

Teaching Macroeconomics in conversation with the Catholic Intellectual Tradition

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Teaching Notes on Gross Domestic Product and Economic Growth

Principles of Macroeconomics

I ask my students to debate the question of whether “GDP is a good measure of human well-being.” The book that we use (Frank & Bernanke) has a short discussion, standard to most textbooks, of the strengths and limitations of GDP as a measure of well-being.

I divide the class into two groups tasked with outlining the argument (5 minutes), appoint representatives from each group to make the positive case for their position (5 minutes), and ask the non-representatives to cross-examine the speakers (3 minutes), with 2 minutes for a reply, for 25 minutes of class time all together.

Their (relative) ignorance of the topic gives them more passion, which I think contributes to make the issues more salient and relevant to them.

Intermediate Macroeconomics and beyond

Once the students know more about economics, one can ask them to hold a discussion on a more advanced topic. I think that the best location for this discussion is *online*, through some kind of discussion board (which most course management systems, such as Blackboard, have). The reason is that this topic is complicated and learning it requires less passion and more reflection; more access to resources and less urgency in making a reply.

Discussion Forum #1:

In the Solow Growth Model we studied in class, population growth is shown to be inversely correlated with living standards. On the other hand, Kremer’s (1993) model argues that more population density contributes to the generation of ideas; theories of endogenous growth seem to suggest the same thing. In this context, what do you think of this statement?: “Population growth is bad if people are just mouths to feed or hands that operate the machine. If people have intelligence and creativity, population growth is good for economic growth.” Base your answer on concrete features of the economic theories we have discussed and on the available evidence.

Discussion Forum #2:

Is saving more virtuous than spending? Saving contributes to long-run accumulation of wealth, to stability and security. Is spending just some kind of necessary evil, the sort of thing that irresponsible people do? On the other hand, Adam Smith said,

*Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident that it would be absurd to attempt to prove it. (Smith, *Wealth of Nations*, IV.8.49)*

Who is right?

An important topic in the latter connection is what is called “the Golden Rule rate of saving,” which tells you what is the saving rate that maximizes consumption for all generations, present and future. This is a very valuable topic, which opens the door to very interesting and fruitful discussions of the intersection between politics, economics, public morality, and personal morality.

A more advanced class might look into the question of whether Western-style free markets and democracy can be enjoyed by everyone, or whether there are certain “preconditions” of good governance. One might ask students to compare the results of standard economic research (e.g., the World Governance Indicators) and John Paul II’s discussion on the relation between political freedom and economic freedom (in *Centesimus Annus*).