rising labor unrest (manifesting, in part, in labor strikes) to continue in the U.S. over the next five years? Why or why not?

 Checklist**Part 1**

- Review Lesson 19.2.
- Read the articles provided.
- Use the provided resources to answer all questions.

Part 2

- Review Lessons 19.3 and 19.4.
- Read the provided articles.
- Use the provided resources to answer all questions.