Jack Igelman, Blue Ridge Community College

Course Title and Number: ECO 251 (Principles of Microeconomics, ECO 252 (Principles of Macroeconomics), or ECO 151 (Survey of Economics)

Module Title: Microenterprise & Less Developed Countries

Module Description:

The module will focus on understanding microfinance as one way to develop small pools of capitals for investment in poor countries or communities. Students will also examine the cycle of poverty and traditional theories of economic development in less developed countries (LDCs), and the emergence of microfinance. This module will allow students to experience being part of a microfinance cooperative.

Module Contents:

- Objectives
- Methodology
- Lesson Plan
  - The economics of development and less developed countries
  - The basics of microfinance
  - The project
- Evaluations
- Bibliography and Websites
Objectives:

- To apply micro and macro economic principles to real global problems, such as poverty.
- To demonstrate an understanding of microfinance and how small loans can be managed to assist poor people in developing nations.
- To have an understanding of quality of life indicators and economic data in less developed countries and industrially advanced countries.
- To demonstrate an understanding of the cycle of poverty.
- To understand why some countries are poor and some rich.
- To understand the difference between economic development and economic growth.
- To have hands on experience in a microfinance cooperative.
- To discuss what role social responsibility should play in a market economy.

Methodology:

Lectures and Discussion: Throughout the semester this lesson involves a progression of lectures and discussions on the creation of wealth in poor and rich nations. Students should have an understanding of how economic, social, and political institutions affect how resources, goods, and services are allocated in nations around the globe. The discussion of poor nations should include quality of life measurements and economic indicators as compared to industrially advanced nations. Students should also have an understanding of the cycle of poverty, barriers to economic development and growth, and traditional theories of economic development.

Readings: Several chapters from a standard principles book are relevant to the material. I have identified three chapters from Macroeconomics (7E) by David Colander that I will use in my learning progression throughout the semester. Instructors should identify units in their text that focus on LDCs, economic policy in LDCs, and a discussion of economic systems and institutions. The following chapters in David Colander’s principles text are identified below:

Chapter 18: Macro Policy in Developing Countries (Macroeconomics 7E, Colander)

Chapter 8: Growth Productivity and the Wealth of Nations (Macroeconomics 7E, Colander)

Chapter 3: Economic Institutions (Macroeconomics 7E & Microeconomics 7E, Colander)

A lecture and discussion should also be included about the history of microfinance as well as a discussion of what role social responsibility should have in a market economy.
Experiential Activity: This module includes an experiential activity where students participate in a microfinance project.
Lesson Plan:

The Economics of Development and Less Developed Countries

- As a homework assignment, have students choose a less developed country to investigate. Have them gather some basic information about the nation, such as:
  - The nation’s location on a map.
  - The nation’s political and economic systems and other formal and informal rules and institutions that affect economic behavior.
  - Economic data, such as unemployment, growth in real GDP, per capita income and inflation. Compare this data to measures in the USA.
  - Quality of life indicators such as literacy rate, life expectancy, and per capita energy consumption. Compare this data to measures in the USA.
  - Significant challenges/barriers to economic development & growth, such as law and order, infrastructure, health, access to capital, or education.

- Have students report back to the class and debrief the activity.

- Discuss the difference between economic development and economic growth.

- Prepare a lecture that discusses traditional theories of economic development and road blocks to economic growth and development.

- Consider watching this short video in class from http://www.miniature-earth.com

The Basics of Microfinance

- Ask student to find a current events article about Muhammed Yunus, the founder of the Grameen Bank and winner of the 2006 Nobel Peace Prize. Discuss his ideas and the development of microfinance.

- Discuss the 16 principles and the overall mission of the Grameen Bank

- Discuss a case study of how a microfinance cooperative works.

- Explore the use of microfinance globally and in the United States
The Project

This optional project can be a semester long project or can be conducted in a single day depending on the aim of the instructor.

Divide the class into groups of 4 or 5 students. One group will become the microfinance cooperative (the lender) and the other groups will become microenterprise developers.

Each microenterprise group will decide on a small money making business that could be realistically operated on campus. Each group will develop a business proposal and submit an application to the microfinance cooperative. After the plans have been submitted, the cooperative will decide how to allocate the available funds. The cooperative will have $100 (using real money is optional!) that they can award as a loan to the most viable business plan. The cooperative will choose the most viable business plan and award that group up to a $100 micro loan. A contract will be drawn up and the money allocated.

You may consider allocating real money and allowing students to develop the most viable business plan. Once the money is allocated, the microfinance cooperative will audit the operation and the class will then focus on implementing the business plan. The loan must be repaid by the contract due date and all profits will be returned to the instructor and donated to a micro loan organization, such as Kiva.
Evaluations:

End of Module Evaluation

Individuals should reflect on what they have learned about microfinance, economic development in poor nations, and the dynamics of working with classmates in a group setting using the following module end evaluation. The first semester data can be used as a baseline to measure the effectiveness of the lesson over time.

<table>
<thead>
<tr>
<th>Evaluation Item</th>
<th>Students should rate the statement on a scale of 1-10. 1 being “I strongly disagree” and 10 being “I strongly agree”.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I enjoyed working as a team with other students</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>I can explain the cycle of poverty</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>I can explain microfinance and comment on the value of microfinance</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>I can explain traditional theories of developmental economics</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>I understand the difference between economic growth and economic development.</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>I can make sense of measures of economic development, such as per capita GDP,</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>% growth of GDP, inflation rates, and unemployment rates.</td>
<td></td>
</tr>
<tr>
<td>I can make sense of measures of quality of life indicators such as literacy</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>rates, life expectancy, and per capita energy consumption.</td>
<td></td>
</tr>
<tr>
<td>I can comment on the role of social responsibility in a global, market</td>
<td>1 2 3 4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>economy.</td>
<td></td>
</tr>
</tbody>
</table>
Start/End Module Quiz

Instructors should also consider delivering this quiz at the start of the unit and the identical quiz at the end of the unit. This will give students a tangible tool to assess what they have learned. You may consider adding more questions.

1. What is per capita GDP in the USA?
2. What is the per capita GDP in Bangladesh?
3. What is the world’s average per capita GDP?
4. Which nation is poorest in the western hemisphere?
5. Where is the poorest place in the USA?
6. What is the world’s population?
7. How many of the world’s inhabitants live on $2 per day?
8. What is the difference between economic growth and economic development?
9. How would you define microfinance?
Bibliography:


Websites:

*Microfinance, global education, and economic data websites*

http://www.grameen-info.org

http://muhammadyunus.org

(Consultative Group to Assist the Poor):

http://www.cgap.org

Kiva – a microfinance website:

http://www.kiva.org

For a series of case studies on developing nations and other information about teaching microfinance:

http://www.globaleducation.edna.edu.au/globaled/go/cache/offonce/pid/967;jsessionid=43F0371C7DCF433826F9AAE865DF48D8

Interesting video to watch in class:

http://www.miniature-earth.com

*Economic and Quality of Life Indicator Data*

Worldbank

http://www.worldbank.org

CIA World Factbook

Economist Magazine – Country Briefings

http://www.economist.com/countries/