

THE WALL STREET JOURNAL.

Critical
Thinking
Resource

Economics

About The Wall Street Journal's Critical Thinking Resource

We developed this guide to help you maximize The Wall Street Journal as a resource for your classes. You'll be able to energize discussions and engage students with tangible examples of course concepts that your students can apply in the real world. In addition, with the help of faculty partners, we've curated a special collection of our most popular and thought-provoking articles about economics. For each of these readings, we provide a summary, correlation to course topics, classroom applications and questions suitable for launching discussions and conducting assessments.

Here are some of the many ways to incorporate WSJ into your courses:

- **COURSE READINGS:** Assign articles as required reading alongside your textbook sections. For best results, include assessment questions on quizzes and exams.
- **DISCUSSION LAUNCHERS:** Use articles to spur classroom and threaded discussions in online and hybrid courses on core concepts and current events.
- **EXTRA CREDIT:** Allow students to read optional articles and answer assessment questions for extra credit.
- **GROUP PROJECTS:** WSJ is a rich source of real-world topics for group research and presentation projects.
- **RESEARCH PAPERS AND CASE STUDIES:** WSJ features provide timely citations for research projects.

Subtopic: Production Functions

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Black Developer Aims to Build New York's Tallest Skyscraper

REPORTER: Anne Kadet

REVIEWED BY: Edward Seahill, The University of Scranton

DATE: December 7, 2021

TOPICS: entrepreneurial ability, factors of production, normal profit, economic profit

LINK TO ARTICLE: **CLICK HERE**

SUMMARY:

This article describes how a Black real estate entrepreneur is planning to build a 2 million square-foot, \$3.5 billion project—the “Affirmation Tower”—on a 1.2-acre plot of state-owned land facing the Jacob K. Javits Convention Center in New York City. Don Peebles, the chief executive of a real estate company based in New York City, is the project’s lead developer. Mr. Peebles hopes that the Affirmation Tower will help to provide new opportunities for minority and female-owned businesses. In addition to two hotels and a rooftop restaurant, the ground floor of the building would house space for a business incubator for local minority and female-owned businesses. Among other features, the plaza garden would have tributes to historically prominent Black New Yorkers.

CLASSROOM APPLICATION:

In a November 3, 2021, article in The Wall Street Journal, [“Are Entrepreneurs Happier Than Everybody Else?”](#) an assistant professor of entrepreneurship at Baylor University stated: “If you look at the data, it turns out that entrepreneurs on average earn less money than a typical employed person, work 13 hours more a week and report that it’s a very stressful occupation...despite that, there’s overwhelming evidence in the literature that entrepreneurs report significantly higher levels of job satisfaction.” Economists typically assume that people are rational. This means that they weigh the benefits and costs of their actions and make choices for which the benefits exceed the costs. Discuss with your students whether they believe it is rational for some business owners to work more hours and earn less income than they would earn by working for someone else. Don Peebles’s plan for an Affirmation Tower includes space for a business incubator that would focus on helping new minority and female-owned businesses. Ask your students to describe the services provided by a business incubator (if one is located nearby you can ask for a volunteer to contact the incubator for this information).

QUESTIONS:

1. There are four factors of production: natural resources, labor, capital, and entrepreneurial ability (or entrepreneurship). Why do economists classify entrepreneurial ability as a separate factor of production rather than a type of labor?
2. What is human capital? How is entrepreneurial ability different from human capital?
3. Entrepreneurs start new businesses in market economies by using their own funds to bring together factors of production—labor, physical capital, and natural resources—to produce goods and services. The owners of the factors are paid—wages and salaries, interest, and rent—for their contributions to production. Why is profit considered the payment to entrepreneurs for their contribution to production?
4. Economists distinguish normal profit from economic profit. Normal profit is considered a cost of production similar to the cost of labor, capital and natural resources. Describe the difference between normal profit and economic profit.
5. Household income and wealth can be used to finance a new business. What other sources of financial capital can entrepreneurs use to finance a new business?

RELATED ARTICLES:

[New Efforts Aim to Support Black Businesses and Entrepreneurs](#)

Cheryl Winokur Munk

Nov. 2, 2021

1. From a November 2, 2021 article in The Wall Street Journal, “Access to capital is challenging to everyone, but harder for Black entrepreneurs...Blacks have been discriminated against when seeking bank loans, and reaching out to friends and family...can be challenging because of the racial wealth gap.” The Federal Reserve Bank of Boston reported that in 2015 the median wealth of white households in the Boston area was over \$247,000, while Black households had a median wealth of only \$8. Describe the difference between wealth and income.

[Are Entrepreneurs Happier Than Everybody Else?](#)

By Andrew Blackman

Nov. 3, 2021

¹ This number, while pointing towards a very real gap in household wealth, was based on a sample size of only 71 Black families.

The World Wants Green Hydrogen. Namibia Says It Can Deliver.

REPORTER: Alexandra Wexler

REVIEWED BY: Edward Seahill, The University of Scranton

DATE: December 18, 2021

TOPICS: absolute advantage, comparative advantage, productivity, Lorenz curve, Gini coefficient

LINK TO ARTICLE: **CLICK HERE**

SUMMARY:

Government officials of the southwest African nation of Namibia are touting the potential for their country to produce large amounts of so-called “green hydrogen” made with renewable electricity. With sunshine 300 days annually and strong winds, Namibia has the potential to be the world’s cheapest source of green hydrogen. The government of Germany stated that Namibia’s ability to produce green hydrogen “could help it produce the world’s cheapest green hydrogen—a crucial ingredient in policies hoping to cut carbon emissions” to a net zero level by 2025. Green hydrogen could “provide long-term storage for renewable energy.” Namibia hopes to begin exporting green hydrogen before 2025. The government of Namibia has stated that the private sector, rather than the government, will take the lead in the development of the nation’s green hydrogen projects.

CLASSROOM APPLICATION:

The [CIA Factbook](#) has extensive descriptive information about the nations of the world. Assign individual students to use information found in the Factbook to make brief reports on various aspects of Namibia’s geography (including a map showing its location relative to surrounding countries), economy, political system, etc. Review a November 10, 2021, article in The Wall Street Journal, [“How Green Hydrogen Is Made,”](#) that uses simple diagrams to describe the process used to make green hydrogen. The Wall Street Journal article [“Climate Promises by Businesses Face New Scrutiny”](#) from November 5, 2021, summarizes the commitment made at a recent United Nations conference on climate change in Glasgow by two-thirds of the S&P 500 companies to reduce their carbon emissions in future years. A Lorenz curve depicts a nation’s distribution of income by arraying incomes from lowest to highest along a horizontal axis and measures the cumulative fraction of income earned along the vertical axis. A straight line in a Lorenz curve graph represents perfect income equality.

A Gini coefficient is the ratio of the area between the line of perfect income equality and the area below the line of perfect equality. The Factbook includes values for a nation's Gini coefficient for two different years (this is found in the "Economy" section of the Factbook). Review what Lorenz curves and Gini coefficients mean if you ask your students to answer the seventh question.

QUESTIONS:

1. When would a nation have an absolute advantage in the production of a product? Does information in the article imply that Namibia has an absolute advantage in the production of green hydrogen? Briefly explain your answer.
2. When would a nation have a comparative advantage in the production of a product? Does information in the article imply that Namibia has a comparative advantage in the production of green hydrogen? Briefly explain your answer.
3. Briefly explain the difference between gray hydrogen and green hydrogen.
4. The article mentions that several African nations other than Namibia are pursuing investing in projects designed to reduce carbon emissions but compared to the other nations, "Namibia has advantages beyond wind and solar." What advantage does the article mention that would attract foreign investment for Namibia's green hydrogen projects?
5. Briefly describe the difference between production and productivity.
6. Which would be more likely to increase the standard of living of citizens of Namibia: an increase in production or an increase in productivity? Briefly explain your answer.
7. The following values for the Gini coefficient for Namibia and the United States are taken from the CIA Factbook:
Namibia
2015 (estimate): 59.1 2003: 70.7

United States
2016 (estimate): 41.1 1997: 40.8
 - a. In which country is the distribution of income more equal?
 - b. In which country has the distribution of income become more equal over time?
8. In which country would you prefer to live: Country A or Country B? Country A has a higher per capita real income than Country B. Country B has a more equal distribution of real income than Country A. Briefly explain your answer.

RELATED ARTICLES:

[How Green Hydrogen Is Made](#)

Kevin Hand

Nov. 10, 2021

[Climate Promises by Businesses Face New Scrutiny](#)

Jean Eaglesham

Nov. 5, 2021

China's Unpredictable, Heavy-Handed Governance Threatens Growth

REPORTER: Greg Ip

REVIEWED BY: Edward Scahill, The University of Scranton

DATE: January 5, 2022

TOPICS: centrally planned economy, market economy, progressive income tax

LINK TO ARTICLE: **CLICK HERE**

SUMMARY:

Close observers of the Chinese economy have become concerned by the government's increasingly heavy-handed approach for dealing with its economic problems. In 2021, for example, the government unexpectedly banned online tutoring, imposed on-and-off restrictions on coal burning, and made regulatory assaults on internet companies. In contrast with the period from 1998 to 2005, when there was relatively little government intervention in the Chinese economy, since 2006 the Communist Party under President Xi Jinping has sought to direct the country's economic development. The government's campaign against income inequality has been hindered by a lack of systems of progressive taxation and social transfers. Instead, the Communist Party has resorted to crackdowns on wealthy business leaders but has taken few steps to improve the fiscal resources of the country's poorest provinces.

CLASSROOM APPLICATION:

Every society must answer three basic economic questions: what (what goods and services to produce with its resources), how (how to produce goods and services and where to produce them), and for whom (who shall receive the goods and services that are produced). There are two basic ways to answer these questions. A society can choose to have a centrally planned economy or a market economy. Describe the basic characteristics of these systems. Market economies tend to be more efficient than centrally planned economies. Ask your students whether it is more important for an economy to achieve economic efficiency or economic equity. Ask why it is difficult to agree on the meaning of economic equity. A December 31, 2021, article in The Wall Street Journal, "[Chinese Small Businesses' No Good, Very Bad Year](#)," explained that there was a significant decrease in the number of registered small firms in China in 2021. Discuss with your students why the article stated: "If that pattern persists, it will almost certainly mean slower growth and less economic dynamism in the future."

QUESTIONS:

1. How are productive resources allocated in a market economy? How are productive resources allocated in a centrally planned economy?
2. Explain what is meant by productive efficiency. How does the achievement of productive efficiency benefit an economy?
3. Explain what is meant by allocative efficiency. Why would a market economy be more likely to achieve allocative efficiency than a centrally planned economy?
4. Chinese President Xi Jinping initiated a “common prosperity” campaign designed to reduce income inequality. The article explained that “Western market democracies have elaborate systems of progressive taxation and social transfers to mitigate inequality...Lacking such tools of redistribution, the [Chinese] Communist Party instead turned to crackdowns on wealthy business leaders.”
 - a. How are progressive income taxes used to reduce income inequality?
 - b. How are “social transfers” used to reduce inequality?
5. The article includes this reference to the Chinese economy in 1998-2005: “[government] plans and industrial policies were proposed—only to be ultimately discarded as unrealistic, unfeasible, or dysfunctional...Direct government intervention in the economy...had dwindled to almost nothing.” If Chinese government decision makers did not allocate the nation’s economic resources between 1998–2005, what means must have been used to allocate these resources?

RELATED ARTICLES:

[Xi Jinping Aims to Rein In Chinese Capitalism, Hew to Mao’s Socialist Vision](#)

Lingling Wei

Sept. 20, 2021

Barry Naughton, a China economy expert at the University of California, San Diego stated: “Xi [Jinping] does think he’s moving to a new kind of system that doesn’t exist anywhere in the world...I call it a government-steered economy.” Is a “government-steered economy” different from a centrally planned economy? Briefly explain your answer.

[Xi Jinping’s Leadership Style: Micromanagement That Leaves Underlings Scrambling](#)

Josh Chin

December 15, 2021

Xi Jinping “is widely considered the most powerful Chinese leader in a generation. He is also a micromanager who intervenes often, unpredictably and sometimes vaguely in policy matters big and small.” How is the role of government in a market economy different from the role played by Xi Jinping in the Chinese economy?

[Chinese Small Businesses’ No Good, Very Bad Year](#)

Nathaniel Taplin

Dec. 31, 2021