GROSS DOMESTIC PRODUCT

1 ***Why would we want to look at GDP using these different approaches?***

Calculating GDP in different ways provides economists with a better understanding of how the economy is doing by taking an in-depth look. For example:

- The expenditure approach helps in understanding the demand side of the economy, showing how different sectors (consumers, businesses and government) are spending their money and driving economic activity. This also helps us look at spending confidence—the appetite of consumers and businesses to spend or invest in the economy.
- The production approach helps us understand the supply side of the economy. It can help identify which sectors are growing or declining. It also shows the impact of automation, technologies or efficiencies that, while helping production, could cut jobs. Increased production and decreased consumer spending would be accounted for in this approach to measuring GDP.
- The income approach helps us see how economic prosperity is distributed among workers, businesses and governments. A better understanding of wages and profits also helps to measure labour productivity, or output per worker.

Measuring GDP to uncover the smaller movements in the economy helps to show how an economy is actually working. It also helps us understand how the labour-productivity relationship might be changing.

Using these three different approaches can also help economists check that GDP estimates are consistent and therefore correct.

2 ***Circle the goods or services below that you think are used to calculate GDP, and put an 'X' over the ones that are not.***

All of the examples are used to calculate GDP except for the following:

- The dollar value of volunteer hours: Unpaid work is not counted in GDP.
- Used goods: These are not counted in GDP because that would be double counting after the original production and sale of the goods.
- The black market: Black market purchases are not counted either.

3 ***Why might per capita GDP be a more useful measure than total GDP when comparing the economic well-being of countries? Complete the following 2016-2020 table.***

Per capita GDP is often considered a more useful measure than total GDP because it allows for a more meaningful comparison between countries of different sizes. Looking at this information, you can see that the GDP of some large countries would be quite small when the total is divided by their populations.

These data raise questions about class divides between different countries. A high per capita GDP suggests that citizens of that country have a higher average income and potentially better access to goods and services than citizens of a country with lower per capita GDP. And wealth is often more evenly distributed in countries with higher per capita GDP, making it easier for them deal with economic shocks and slowdowns.

GDP per capita ranking	Country	Population average, (millions)	GDP per capita ($)	Total GDP ranking	Country	Total GDP ($ in trillions)	Population average (millions)
1	Singapore	5.6	$107,200	1	China	$23.9	1402
2	Ireland	4.9	$92,800	2	United States	$22.5	327
3	Switzerland	8.5	$76,700	3	India	$9.6	1368
4	Norway	5.3	$70,600	4	Japan	$5.9	126.8
5	United States	327	$68,900	5	Germany	$5.0	82.8
6	Hong Kong	7.4	$66,700	6	Indonesia	$3.4	267
7	Netherlands	17.2	$62,900	7	Brazil	$3.4	210
8	Germany	82.8	$59,800	8	United Kingdom	$3.4	66.4
9	Sweden	10.2	$58,900	9	France	$3.4	67.2
10	Belgium	11.4	$57,100	10	Italy	$2.8	60.2
13	Canada	36.9	$54,400	26	Canada	$2.0	36.9

(Source: The World Bank)

4 ***Give out the following awards:***

The country with the biggest leap in total GDP since 1980:
China has made the largest leap by a landslide, with India in second place.

The continent with the highest per capita GDP over the past 10 years:
Europe consistently ranks the highest, especially the Northern European countries (Germany, Denmark, Norway, Sweden, etc.).

The top-three performing original BRICS (Brazil, Russia, India, China and South Africa) countries in the past 10 years:
China is the clear winner, with Brazil and India as honourable mentions.

5 Use the data to explain the following statement:
The US economy isn't decreasing; instead, other countries' economies are increasing.

The United States has consistently had a high GDP. At the same time, other countries' GDPs have grown. The US share of global GDP has gone down, compared with the shares of global GDP of the rest of the countries in each list in question 3. Yet overall, US GDP continues to grow. The data show that countries with a large middle class and growing population also demonstrate a growing GDP. A variety of countries are narrowing the economic gap between the United States and the rest of the world.

IMMIGRATION

1 ***Identify times throughout history when immigration to Canada seems to have slowed down. Why do you think that might have been? Complete the table below to help answer the question.***

Time Frame	Canadian population average (rounded to the nearest 100,000)	Average number of newcomers to Canada per year
1867-1895	4.3 million	64,100
1896-1915	6.3 million	162,400
1916-1931	9.1 million	104,600
1932-1940	10.9 million	14,500
1941-1967	15.5 million	105,900
1968-1988	23.9 million	107,000
1989-2008	30.3 million	190,000
2009-2017	35.1 million	241,200

What appears to be a major slowdown in immigration can actually be a moderation after a high wave.
For example:

- The year 1913 saw one of the highest numbers of Canadian immigrants in history, closing a nearly two-decades-long push for immigrants to clear land and develop agriculture in Western Canada. This time period was also affected by low immigration during the First World War.
- The 1930s included the Great Depression and the start of the Second World War, and both events severely reduced the number of immigrants coming to Canada.

2 ***Looking over the data—and thinking about what you may already know—can you explain how the First and Second World Wars affected immigration in Canada?***

Both World Wars required increased production and manufacturing to support the war effort. And since goods were rationed, there were few resources available for newcomers.

- During the First World War, Canada halted immigration from countries that it was at war with. Labour unrest and rising communism after the war also resulted in restrictive immigration policies.
- At the end of the Second World War, returning soldiers stationed in continental Europe brought back over 60,000 "war brides" and their children. This was one of the largest crossings of immigrants to Canada, with most of the newcomers arriving at Pier 21 in Halifax. Displaced citizens from across a war-ravaged Europe also came to Canada.

3 ***Look at the timeline data for shifts in the number and origin of immigrants. At a certain point, Canada shifted away from discriminatory immigration policies. When do you think that change occurred?***

The change to a points-based immigration policy happened at the end of 1967. In the years before this, immigrants to Canada came largely from predominantly white countries. When comparing the data from 1941–67 with those from 1968–88, we can see that immigration from Asia grew by a factor of six. Central America, Mexico and the Caribbean also appear for the first time in the rankings.

4 ***Canada eventually introduced a points-based system that was meant to encourage immigrants with certain skills to come to the country—resulting in a more diverse intake of newcomers.***

What factors do you think would have helped an immigrant applying to Canada to score more points?

When the law first went into effect in 1967, nine areas of evaluation were identified for points to support entry into Canada. These areas were:

- Education and training—formal education or apprenticeship training
- Personal character—according to the legislation, "adaptability, motivation, initiative, resourcefulness and other similar qualities"
- Occupational demand—necessity of specific skills
- Occupational skill—level of skill from unskilled to highly skilled
- Age—maximum points allotted to applicants between 18 and 35 years old
- Pre-arranged employment: whether the applicant had arranged definite employment, showing a potential for continuity
- Knowledge of French and English—reading, writing and spoken fluency of one or both official languages
- The presence of a relative in Canada—having a relative in the country, especially one who could provide support in the municipality being applied to
- Employment opportunities in the area of destination—choosing an area with very strong demand for labour versus one with less demand

The Canadian Museum of Immigration at Pier 21 has a good reference article that provides an overview of the points-based legislation and its impact.

5 ***Looking over the data, what do you think are some of the economic, social and cultural impacts of immigration to Canada?***

Answers might include some of the following points:

- Newcomers may start new businesses, creating jobs and contributing to economic growth through investment.
- Immigration could increase foreign trade and investment because immigrants may be better connected to international businesses due to language, skills and expertise.
- Immigration brings people with a range of perspectives or approaches that may help fill gaps in research, knowledge or expertise.
- Immigration helps counteract an aging local population and low birth rate by supplying the workforce with more workers and providing more tax dollars to pay for social benefits (such as health care).
- In cities with high levels of immigration, such as Toronto and Vancouver, further increasing pressure in the housing market can lead to a rise in rents and home prices.
- Some immigrants may face integration challenges, such as language barriers and official recognition of their credentials.
- The diversity of immigrants shapes and evolves Canada's identity.

FOREIGN DIRECT INVESTMENTS

1 ***What are some of the reasons that businesses and countries might invest in Canada?***

Answers will vary. Global Affairs Canada notes that Canada offers:

- fiscal soundness and a resilient economy
- a low-cost, low-tax environment
- green businesses that support the environment
- a highly educated and competitive workforce
- a gateway to North America and the world
- an environment conducive to leading-edge innovation
- one of the world's most stable financial sectors
- a great place to live and prosper

(Source: "Key facts about Canada's competitiveness," Global Affairs Canada)

2 ***What are the potential benefits and risks for Canadian investments in foreign markets? Think about different factors such as jobs, resources, skills and specializations, political systems, etc.***

Benefits:

Canadian investment abroad can help in:

- securing products for Canadians at a cheaper price due to efficiencies such as specialization of certain goods or services;
- increasing the Canadian investor firm's profits and shares by expanding access to markets where labour or overhead costs are cheaper;
- creating employment for Canadians at international sites by sharing Canadian expertise or intellectual property;
- investing in international companies or stocks at the individual or government level, diversifying growth and helping to mitigate risk.

Risks:

Foreign markets can also be risky investing endeavours:

- Political unrest in some countries could close a market or firm's operations.
- Large fluctuations in exchange rates can be an unexpected expense when paying for goods in a foreign currency.
- Laws in other countries could change and therefore affect subsidies, incentives and permits.

3 ***A business will often use foreign tax havens or financial business centres to help with the movement of its investments. Countries that help with these transactions are called intermediary (or middle) countries. How many of them match?***

Five countries match: Germany, Japan, Switzerland, the United Kingdom and the United States. It is very common for companies to use intermediary countries for large financial transactions. Investors use intermediary countries for several reasons:

- **Access to global markets:** Some intermediary countries are well positioned geographically and serve as a gateway to regional financial markets. They may also have agreements in place that facilitate access to larger or more lucrative markets.
- **Tax benefits:** Businesses can benefit from reduced corporate tax rates or having no capital gains tax to pay, which can significantly reduce their overall tax burden.
- **Regulatory advantages:** Intermediary countries may have more lenient regulations than a business' home country, making transactions easier and faster for that business.
- **Networks of capital:** Intermediary companies often work within large, regional financial markets and can leverage these networks for capital investment.

4 ***Canada, the United States and Mexico have been in continent-wide trade deals since 1994, first with the North American Free Trade Agreement (known as NAFTA), and now with the Canada–United States–Mexico Agreement (CUSMA).***

a. Using the data, describe investment between Canada, the United States and Mexico. What data are missing that would help you get a clearer picture?

Canadian investment in the United States and US investment in Canada both involve sums of money far greater than the investments of any other countries listed in the data tool. This reflects the scale of trade and financial integration of the two countries sharing such a long border. Foreign direct investment between Canada and the United States has been relatively stable and continues to grow.

- Even though North American trade agreements have been in place for decades, Canadian investment in Mexico is still smaller than Canadian investment in many other countries. These data do not reflect the investments that move between the United States and Mexico, nor the money spent by Canadian tourists in Mexico, who are ranked second after Americans for spending their tourist dollars in Mexico.

The missing data are the investment between Mexico and the United States. With these data you could get the full picture of investments moving across the three countries.

b. What advantages do you think the CUSMA agreement brings to its member countries? What might be some disadvantages?

Advantages:
- Economic growth: CUSMA has increased exports and imports among the member countries, which has contributed to higher GDP for all three.
- Specialization: By working together, the countries can each specialize in certain industries to maximize output and reduce competition. This cooperation can also lead to greater production efficiency.
- Lower prices: Free trade agreements remove tariffs on goods, generally making them cheaper for consumers in the member countries.
- Increased investment: CUSMA creates a simpler and less risky investment environment, encouraging greater direct investment between its members.

Disadvantages:
- Dependency on supply chains: The more integrated and specialized production becomes globally, the greater the risk that adverse weather, a political event or other disruption could cause production to slow, stall or stop altogether.
- Dislocation of workers: Firms and workers may need to relocate due to comparative advantages found in one part of an agreement's region versus another. These dislocations may be specific to certain business sectors of a country, even though the aggregated (or overall) benefits of open trade outweigh these negative costs.

5 ***Click on a few countries and open the pop-up windows for each. Compare flows of investments into Canadian companies versus Canadian investments in companies abroad.***

a. What trend do you see: more foreign direct investment in Canada, or more Canadian investment abroad?

Answers will vary.

b. How do you think the geography, demographics, historical connections and movement of businesses of different countries affect the data you are seeing?

Answers will vary but may include:

Geography:

- Flows of goods can be tied to physical capital, such as equipment and property.
- Proximity to another country determines many costs of doing business.

Demographics:

- Countries with large, young populations can offer opportunities for a growing workforce and consumer base.
- Investments in countries with aging populations might focus on sectors like health care.

Historical connections:

- Connections to other Commonwealth countries may provide benefits due to similar laws and social structures.
- Historical and linguistic ties to France might influence investment in other francophone countries around the world.
- Historical trade agreements reinforce friendships between nations.

Changing movement of business:

- The rise of digital technology might lead to greater investment in tech hubs.
- The increased focus on renewable energy and sustainability might lead to increased investment in green projects. Countries such as China, India, Germany, Japan and the United States are leaders in these sectors.

TRADE

1. ***Historians studying Canada's economy leading up to Confederation in 1867 often talk about staples—basic materials important to manufacturing in Europe and elsewhere. Looking at the data, can you guess five staples that early Canada exported to Europe?***

Five staples usually discussed in early Canadian trade were fur, fish, timber, grain and oil. These staples were Canada's main exports both before and after Confederation.

2. ***Give out the following awards to export categories:***

The sector most likely to stay in the top three Canadian exports over time.
The likely answer is "other non-energy commodities," although an argument could be made for "vehicles, chassis and parts" (since their introduction) and "other manufactured products."

The sector least likely to return to its former glory.
Likely answers include "agricultural products" and "wood and paper," given that their numbers peaked in the decades before modern times.

The sector most likely to lead Canada into the future.
Likely answers include "energy commodities" and "other non-energy commodities," given their consistently high rankings over the past three to four time periods and the continued increase in demand for them.

3. ***How would you explain to one of the Fathers of Confederation the changes in trade from 1867 to today?***

Answers will vary but may include:
- The range of goods that Canada trades has expanded dramatically, and the country is less reliant on a few specific staples that could be produced elsewhere.
- Canada has become an energy export leader since the discovery of oil and other energy products that feed an energy-hungry world.
- Exports of popular non-energy commodities have increased.
- Agriculture exports are much smaller now than they were in the past.
- Canada has a lucrative automotive and parts industry (although you'd need to explain to them what a car is).

4. ***Looking over the data, why do you think Canada might want a diversified economy?***

A diversified economy helps prevent booms and busts at a national scale. If a country diversifies its sources of revenue, it can more easily ride out a sudden change in the global demand for a particular commodity. Having different sectors to "fall back on" can help provide a stable source of revenue to weather economic hard times or deal with changing investment regulations, such as those influenced by environmental issues.

5. ***Create a web of jobs from a high-ranked imported or exported product. Begin by placing the product in the middle of the page. Branch out from there to list jobs directly related to creating it, and then to indirect jobs associated with that product or industry.***

Answers will vary. A direct job will immediately connect an employee to a business—such as a geologist working at a mine. Indirect jobs support that worker, such as jobs in transportation, grocery stores and government services. An indirect job is one that benefits from the demand created by an industry in a community.