

TALE OF THE TAPE: PREDICTING LONG-TERM ECONOMIC GROWTH ON THE KOREAN PENINSULA

GRADES: 9–12

AUTHOR: Michael Melvin

SUBJECT: Economics

TIME REQUIRED: One class period

OBJECTIVES:

1. To work in groups to evaluate national statistics
2. To understand the differences between command and market economic systems.
3. To identify the factors that economists believe will lead to long-term economic growth.

MATERIALS REQUIRED:

1. Handout 1: Tale of the Tape (attached)
2. Handout 2: Tale of the Tape: 50 Years Later (attached)

BACKGROUND:

The Korean Peninsula is an excellent illustration of the fact that, when it comes to a country's standard of living, choices matter. Starting from essentially the same place (economically speaking), the Republic of Korea (South Korea) consistently made choices that enriched its citizens and raised its standard of living while the Democratic People's Republic of Korea (North Korea) chose to structure its society and economy differently.

PROCEDURE:

1. Tell the students that they are going to try to predict the standard of living of a country. In small groups, the students will work together to decide which country (A or B) has the advantage over the other in seven categories. They will mark their decisions by making a check mark in the appropriate country's column on Handout 1.
2. The students should then work together to answer questions 1 and 2 on the handout.
3. The entire class should discuss their group's answers to question 1. Make a class tally of which country is favored to be wealthier. Possible discussion questions: Which of the factors did you think will be most important to economic growth? Do you think the difference in wealth between the two countries will be large or small? Why? The class then will discuss question 2. Have each group contribute to class list of what other relevant information is needed in order to make a prediction. Come up with a class consensus on the two or three best suggestions.
4. Use Handout 2 to check on the countries 50 years later. Reveal to the class that country A is the Democratic People's Republic of Korea (North Korea) and that country B is the Republic of Korea (South Korea). Review the original Tale of the Tape chart. Have the students make suggestions about what might have slowed North Korea's economic development.

5. Use Handout 2 to discuss the different the choices the countries made that determined the outcome of this contest. Have the students explain why/how the countries' decisions determined their standard of living.

EVALUATION:

Have the students answer the following question: Imagine that you become the primary economic advisor to the president of an extremely poor country whose economy is in shambles. Thoroughly discuss at least three specific reforms that will help economic recovery. Be sure to explain how each will accomplish the desired goal.

RESOURCES:

Cumings, Bruce. *Korea's Place in the Sun: A Modern History*. New York: W.W. Norton, 2005.

“North Korea.” *CIA World Factbook*. 2007. Central Intelligence Agency.
<<https://www.cia.gov/library/publications/the-world-factbook/index.html>>.

“South Korea.” *CIA World Factbook*. 2007. Central Intelligence Agency.
<<https://www.cia.gov/library/publications/the-world-factbook/index.html>>.

HANDOUT 1: TALE OF THE TAPE

Country A	Category	Country B
	LAND SIZE Country A has 120,540 sq km of land, while country B is slightly smaller at 98,480 sq km.	
	GEOGRAPHY Country A is primarily mountainous, with some coastal plains. Twenty-two percent of the land is arable. Country B is also very hilly, with some coastal plains. Sixteen percent of its land is arable. Both countries have coastlines with port cities.	
	POPULATION The population of country A is approximately 9 million, while the population of Country B is 21 million.	
	NATURAL RESOURCES Country A's resource base includes, coal, lead, tungsten, zinc and graphite. Country B has much the same resources, except in smaller quantities.	
	INDUSTRIALIZATION Neither country could be considered industrialized. Historically, Country B's economy is more heavily dependent on agriculture, while Country A was somewhat more industrial.	
	CULTURE Both countries share the same culture. Their language, cuisine and history are the same. Their culture is based on a respect for authority and elders, and both share a deep cultural appreciation for education.	
	WAR Both countries have recently been through a serious war in which they both suffered much damage. Both economies are currently in shambles. Country B suffered 1.3 million casualties compared with Country A's 1.5 million casualties.	

1. Based on the information provided, predict which country you think will be wealthier in 50 years. Why?
2. Name two other categories that might help you answer the above question. Why did you choose these two?

WHAT FACTORS LED TO THE ECONOMIC “VICTORY”?	
“WINNER”	“LOSER”

HANDOUT 2: TALE OF THE TAPE – 50 YEARS LATER

COUNTRY B		COUNTRY A
49 MILLION	POPULATION	23 MILLION
\$1.2 TRILLION	GDP	\$40 BILLION
13	GDP RANK	94
\$24,500	GDP PER CAPITA	\$1,800
34	GDP PER CAPITA RANK	189
3	% OF POPULATION IN AGRICULTURE	30
46,773	PATENTS OBTAINED SINCE 1977	1
27 MILLION LAND 38 MILLION CELL	TELEPHONES	980,000 TOTAL
87,032 KM	PAVED ROADS	1,997KM
\$326 BILLION	EXPORTS	\$1.34 BILLION
10	# OF BILLIONAIRES	0
50	# OF COMPANIES IN FORTUNE 2000	0

WHAT FACTORS LED TO THE ECONOMIC “VICTORY?”

“WINNER”	“LOSER”
<p>South Korea embraced foreign trade as a way to achieve economic growth. In 2007, it is the world’s 12th largest exporter and the world’s 13th largest economy. In addition, it opened its economy to foreign investment to assist in its economic growth.</p>	<p>North Korea decided that self-reliance was the best way to achieve its economic growth. During the last 50 years, it traded only with a few other communist countries. The CIA ranks it 133 in exports and 126 in imports.</p>

WHAT FACTORS LED TO THE ECONOMIC “VICTORY?”

“WINNER”	“LOSER”
<p>The South Korean government has tried very hard to promote industry and trade and works closely with companies to achieve economic growth. Private property and ownership of businesses is encouraged and protected. For instance, it takes an average of 22 days to start your own business, compared to a world average of 48 days.</p>	<p>In 1958, the North Korean government nationalized all industry. Currently, nearly all productive resources are controlled by the government through state-owned enterprises or collective farms. Privately-owned businesses are essentially banned.</p>

WHAT FACTORS LED TO THE ECONOMIC “VICTORY?”

“WINNER”	“LOSER”
<p>The Heritage Foundation ranks South Korea as the 36th freest economy in the world (with a score of 69 out of 100). In the past few years, the government passed many reforms to free up the economy. It scores particularly well with regards to business freedom and freedom from government interference.</p>	<p>North Korea’s score on the Heritage Foundation’s Index of Economic Freedom is a 3 out of a possible 100. This makes it the least free country in the world. Prices and wages are completely controlled by the government.</p>