

Concept 9 – Economic Systems Companion Activity

**Teacher Instructions**

1. Distribute one copy of the companion activity worksheet below (page 2) to each student and instruct students to review the economic systems concept summaries on the three reading level pages: beginner, intermediate, and advanced.
2. Direct students—perhaps in pairs or small groups--to preview the Econ Express Beginner Practice activity, “Pick a country to begin”. Prompt students to record their responses in the chart by completing the chart on the companion activity sheet.
3. Instruct students to answer the fill-in-the-blank questions, #’s 1-3, and then to construct a response for class discussion to prompt #4.

**KEY**

|  |  |  |
| --- | --- | --- |
| **Statement** | **Market tendency** | **Command tendency** |
| Only 5% of all businesses are owned by the citizens of the country. |  | ***X*** |
| All citizens are guaranteed a job, housing, and healthcare by the government. |  | ***X*** |
| Recently a law passed allowing workers in a few industries to keep 90% of their income, a major increase. | ***X*** |  |
| Innovation has been slow because the country refuses to recognize private patents and ownership of intellectual property. |  | ***X*** |
| All international trade is heavily regulated and controlled through a series of laws and trade barriers.  |  | ***X*** |
| It only takes two days to get a business started. | ***X*** |  |
| Country B’s patent and trademark office markets sure people’s ideas and inventions are legally protected from being stolen. | ***X*** |  |
| Schools and colleges across the country have received grants to increase entrepreneurship programs to encourage citizens to start their own businesses. | ***X*** |  |
| Recently, taxes have been raised significantly to provide more unemployment insurance and national healthcare. |  | ***X*** |
| Businesses in Country B must meet strict requirements for recycling, air quality, and pay a high minimum wage to their employees. |  | ***X*** |

***SUGGESTED RESPONSES:***

1. ***Mixed economic system- privately own businesses direct the allocation of resources and consumers play a role when they make purchases. Government reallocates tax revenues to provide public goods and services.***
2. ***Command economic system- an entrepreneur is stifled by the government which regulates where, when, and how resources like groceries will be allocated in an economic zone (unlike a market oriented to the demands of consumers and the willingness of suppliers to meet the needs of customers).***
3. ***Market economic system- a government exists only to serve the interest of the market’s resource owners, the private citizens. The limited role of government may ignore marginalized society or those unable to participate in the market system’s price allocation system. Resources are allocated by the property owners—entrepreneurs—and income earners.***
4. ***Answers will vary. This discussion question should provoke a class conversation on the ability of market economies to allocate scarce resources to buyers as motivated by the potential for profit. In a market system, if there are not enough resources available, prices will rise until sellers are incentivized to provide the desired amounts of goods or services. In command systems, the availability of inputs depends on what is specified in the government’s plan or stated economic goals. There is limited opportunity for spontaneous competition for profits by the voluntary and mutually beneficial sale of resources which produce privately demanded goods and services.***



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All economies must answer basic questions like what goods and services to produce, how to produce these goods and services, and how to distribute the goods and services – using their scarce resources. The answers to these questions depend on the **economic system** that is in place. In a **pure market economy**, the basic economic questions are answered by private individuals and businesses freely interacting over time. Private property is protected, and competition and negotiation are encouraged. In a **pure command economy**, the basic economic questions are answered by the government, which owns the productive resources and handles distribution of goods and services. Most modern economies are mixed economies -- combinations of market and command with some cultural traditions sprinkled in as well. Nations can slide along this spectrum as different leaders, policies, or social and economic goals become important.

Classroom activity: After reviewing the “five basic variables” of an economic system on the Advanced learning page, determine if the statements below reflect a market tendency or a command tendency.

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| --- | --- | --- |
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**Identify which of the economic systems (command, free market, or mixed) applies in the following examples. Review the reading on the Intermediate learning page if necessary:**

1. Businesses stock and sell the goods their customers want, and the government levies a sales tax on each transaction in order to fund public goods such as schools, libraries, parks, or programs for the poor and needy. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. A woman wants to start a “fair-trade” grocery store in her neighborhood and finds she cannot do so unless the government allows a grocery store to be constructed in her economic zone.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. The only taxes levied by the government are to pay for national defense, law enforcement, and a legal system designed to promote competition and enforce contracts between private citizens. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. In market economies, businesses rarely worry about the availability of resources to produce their products, whereas command economies constantly struggle with resource availability. Describe how the private ownership of resources (input), the price mechanism, and profit motivate in a market system create freedom from resource misallocation.