

Principles of Macroeconomics
Discussion Activity 2 in Week 3 Sessions
January 20th, 21st, 22nd, 23rd

We learned in week 2 that Gross Domestic Product (GDP) is the most used statistic to measure well-being in an economy. While GDP is the most common measure of economic well-being, it fails to capture many important aspects of human welfare. In this activity, you will create your own well-being index using real-world data and see how it changes country rankings compared to traditional measures. Plan to think creatively and outside the box.

First, get together with 0 to 2 of your peers.

Navigate to Activity 2 on the course webpage: <https://matthewdlang18.github.io/macroeconomics-course-website/index.html>

On the “Explore Measures” page, you will see some statistics and maps showing you how countries rank across popular measures of well-being: the GDP per Capita and United Nations Human Development Index (HDI). You can drill down into the details of the HDI and see how health, education, and income rankings are spread across the globe.

After reading through the information and table on the “Explore Measures” page, answer question 1 below on your own.

Compare your answers with your group. The discussion should motivate you to start thinking about what you want your well-being measure to look like.

Move on to the next page showing a dashboard of different well-being metrics.

The next page shows a number of potential well-being variables. You can click on a variable and add it to your Well-Being Measure. You can choose up to 8 variables and place specific weights on each variable you add, as long as the weights add up to 100%.

As you create your measure, you can update the map and table showing the ranking of the countries based on your index and see how it compares to the GDP per Capita and HDI rankings.

Once you have decided on an index, **download your data in a place you can quickly access it**, and answer question 2 below.

Your TA will give a QR code that links to a Google Sheet. Open up a new tab and paste your countries and index scores into the sheet.

After all groups have filled in the information on the sheet, the TA will download the sheet and input into the TA dashboard. You can also download the sheet as an Excel spreadsheet and upload it into the TA dashboard. Note that the first sheet are index scores generated by AI that will be used as a comparison to the class.

After the sheet has been uploaded, answer questions 3 and 4 below.

Your Name and Name of Well-Being Index: _____

In 2 to 3 sentences, answer the following questions. Turn your sheet into your TA before leaving

1. After examining the GDP per Capita and HDI rankings across countries, identify at least one country that ranks significantly differently on these two measures (high on one, relatively lower on another). What factors might explain this discrepancy, and what does this suggest about the limitations of using either measure alone to evaluate a nation's well-being?
2. Once you've created your index, identify the top 3 and bottom 3 countries according to your measure. How does your ranking differ from the standard HDI or GDP per capita rankings, and what specific aspects of well-being does your index emphasize that might explain these differences?
3. After examining both your personal well-being index, the class-averaged well-being index, and the AI-generated index, what significant differences do you notice in the ranking? What might explain these differences, and what do they reveal about human versus algorithmic approaches to measuring well-being?
4. Looking at the AI-generated well-being index alongside the class indices, which approach do you find more convincing as a tool for guiding policy decisions, and why? What are the strengths and limitations of each approach when it comes to measuring something as complex as human well-being?