

## Lesson 7: How do societies respond to scarcity?

### Big Ideas of the Lesson

- Societies organize their economic systems based on how they answer the three fundamental economic questions: What is produced?, How is it produced?, and For whom is it produced?
- Societies differ in how they value different economic goals such as economic freedom, economic equity, economic efficiency, economic security, economic stability, full employment, and economic growth.
- A traditional economy values the past and societal goals are determined by ancestral beliefs and customs.
- A command economy strives to strictly follow the directives of the government.
- A mixed economy attempts to combine the best of individual incentive and government involvement.

**Abstract:** Economic systems evolve in response to the fundamental economic problem faced by all societies: unlimited wants and limited resources, also known as scarcity. An economic system is a set of institutional arrangements and mechanisms that coordinate the institutions to respond to this fundamental economic problem. Economic systems differ in how they answer three economic questions: What is produced?; How is it produced?; and For whom should it be produced? Economic systems also differ as to who owns the factors of production and the methods used to coordinate and direct economic decisions. All economic systems today are mixed economies with varying degrees of governmental and market emphasis. In this lesson, students are introduced to some of the ways societies have addressed the fundamental economic problem of scarcity through a PowerPoint presentation. They then engage in a simulation in which they experience three distinct economic systems -- command, mixed, and traditional. Students reflect on their experiences through small and whole class discussion, analyzing the differences among the economic systems.

**Content Expectation:** E1.1.1; E1.4.2; E1.4.4; E2.2.1; E3.1.1; E3.1.5

**Common Core State Standards for History/Social Studies:** RH.9-10.4, and 10; WHST.9-10.4 and 9

**Key Concepts:** choice, economic systems, economic social goals, factors of production, markets, scarcity, voluntary exchange

### Prior Preparation Needed:

1. Before beginning the simulation, the teacher should be familiar with the “**Economic Systems Simulation Teacher Guide**” located in the *Supplemental Materials (Unit 1, Lesson 7)*. This document describes the role the teacher should play for each economic system. It also provides the teacher with what materials are needed for the simulation.
2. The teacher should also make copies of the “**Economic Systems Note-Tracker**,” located in the *Supplemental Materials (Unit 1, Lesson 7)* for every student.
3. It is recommended that the teacher prints the PowerPoint handouts (3 slides per page) of the “**Economic Systems and Economic Goals**” of the *PowerPoint (Unit 1, Lesson 7)* for every student.
4. The teacher should also make class copies of the “**Economic Systems Descriptions**” and the “**Economic Systems & Economic Goals Assessment**” for each student, both of which are located in the *Supplemental Materials (Unit 1, Lesson 7)*.

### Lesson Sequence

1. Begin the lesson by explaining to students that people have come up with different ways to organize themselves to meet their needs and wants. This is reflected in what we consider an economic system.

Introduce students to the concept of economic systems and the goals of each economic system by displaying **Slides 1-2** of the “**Economic Systems and Economic Goals**,” *PowerPoint (Unit 1, Lesson 7)*.

- Next, distribute copies of the “**Economic Systems Note-Tracker**” located in the *Supplemental Materials (Unit 1, Lesson 7)* to each student. Display **Slide 3** of the *PowerPoint* and explain to students that there are some basic ways people living in groups address the fundamental economic problem of scarcity. Since all societies face the same problem, people have devised different ways to solve the problem. Economists have labeled these different ways as a “traditional economy”, a “market economy”, and a “command economy”. Explain to the class that in order to understand the differences among these systems and how they work, they will be engaging in a simulation. Explain that as part of the simulation, they will experience different economic systems. Describe some basic differences among these systems using **Slides 4-6**.

**Teacher Note:** Students will not be experiencing a true market economy but rather a mixed economic system in the simulation because it is most representative of the economy in the United States. A true market system would not need laws or regulations to protect consumers or businesses. The intention here is that students understand that the US economy pulls the best pieces of each system. Students will learn this part through the simulation so the PowerPoint does not bring up a mixed economy at this time.

- Display **Slide 7** and explain that economists look at different aspects or criteria in determining the type of economic system. Review the different criteria used by economists on **Slide 7**. Point out that basically, these criteria are based upon the ways that people in groups answer the three basic economic questions:
  - What is produced?
  - How is it produced?
  - For whom should it be produced?

Direct students’ attention to the last column of their “**Economic Systems Note-Tracker**” and explain that after each simulation, they will have a chance to reflect on how those questions were answered according to their experiences.

- Use **Slide 8** to explain the two columns related to economic goals on the “**Economic Systems Note-Tracker**” chart. Then, use **Slides 9-14** to explain the six economic goals that economic systems attempt to address. Be sure to explain to students that while all of these goals are important, societies differ in the weight they place on each. Some of these differences can be seen in looking at how different economic systems operate. Emphasize that, as part of the simulation, they will have to figure which values are most important to each economic system and provide evidence of its importance from the simulation.
- Answer any questions students may have about the categories on the “**Economic Systems Note-Tracker**” with students and explain to the class that they will complete this document as they complete each round of the simulation.
- Distribute copies of the “**Economic Systems Descriptions**,” located in the *Supplemental Materials (Unit 1, Lesson 7)* to the students. Each student should have a stapled packet containing all three systems. Arrange the room so that there are three separate stations and label them as A, B, and C based on the descriptions in the “**Economic Systems Descriptions**” handout. Explain to students that they will be using these descriptions to help them during the simulation. Divide the class into three groups and assign each group one of the economic systems (traditional, command, mixed) to start in. Have students move to their respective stations but be sure to explain to students that they will rotate through each system as the simulation will occur in three rounds. Have students read the appropriate description based on their placement into an economic system.

7. Answer any questions students may have before beginning the first round of the simulation. Explain that each group should follow all the rules and directions as to how to organize the economy to make rings, necklaces, and bracelets with colored beads. Check with each group to make sure instructions are understood. Use the “**Economic Systems Simulation Teacher Guide**,” located in the *Supplemental Materials (Unit 1, Lesson 7)*, to help facilitate the entire simulation. Engage students in the first round for 10 minutes. **Teacher Note:** Each group should be simulating a different system for each round to allow the teacher to play out his/her instructions.
8. At the conclusion of round one, allow time for student to keep track of their productivity, items sold, collective earnings and individual earnings by distributing the “**Jewelry Factory Production and Earnings Ledger**,” located in the *Supplemental Materials (Unit 1, Lesson 7)* to each student. Instruct each group to record the information on the ledger. There is a space on the ledger to denote how the group did as well as individual students so it is recommended that students each have their own ledger, but they should be allowed to work as a group to fill out the totals (except for the individual earnings). **Teacher Note:** It is helpful if the teacher also keeps track of this on the board or overhead to monitor how each economic system is progressing.
9. Once students have tallied their results on the “**Jewelry Factory Production and Earnings Ledger**,” instruct them to complete the “**Economic Systems Note-Tracker**” at the conclusion of the round based on their experiences.
10. Have students rotate to a different economic system, read the description, and engage in the simulation again for 10 minutes. Allow time for students to record their results on the “**Jewelry Factory Production and Earnings Ledger**,” and the teacher should do the same. Also allow time for students to fill out their “**Economic Systems Note-Tracker**” at the conclusion of the round.
11. Conduct the simulation for a third time, with students switching to another station. At this point, all groups should be at their third station. Allow students time to read the description, and engage in the simulation for 10 minutes. After students have tallied their results on the “**Jewelry Factory Production and Earnings Ledger**,” allow students time to reflect on the simulation by completing the last section of their “**Economic Systems Note-Tracker**.”
12. After students have completed all three rounds of the simulation and filled out the “**Economic Systems Note-Tracker**,” have students number-off so the class forms 8 small groups with each new group containing members from the original simulation groups. Have students discuss the results their “**Jewelry Factory Production and Earnings Ledger**” and “**Economic Systems Note-Tracker**”. As students are sharing the results, move around the room and listen to the conversation. Pay close attention to any differences that surface when students are discussing the responses to the “**Economic Systems Note-Tracker**”.
13. Debrief the responses from the “**Economic Systems Note-Tracker**” document with the whole class. During the debriefing, be sure to address the following:
  - A description of each economic system
  - The most important economic goals for each system based on how it operated
  - The reasoning when selecting specific economic goals for each system
  - How each economic system would answer the three economic questions: What to produce? How to produce it? For whom to produce?
  - Was there a pure market system anywhere? Explain.

During the discussion, display **Slide 15** and explain to the class that the economic system “C” is similar to what we have in the United States. Explain that the United States does not have a pure market system,

because government intervention is part of the system. Explain that government intervention can take many forms such as laws or rules that govern the behavior of buyers and sellers, as well as protections for consumer health and safety. Ask students to share some of the ways the government is involved in the economy to protect the welfare of consumers. Also point out that the government involvement includes making, enforcing, and adjudicating disputes related to contracts. Another way that government is involved in the economy is through programs such as social security, unemployment compensation, and the like which redistribute wealth. Finally, the government provides incentives and disincentives for economic behavior through taxes, fees and fines.

14. Also take time to ask groups specific questions regarding the command economy and mixed economy, such as the following:

Command Economic System (keep in mind there doesn't need to be a logical or reasonable answer):

- What was the rationale of making 10 rings first?
- Why was there such a complicated arrangement of beads?
- Did any groups notice the mistake in the color bead arrangement for the necklace design?
- What are your thoughts on receiving \$7 for your efforts if you were not a supervisor?

Mixed Economic System

- Who was laid off?
- Did you get re-hired? (Ask the boss why the student was re-hired or why the student was not re-hired).
- Did the laid-off employee receive less compensation than others?

As part of this debriefing and discussion, remind students that this simulation, like any, cannot mimic all the possibilities and nuances of the real world, but it is an attempt to highlight important distinctions between three economic systems that have evolved over time. Help students to understand that these economic systems were not generated in a vacuum, but many of their ideas and characteristics come from responses to one another and as honest efforts to improve material standard of living.

15. Lastly, the teacher can assign the “**Economic Systems & Economic Goals Assessment**,” located in the *Supplemental Materials (Unit 1, Lesson 7)* as an in-class assessment or take-home assessment.

## Resource Section

### Content Expectations

- E1.1.1:** Scarcity, Choice, Opportunity Costs, and Comparative Advantage – Using examples, explain how scarcity, choice, opportunity costs affect decisions that households, businesses, and governments make in the market place and explain how comparative advantage creates gains from trade.
- E1.4.2:** Government and Consumers – Analyze the role of government in protecting consumers and enforcing contracts, (including property rights), and explain how this role influences the incentives (or disincentives) for people to produce and exchange goods and services.
- E1.4.4:** Functions of Government – Explain the various functions of government in a market economy including the provision of public goods and services, the creation of currency, the establishment of property rights, the enforcement of contracts, correcting for externalities and market failures, the redistribution of income and wealth, regulation of labor (e.g., minimum wage, child labor, working conditions), and the promotion of economic growth and security.
- E2.2.1:** Federal Government and Macroeconomic Goals – Identify the three macroeconomic goals of an economic system (stable prices, low unemployment, and economic growth).

- E3.1.1:** Major Economic Systems – Give examples of and analyze the strengths and weaknesses of major economic systems (command, market and mixed), including their philosophical and historical foundations (e.g., Marx and the Communist Manifesto, Adam Smith and the Wealth of Nations).
- E3.1.5:** Comparing Economic Systems – Using the three basic economic questions (e.g., what to produce, how to produce, and for whom to produce), compare and contrast a socialist (command) economy (such as North Korea or Cuba) with the Capitalist as a mixed, free market system of the United States.

### **Common Core State Standards for Literacy in History/Social Studies:**

**RH.9-10.4:** Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social studies.

**RH.9-10.10:** By the end of grade 10, read and comprehend history/social studies texts in the grades 9–10 text complexity band independently and proficiently.

**WHST.9-10.4:** Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience.

**WHST.9-10.9:** Draw evidence from informational texts to support analysis, reflection, and research.

### **Instructional Resources**

#### Equipment/Manipulative

Bead containers— a mixture of red, green, blue, and yellow beads. (Do not give the lids to the containers to the groups as they will be used later in the game.)

Computer with PowerPoint capability and a LCD or display

4 Dixie Cups – at least 4 and these stay with the teacher

5 Rulers

Scissors – enough for half of the class

Spool of string (If you can find two types of string: thin, spool of thread and a thicker, plastic string is preferable)

#### Student Resources

Gustafson, Kathryn, Brian Pierce and Scott Warrow. *PowerPoint (Lesson 7, Unit 1)*. Teacher-made materials. Oakland Schools, 2014.

- - -. *Supplemental Materials (Lesson 7, Unit 1)*. Teacher-made materials. Oakland Schools, 2014.

#### Teacher Resources

Gustafson, Kathryn, Brian Pierce and Scott Warrow. *Supplemental Materials (Lesson 7, Unit 1)*. Teacher-made materials. Oakland Schools, 2014.