

Delaware Model Unit

This unit has been created as an exemplary model for teachers in (re)design of course curricula. An exemplary model unit has undergone a rigorous peer review and jurying process to ensure alignment to selected Delaware Content Standards.

Unit Title: Economic Systems

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District: Red Clay Consolidated School District

Content Area: Social Studies

Grade Level: 6

Summary of Unit

This unit explores the characteristics of different economies (traditional, command, market, and mixed) and how each economy makes production, exchange, and distribution decisions based on cultural values, resource availability, and use of technology.

Students will first learn how each type of economy answers the three basic economic questions:

- What to produce?
- How to produce?
- Who receives it?

Students will participate in activities that compare economies. The culminating task has students research and create a museum display of how the production of one good has changed over time by looking at culture, resources, and technology used to produce that good.

Stage 1 – Desired Results

(What students will know, do, and understand)

Delaware Content Standards

- **Economics Standard Three (6-8):** Students will demonstrate the ways in which the means of production, distribution, and exchange in different economic systems have a relationship to cultural values, resources, and technologies.

Big Ideas

- Economic Systems
- Production
- Distribution
- Exchange
- Cultural Values
- Productive Resources
- Technology

Unit Enduring Understandings

Students will understand that...

- Because resources are scarce, societies must organize the production, distribution, and exchange of goods and services.
- The way societies make economic decisions depends on cultural values, availability and quality of resources, and the extent and use of technology.
- Changing economic systems impact standards of living.

Unit Essential Questions

- How are decisions about the production and distribution of goods and services dependent upon cultural values, availability and quality of resources, and the extent and use of technology?
- How does a society's economic system impact its standard of living?

Knowledge and Skills

Students will know...

- All societies answer three basic economic questions:
 - What to produce?
 - How to produce?
 - Who receives it?
- Many factors influence the production of goods and services including cultural values, availability and quality of resources, and extent and use of technology.

Students will be able to...

- Evaluate different methods of distribution.
- Describe various methods of production.
- Analyze how culture and productive resources affect the production of goods and services.

Stage 2 – Assessment Evidence

(Evidence that will be collected to determine whether or not Desired Results are achieved)

Transfer Task

Essential Question Measured by the Summative Assessment

- How are decisions about the production and distribution of goods and services dependent upon cultural values, availability and quality of resources, and the extent and use of technology?

Prior Knowledge	Now that you have learned about ways that different economies answer the three basic economic questions, you are ready to compare how the production and distribution of goods has changed over time.
Problem	The new museum of Economic History is looking for exhibits that detail how the production and distribution of goods have changed over time.
Role/Perspective	You will create an exhibit of one product. Your exhibit will show the interesting facts about the production changes that have occurred.
Product/Performance	You may choose to share your exhibit in one of following ways: <ul style="list-style-type: none">▪ Mini-Exhibit using project board.▪ PowerPoint or other computer program.▪ Poster.▪ Another way if pre-approved by your teacher.
Criteria for Exemplary Response	For your selected product your exhibit must show: <ul style="list-style-type: none">▪ How culture impacts the production and distribution of your product.▪ How resources are selected to make your product.▪ Whether the production technology to make your product changed or not.▪ Summary statement about economic systems and production for your product are related.

Rubric

	Cultural Impact	Resource Selection	Production Technology	Summary
3 Above	Full or comprehensive list of how culture influences the production of the product.	Full explanation of how resources are obtained, secured, and selected for the production of the product.	Full and complete comparison of the production methods and technology used to produce the product.	Complete summary with a strong and convincing conclusion as to the type of economic system(s) used.
2 Meets	Most cultural influences are identified, with only one or two factors not mentioned.	Partial explanation of how resources are obtained, secured, and selected for the production of the product.	Partial comparison of the production methods and technology used to produce the product.	Complete summary that may or may not have a strong and convincing conclusion as to the type of economic system(s) used.
1 Below	Few references as to how culture impacts the production of the product.	Weak explanation or description of the necessary resources.	Weak comparison of the production methods and technology used to produce the product.	Summary is vague without appropriate conclusion.

10 to 12 points = Above the standard

7 to 9 points = Meets the standard

4 to 6 points = Below the standard

Student Self-Assessment and Reflection

When students are required to think about their own learning, to articulate what they understand and what they still need to learn, achievement improves.

– Black and William, 1998; Sternberg, 1996; Young, 2000.

How a teacher uses the information from assessments determines whether that assessment is formative or summative. Formative assessments should be used to direct learning and instruction and are not intended to be graded.

The Checks for Understanding at the end of each instructional strategy should be used as formative assessment and may be used as writing prompts or as small-group or whole-class discussion. Students should respond to feedback and be given opportunities to improve their work. The rubrics will help teachers frame that feedback.

An interactive notebook or writing log could be used to organize student work and exhibit student growth and reflection.

Stage 3 – Learning Plan

(Design learning activities to align with Stage 1 and Stage 2 expectations)

Lesson One

Background

By the end of 5th grade, students should have an understanding of the three basic economic questions—What to Produce? How to Produce? Who should get it? Also included in the Grade 4-5 benchmark is the understanding of the three basic types of economies: traditional, command, and market. This lesson serves as a review and also as a pre-assessment of what students understand about economic systems.

From the Delaware Clarifications Document:

In Standard Three, emphasis is placed on production, distribution, and exchange.

Production refers to how goods and services are produced. Are goods handmade by individual craftsman or are they made through division of labor or with the use of extensive technology? Distribution refers to distribution of goods and services. Once goods and services are produced, how is it decided for whom? Exchange refers to how goods and services are traded and paid for.

The three types of economic systems—**traditional, command, and market**—have different ways to answer the three economic questions. On the simplest level, **traditional economies** tend to do things the way they have always been done. Members of these societies tend to produce what they have always produced using the same methods as their ancestors and distribute or distribute the final products the way custom dictates. In **command economies**, central planners determine what and how much to produce based on politically determined goals. Central planners also determine the type and combination of resources used to produce the goods and services. In command economies, the “for whom” question is answered by central planners who set wages, incomes, and prices for goods and services. Prices are usually set below the market price, creating shortages. In a **market economy**, consumer preferences, producer costs, and profit considerations determine what and how much of a good or services to produce.

The decision of which resources to use, in what combinations, and with what technology is made by individual businesses. They use the mix of human, natural, and capital resources that minimizes production costs and maximizes profits. Human resources earn income which determines the amount of goods and services they can purchase. Producers compete for consumer dollar votes and use information about spending patterns and their production costs to make production and pricing decisions.

Essential Question

- How do different economies answer the three basic essential questions?

Instructional Strategies

Strategy 1: Gathering Information Jigsaw Vocabulary – Groups

In groups of four, have students divide the vocabulary words among the group members. Each student should be responsible for two words. Have students write the words on an index card and the definition on the back.

When the cards are completed, have students count off by 4s. Have students re-form groups by finding other students with different assigned numbers (a new group of students).

Students should then share by saying: My first vocabulary word is _____, and it means _____. Students return to original groups after sharing. Throughout the unit, you can have students share their assigned words with others in their group or in a newly formed pair or group as constant exposure to these words.

Vocabulary Words

- | | |
|--|--|
| 1) Production
Distribution
Command Economy | 3) Resources
Cultural Values
Traditional Economy |
| 2) Exchange
Economic System
Market Economy
Standard of Living | 4) Productivity
Gross Domestic Product (GDP)
Capital Resources
Technology |

(See [Handout 1-1](#) for Vocabulary Words)

Check for Understanding

- ❖ Have students share their assigned words with others.

Strategy 2: Extending and Refining Graphic Organizers

Teacher Tip: You may want to have students complete the chart for this strategy as the unit develops or regroup the words and introduce when the concept is being introduced.

Below are some of the key concepts to emphasize as you teach this lesson.

The Difference Between the Various Types of Economic Systems

While no country's economy is purely traditional, command, or market, one of these types of systems will predominate. Economic systems are necessary because scarcity forces every society to decide what, how, and for whom to produce.

Which Economic System Is Best?

Most agree that market economic systems do the best job in preserving individual freedom and raising standards of living. It is important to realize that in a market system one does not have the freedom to harm or defraud individuals. Even in a "pure" market system there

are laws against theft, cheating, and fraud. Also, proponents of a market system admit that there is a proper roll for government in providing for public goods like national defense and a court system, correcting for the harmful spillover effects of pollution, and making sure there is competition in the marketplace. Opponents of the market system point out that there is more income inequality in market systems. Market system proponents counter that even in command economies those in power invariably have far more than the average citizen.

Distribute [Handout 1-2](#) to each student. To help students understand the concepts in the reading, have them complete Graphic Organizer, [Handout 1-3](#).

Check for Understanding

- ❖ What are the three basic economic questions every society must answer? Why?

Strategy 3: Application Inner/Outer Circles

Create a set of cards that have either a question written on the card or an answer. Distribute cards to students. (For larger classes, you can create two sets and simultaneously conduct two inner/outer circles at once.)

See [Summary Questions-Handout 1-4](#). Have students with the “answers” form a circle facing outward. Next, have students with the “questions” form a circle or ring around the other students. Be sure each student is facing another student. Have students share what is on their card and wait for a response. After 1 minute, have the outer circle (“questions”) move one step clockwise so they are now facing a new partner. Repeat process until all questions and answers have been shared.

Check for Understanding

- ❖ The United States is sometimes referred to a Mixed Economy, meaning that there are some elements of traditional, command, and market economies in our country.
- ❖ Under what circumstances might the United States make economic decisions like a command economy? Support your answer with an example.

Rubric

- 2 – This response gives a valid circumstance with an accurate and relevant example.
- 1 – This response gives a valid circumstance with an inaccurate, irrelevant, or no example.

Lesson Two

Background

Cultural values, when applied to economic systems, include religious beliefs, governmental structures, and customs. Religious beliefs can heavily influence the production, distribution, and exchange of goods and services. For example, in an Amish economy, religion dictates how goods and services are produced. Culture also includes government structure and the degree to which government influences the decisions about production, distribution, and exchange. Although the American economic system is seen as a mixed market system, there are instances of government intervention to protect property rights, ensure competition, promote equity in the distribution of goods and services, regulate businesses, provide public goods and services, and reduce externalities. Like religion and government structures, customs will also determine how goods are produced, distributed, and exchanged. Anyone that has ever ordered a favorite food while away from home and received a product that was not anything like what they expected has experienced how customs vary and influence the production of goods and services.

Essential Question

- How do cultural values affect the means of production, distribution, and exchange in different economic systems?

Instructional Strategies

Strategy 1: Gathering Information

Bubble Map

Have students brainstorm, as a class, the titles and types of different organizations to which they belong. For example, students might suggest church groups, school, family, city, or government. You can help students by have them complete the following:

I am a member of _____.

Then ask: In the groups to which you belong, are there unique rules or customs?

Allow students time to share some of the customs that they feel are unique to the organizations they list.

Have students complete the [Bubble Map–Handout 2-1](#).

Check for Understanding

- ❖ What is a cultural value of a group to which you belong that affects one of the three basic economic questions? Explain your answer.

Rubric

2 – This response gives a valid cultural value with an accurate and a relevant explanation.

1 – This response gives a valid cultural value with an inaccurate, irrelevant, or no explanation.

Strategy 2: Extending and Refining Reading

Religions often have customs or cultural values that impact how goods are produced, distributed, or exchanged. One of the more visible forms of a religious custom that impacts how goods are produced is kosher food. Students will read [Handout 2-2](#) to extend their understanding of how cultural values affect production.

Check for Understanding

- ❖ Describe a custom your family has about food.
- ❖ Which of the basic economic questions does your custom answer?

Rubric

2 – This response gives a valid custom with an accurate and relevant question.

1 – This response gives a valid custom with an inaccurate, irrelevant, or no question.

Strategy 3: Extending and Refining Group Activity with Decision Chart – Jig-Saw¹

Have students find partners with which to share their assigned vocabulary words. Ask: Which words have been used in previous lessons? Which words are still new?

Who Gets to See the Game?

Display [Handout 2-3](#). Tell the students that the high school football team is in the playoffs. There are 1,000 students at school. Hundreds of students want to attend the playoff game, but only 100 tickets are available.

Ask the students what the economic problem is. **There are not enough tickets for everyone who wants one.** Tell the students that they are going to explore methods to distribute the scarce tickets. To **distribute** means to decide who gets something or how something should be used. Explain that there are many different methods that could be used to decide who will get the tickets.

Distribute one card from [Handout 2-4](#) to each student. Instruct the students to read the card. Divide the students into six groups, based on their card numbers.

Explain that each group will develop a role-play to demonstrate the method of distribution described on its card. Explain the rules for developing and presenting the role-play as follows:

- The students may not say the word or definition on the card out loud.
- Each group's role-play may not be longer than two minutes.
- The groups have only ten minutes to prepare the role-play.

Observe the groups, clarify any questions, and quietly ask specific groups the following while they are working:

1. For the "First-Come, First-Served" group – How will you illustrate this method? **Stand in line.**

¹ This strategy comes from *Economics From Here to There*, © National Council on Economic Education, New York, NY. The lesson in its entirety can be found at: <http://www.councilforeconed.org/ej/>.

NOTE: The term *allocation* in the original lesson has been changed to distribution in order to be consistent with the Delaware Social Studies content standards.

2. For the "Lottery" group – How will you illustrate this method? **Answers will vary but could include drawing numbers, drawing names, and so on.**
3. For the "Contest" group – Which competition will you use? **Answers will vary but could include footrace, shoot baskets, best grades, highest jump, and so on.**
4. For the "Auction" group – How will you illustrate this method? **The highest bidder gets the resource.**
5. For the "Personal Characteristic" group – Which trait will you use? **Answers will vary but could include height, hair color, and so on. Make sure the group is using only one trait.**
6. For the "Authority" group – How will you illustrate this method? **Someone** in a position of power distributes the scarce resource, and so on.

When the groups have finished working, have them present their role-plays. Enforce the two-minute time limit. After each group finishes, ask the class to name the distribution method illustrated in each role-play. Record the responses on the board.

NOTE: The groups may not use the specific term in question, but may use something similar.

When all the groups have presented their role-plays, display [Handout 2-5](#) as a visual and review the definitions and examples for each distribution method.

Distribute a copy of [Handout 2-6](#) and a sticky-note to each student.

Allow several minutes for the students to read the [Handout 2-6](#) chart. Tell the students to think about the ticket problem and rank the distribution methods by placing the numbers "1" through "6" in the column labeled "Initial Choice." Explain that "1" should be assigned to the distribution method the student thinks would be best for solving the ticket problem, "2" should be assigned to the next-best distribution method, and so on.

While the students work on completing the chart of [Handout 2-6](#), tape the six distribution method signs on a wall or along the top of the chalkboard. After the students complete the column "Initial Choice" on [Handout 2-6](#), ask them to write their names on the sticky-note and place it under the sign for the distribution method they ranked as number "1."

Tell the students they will move into new groups. Tell students that each group member should have a different symbol on his/her distribution methods card. This will allow each group to have a representative from each of the six methods ("Lottery," "Auction," "Contest," "Personal Characteristics," "Authority," and "First-Come, First-Served"). Direct students to create their groups.

Define **cost** as something that is unfavorable to a decision maker and **benefit** as something that is favorable to a decision maker. Explain that cost/benefit analysis involves comparing the costs and benefits of the alternatives available and choosing the alternative that offers the greatest benefits relative to the costs.

Explain that the groups are going to analyze the costs and benefits of using the various methods of distribution to solve the ticket problem.

Tell the students to begin by having each member of their group read his or her card—the name of a distribution method and its definition—to the rest of the group. When a student reads the name of a distribution method, the groups should discuss the costs and benefits of that method. Allow time for the groups to discuss the costs and benefits of each method.

Display [Handout 2-6](#) as a visual. Discuss the following questions with the class and record the students' answers on the visual. Explain that the students may record information on their copies of [Handout 2-6](#).

- A. What are the benefits of using the first-come, first-served method? **Answers will vary but could include "very fast," "once method begins, the distribution process goes quickly," "people can decide if it is important enough to adjust their schedule to wait in line," and so on.**
- B. What are the costs of using the first-come, first-served method? **Answers will vary but could include "have to wait a long time," "those living far away are at a disadvantage," "harms those with a rigid schedule," "those who want the tickets the most may not get them," and so on.**
- C. What are the benefits of the lottery method? **Answers will vary but could include "random," "fair," "everyone has the same chance," and so on.**
- D. What are the costs of the lottery method? **Answers will vary but could include "takes a lot of time to set up," "some people aren't lucky," "those who want the tickets the most may not get them," and so on.**
- E. What are the benefits of the contest method? **Answers will vary but could include "best is recognized," "individuals have some control," and so on.**
- F. What are the costs of the contest method? **Answers will vary but could include "discrimination against disabilities," "those who want the tickets the most may not get them," and so on.**
- G. What are the benefits of the auction method? **Answers will vary but could include "the people who are willing and able to pay the most for the tickets will get them," "the process will go quickly," and so on.**
- H. What are the costs of the auction method? **Answers will vary but could include "people who want the tickets the most may not be able to get them," "won't be fair to those who have less money," and so on.**
- I. What are the benefits of the personal characteristic method? **Answers will vary but could include "those who have the characteristic have the opportunity to get the tickets."**
- J. What are the costs of the personal characteristic method? **Answers will vary but could include "not fair," "only a few people qualify," and so on.**
- K. What are the benefits of the authority method? **Answers will vary but could include "fast," "inexpensive," and so on.**
- L. What are the costs of the authority method? **Answers will vary but could include "not fair," "subjective," and so on.**

Tell the students that using what they learned through their discussion, they will work in their groups to rank the distribution methods. Again, they should rank the best method as "1" and so forth. The students should enter the group ranking in the column labeled "Group Ranking" on [Handout 2-6](#). Allow about ten minutes for the students to work and then ask each group to report its decision.

Discuss the following:

- A. Did your initial individual rankings for the best distribution method differ from the group ranking of the best method (ask students to raise hands)? Why? **Answers will vary.**

- B. Did the group discussion cause you to change your initial ranking? **Answers will vary.** Why? **Answers will vary but could include "more information," "better understand the costs and benefits of each method," "more thoughts," "more time for thinking," and so on.**
- C. How does the specific situation determine the type of distribution method people use? **Answers will vary but could include that, in different situations, the costs and benefits are different, so the distribution choice could be different.**

Tell the students that if they would like to change the method that they would rank number 1, they may move their sticky-note from its initial location and place it under the sign for the distribution method they now would rank number 1. Ask students to explain why they changed their ranking.

Debrief the lesson having students individually complete [Handout 2-7](#).

Check for Understanding

- ❖ How does culture affect the way goods and services are distributed in the United States? Support your answer with an example.

Rubric

- 2** – This response gives a valid effect with an accurate and relevant example.
1 – This response gives a valid effect with an inaccurate, irrelevant, or no example.

Strategy 3: Application

Think-Pair-Share

Have students watch *Buster's Amish Mismatch* on United Streaming at <http://streaming.discoveryeducation.com/index.cfm>. During the short video, have students write down examples of how the Amish culture answers the three basic economic questions. See [Handout 2-8](#).

Check for Understanding

- ❖ How does the Amish community answer the three basic economic questions? Support your answer with an example.

Rubric

- 2** – This response gives a valid explanation with an accurate and relevant example.
1 – This response gives a valid explanation with an inaccurate, irrelevant, or no example.

Lesson Three

Background

The amount and quality of resources (human, natural, and capital) varies among economic systems and influences production, distribution, and exchange of goods and services. In areas where there are large numbers of workers, goods may be produced by hand rather than using more expensive capital goods for production. Availability of natural resources will also influence the production of goods and services. As an example, pencils made in the United States often use cedar wood, while those produced in China use tropical woods because of the difference in availability. By using the resources that are most plentiful and accessible, economic systems can achieve efficiency and higher standards of living.

Essential Question

- How do resources affect the means of production, distribution, and exchange in different economies?

Instructional Strategies

This lesson is adapted from: *Middle School World Geography Focus on Economics*, Lesson 1, "What Are Productive Resources?", National Council on Economic Education.

Strategy 1: Gathering Information Pairs – Card Sort

Have students find partners to share their assigned vocabulary words with. Ask: Which words have been used in previous lessons? Which words are still new?

Tell students that they are going to be economic detectives and try to determine how economists categorize different things.

Divide students into small groups and distribute a set of cards. See [Handout 3-1](#). Instruct students to sort the cards into three categories and name each category.

Ask students to share their categories. Tell students that economists have a specific way of categorizing productive resources. Guide students to re-sort the cards by asking:

- Which cards represent something that comes from nature?
- Which of your cards represent people?
- Which of your cards represent goods people make?

Share the category names: Natural, Human, and Capital. Ask students to write their own definitions for each category.

Check for Understanding

- ❖ What are the three categories of productive resources? Give an example of a type of resource found in each category.

Rubric

2 – This response gives a valid category with an accurate and relevant example.

1 – This response gives a valid category with an inaccurate, irrelevant, or no example.

Strategy 2: Extending and Refining Categorizing

Distribute a piece of chart paper and a marker to small groups of students. Have students write the word "Pencil" at the top of the page. Then give students time to brainstorm the productive resources needed to produce a pencil.

Teachers should investigate www.pencils.com, which has many lessons on pencil manufacturing, and a short video, *Let's Make a Pencil*, on the manufacturing of pencils can be found at <http://www.pencils.com/pencil-information/lets-make-pencil-video>.

Allow students to add to their original lists of productive resources needed to make a pencil after viewing the *Let's Make a Pencil* video or readings from www.pencils.com

Ask students: How might a pencil made in France be different from a pencil made in the United States? Answers should reflect an understanding that, if different resources are used, then the pencil will look different. For example, pencils sold in France often do not have erasers. See www.pencilpages.com for other examples of pencils.

Check for Understanding

- ❖ Why might producers use different resources to make similar products? Explain your answer with an example.

Rubric

2 – This response gives a valid explanation with an accurate and relevant example.

1 – This response gives a valid explanation with an inaccurate, irrelevant, or no example.

Strategy 3: Application Problem Solving²

Students produce badges as rewards for the best economists in the class. Through this production activity, they learn how command and market economies answer the basic economic questions: What to produce? How to produce? For whom to produce?

Gather these materials:

- Copies of [Handout 3-2](#), [Handout 3-3](#), and [Handout 3-4](#) for each group.
- Two sheets of white paper, one sheet of colored paper, a pencil, a magazine with colorful pictures, glue, two napkins, two paper plates, five safety pins, a pair of scissors, ten straight pins, and a blue, black, and red marker for each group.
- Transparency of [Handout 3-5](#).

Tell students they will produce "good-economist badges" that will be distributed to students who meet certain criteria.

Divide the class into groups of 6-7 students. Explain that each group represents a country and its economy. Have each group name its country and choose a spokesperson for the country.

Distribute a copy of [Handout 3-2](#) and the resources required for producing good-economist badges to each group: 2 paper plates, 1 sheet of white paper, 1 sheet of colored paper, 10 pins, a magazine with colorful pictures, and a black marker.

² From *What, How and For Whom to Produce?* by Krystyna Brzaklik (Poland), Economics International. This lesson can be found in its entirety online at: <http://www.councilforeconed.org/ei/lessons/lesson4/>.

Tell students to read the instructions. Explain that the first production round will last five minutes. Begin the round.

At the end of five minutes, ask the spokesperson for each group to display the group's products. Collect all badges. Have students raise their hand if they think they are good economists and should, therefore, receive a badge.

Explain that you have already decided how the badges will be distributed. You will keep half the badges because you are the best economist in the classroom, and you will distribute the rest of the badges to students in the class.

Begin distributing badges to students based on any criterion you choose. For example, give them to students with blue eyes, students sitting in the first row, students with dark hair, and so on.

Discuss the following.

- Are you satisfied with the results of this activity? (No.) If not, why?
(The teacher made all of the decisions about what would be produced—badges, how the badges would be produced, and who would receive the badges. The teacher kept too many badges. Even though students produced the badges, some students did not receive a badge.)
- Were you able to design the badges? (No.) Why?
(The teacher decided what the badges should look like, and we had to follow that design.)
- Who decided what resources would be used to produce badges?
(The teacher provided the resources and decided how they would be used.)
- What problems occurred in the production process?
(Groups lacked some resources, such as scissors; they had excessive amounts of other resources; some resources, such as paper plates, were not useful in producing badges; there was limited output because each group was instructed to only produce six badges.)
- What economic incentives influenced the production teams?
(There were no incentives.)
- Did the lack of economic incentives affect the quality of the final product?
(Some badges were poorly made.)
- What decisions were the members of each group able to make about production and distribution of badges?
(How to divide the labor.)

Display [Handout 3-5](#). Ask students how these three questions were answered in the badge activity. As the students respond, record the information on [Handout 3-5](#). (In each case, the answer is that the teacher made the decision.)

Explain that, when a central authority makes the decisions about what, how, and for whom to produce, the economic system is called a planned or command system. In this production round, the teacher was a central authority making decisions about what, how, and for whom to produce, so the class had a command economy. Write the word "command" in column 2 next to "Type of Economic System."

Explain that, in the next round, members of the groups will be able to make decisions about the production and distribution of badges.

Ask students what types of decisions they must make.

- What to produce – *what the badges look like*;
- How to produce – *what resources to use, how many to produce*;
- For whom to produce – *who will receive the badges after they have been produced*.

Distribute a copy of [Handout 3-3](#) to each group. Ask students in each group to discuss what they want the group's badges to look like. Explain that the group members should consider the available resources and decide which six resources they will use to produce badges.

Explain that groups will have ten minutes to decide the following questions and complete [Handout 3-3](#).

- What to produce? (*What will the badges look like?*)
- How to produce? (*Which resources to purchase? How to use the labor resources?*)
- For whom to produce?

Distribute the resources that each group has chosen, and allow ten minutes for students to work.

At the end of ten minutes, display Handout 3-5 and ask the class who made the three decisions on the chart. Record their answers on Handout 3-5.

(In this case, the students should respond that the group or the students made the decisions.) Discuss the following.

- Why are the products produced in round 2 different from those produced in round 1? (*In round 2, the producers had input about how the badges would look. The producers wanted to produce something that looked nice and that other people would want to wear so consumers would buy their badges.*)
- Who decided which resources each group used to produce badges? (*Group members – producers.*)
- How many badges were produced in each group? (*More than in the first round.*)
- Why were more produced? (*No quota or limit was established.*)
- Who will receive the badges produced by your group? (*Those who want the badges to wear and are willing to buy the badges.*)
- What economic incentives influenced the production teams? (*Hope of selling the badges to consumers, being able to make choices.*)
- How did the presence of incentives influence production quality of the final product? (*The badges were high quality, unique, and attractive.*)

Remind students that in a command economy distribution decisions are made by a central authority. In the class example, the teacher decided who received the badges. Explain that in a market economy, people (producers and consumers) make distribution decisions.

Explain that when the producers and consumers make decisions about what, how, and for whom to produce, the society has a market economy. In this round of production, the class had a market economy. Write the word "market" in column 2 next to "Type of Economic System."

Ask the students how the three basic economic questions were answered in this activity (*producers and consumers*). As the students respond, record the information on Handout 3-5.

Display Handout 3-5 and ask the following questions.

- What is an economic system?
(The way in which production, consumption, and distribution of goods and services are organized.)
- What are the principal questions that every economic system must answer?
(What, how, and for whom to produce.)
- Who makes decisions concerning the types of goods and services produced, the way in which goods and services are produced, and who receives the goods and services produced in a command economy?
(Central planning authority.)
- Who makes decisions concerning the types of goods and services produced, the way in which goods and services are produced, and who receives the goods and services produced in a market economy?
(Producers and consumers.)

Check for Understanding

- ❖ Distribute a copy of [Handout 3-4](#) to each person. Have students read the instructions and decide if the statements are true or false.

Lesson Four

Background

Lesson Four has been developed by using two separate online lessons:

- "Widget Production": Master Curriculum Guide in Economics: Teaching Strategies 5-6
<http://www.econedlink.org/lessons/index.php?lesson=539&page=teacher>
- "The Bead Lesson" by Ken Ripp, Foundation for Teachers of Economics
http://www.eric.ed.gov/ERICDocs/data/ericdocs2sql/content_storage_01/0000019b/80/19/5a/40.pdf

Technology is the methods and processes used to produce goods and services. Changes in technology over time led to increased productivity and a society's increased ability to produce more goods and services. This increase in output raises **standard of living** as measured by gross domestic product per capita. New technologies can have costs and benefits which can have future unintended consequences. They also promote innovations leading to new ways of living.

Productivity is a measurement of output resulting from the use of an input. Today, we frequently hear about the productivity of American labor compared to the productivity of workers in other countries. How is productivity measured? The most commonly reported statistic is average product—a ratio of total output to the units of input (in this case labor) for a specified time period. Producers are continually interested in **increasing the productivity** of labor and other inputs. An increase in productivity results if a given amount of inputs can produce a larger output. Increased productivity also occurs when fewer inputs produce the same output. Three methods of increasing productivity are **specialization** and **division of labor**, **investment in capital resources**, and **investment in human capital** (education and training).

Essential Questions

- ❖ How does technology affect the means of production, distribution, and exchange in different economic systems?
- ❖ How do cultural values, resources, and technologies affect the means of production, distribution, and exchange in different economic systems?

Instructional Strategies

Strategy 1: Gathering Information

Think-Pair-Share

Have students find partners to share their assigned vocabulary words with. Ask: Which words have been used in previous lessons? Which words are still new?

Ask how the production of a meal is different in the following situations:

- Fast-food restaurant
- Sit-down restaurant (with wait staff)
- Home-cooked meal

Encourage discussion centered on the method of production and technology that is used.

Check for Understanding

- ❖ How does the method of production affect the outcome or product? Explain your answer with an example.

Rubric

2 – This response gives a valid effect with an accurate and relevant example.

1 – This response gives a valid effect with an inaccurate or irrelevant example.

Strategy 2: Extending and Refining Simulation Activity

This simulation focuses on how technology differences affect production.

Materials:

- [Handout 4-1](#): Widget Production Table
- [Addendum 4-2](#): Widget Debriefing
- Used paper (8½" x 11")
- Rulers
- Pencils
- Single-hole paper punches
- Marking pens
- Boxes of paper clips
- Triple-hole paper punch
- Large supply of small rewards

Explain that the class will be producing something called a "widget." Use the following procedure to **demonstrate** widget production for the class.

- Neatly stack two sheets of used 8½" x 11" paper.
- Using the ruler and the pencil, mark three dots at 1½", 5½", and 9½" along the 11" side of the paper.
- Using the single-hole punch, punch a hole at each of the three dots.
- Slip a paper clip through the middle hole to hold the two pieces of paper together.
- For decoration, draw a flower around each of the other two holes using the marking pen.

Ask students:

1. What are some ways you could organize widget production? (Students usually suggest dividing the labor and specializing.)
2. Describe another method which could be used. (The craft person method is an alternative method in which one person performs all steps in the production process.)
3. What are the inputs (factors of production) needed to produce widgets? (Paper, pencil, ruler, single-hole punch, marking pen, paper clips, workers, a place to work)

Divide the class in half. Assign half the class to produce as specialists while the others are craft persons. Form work groups with 4-5 students in each group. Groups should decide upon names for their widget factories.

Explain that the **craft persons** will produce widgets but will not divide the work. Each person must produce his or her own widgets from the first step through the last. Supplies and materials may be shared but not labor. The **specialists**, however, will each do a part of the production process, sharing the labor and materials among the workers.

Distribute materials to each group: one pencil, one marking pen, one single hole punch, one box of paper clips, one ruler, and a large supply of used paper. Other materials may not be used. Allow groups a few minutes to organize themselves.

Explain that groups will have two minutes to produce as many widgets as possible while maintaining high standards of quality. Warn them you will check each widget and reject those which do not meet standards.

Stop at the end of two minutes. Tell students to discard all partially completed widgets. Inspect each widget, discarding those which are not properly produced. Ask groups to count their acceptable widgets.

Distribute a copy of [Handout 4-1](#) to each student. Using the transparency, complete columns 1-4 for round 1 for each group. Explain that column 5 indicates labor **productivity**. Define this as the number of widgets per worker and calculate it by dividing output (column 4) by input (column 3).

Ask students:

- Which group had the most productive workers?
- Which method seemed to be most productive? (Compare the figures in column 5.)
- What are some advantages and disadvantages of the specialist method of production? (Advantages include speed and expertise gained from learning only one step of the process, higher productivity, and not needing to retool or wait to use inputs. Disadvantages include boredom from doing the same job all day and the problem of absent workers when other workers do not have the same skills.)
- What are some advantages and disadvantages of the craft person method of production? (Advantages include the satisfaction of producing a product from beginning to end and variety during the workday. Disadvantages include the time and effort required to learn and perfect all the skills needed for production, lower productivity, and the need to stop and retool.)

Explain that you would like to pay everyone who produced widgets, but you are uncertain how to divide the pay. Ask for suggestions from the class. If students do not suggest payment according to output, tell them you have decided on this method. Distribute small rewards to groups, giving each group a reward for every widget the group produced. Warn students not to "consume" their pay yet.

Discuss ways to increase productivity. Some responses might include having everyone become specialists and giving groups more materials. Tell students they will have another round in which to try to improve their productivity, but they may not change their basic method of production or use more materials (except paper). They may try to smooth out other problems or shuffle jobs around.

Replenish supplies of paper, if necessary, and then begin another two-minute round. After this round, repeat the procedure of discarding incomplete widgets and inspecting for quality. Complete the table for round 2. Pay workers with rewards again and discuss changes in productivity.

Announce that you would like everyone to increase productivity even more and that a new invention, a triple-hole punch, will help groups become more productive. By omitting the measuring and marking step, demonstrate how to produce a widget using the new technology.

Continue by explaining that unfortunately there is only one triple-hole punch. Ask for suggestions for ways to allocate or distribute this scarce resource. Suggestions might

include giving it to the least productive or most productive group. If no one suggests selling the punch, tell the class this is the method you will use. Auction off the punch to the highest bidder in return for the rewards you distributed earlier.

Note: Some very interesting things may happen here. The groups who do not get the triple-hole punch may suggest buying the extra single-hole punch, pencil, and ruler with their rewards. If such buying and selling occurs, ask students how it affects productivity.

Begin another two-minute round in which everyone again produces widgets.

Repeat the same procedures of discarding, inspecting, and counting.

Complete the table for round 3. Pay the workers with rewards again.

Ask students the questions in [Handout 4-2](#).

- What are some reasons the groups without the triple-hole punch increased their productivity anyway? (Additional experience, new method of organizing the workers, and more capital, if another group purchased extra capital from triple-hole punch group.)
- What effect did the triple-hole punch have on productivity? (It probably increased it.)
- How did the triple-hole punch affect the workers who had previously measured and marked? (Those workers would no longer be needed and would need to be retrained for new jobs.)
- What do you think would happen to productivity if the workers were inadequately trained in using new machines (capital)? (Productivity would probably decline.)
- How could the productivity of these workers be increased? (Through training and education.)
- What are some things a producer should consider when deciding whether to buy (invest in) capital, such as the triple-hole punch? (The cost of the capital, risk involved in borrowing money to pay for it, and the cost of training workers are important considerations.)

Allow students to consume their rewards, but direct them first to decide how the rewards should be allocated among the members of the group.

Check for Understanding

- ❖ How does technology affect methods of production? Explain your answer with an example from the simulation.

Rubric

2 – This response gives a valid effect with an accurate and relevant example.

1 – This response gives a valid effect with an inaccurate, irrelevant, or no example.

Strategy 3: Application Simulation³

This strategy is a culminating activity for the unit. This simulation combines all the different factors that determine how economies will produce, distribute, and exchange goods and services.

Students should work in six separate groups.

Gather these materials:

- Six balls of string or yarn
- Beads: red, blue, yellow and green (colored oat loops can be substituted)
- Ruler, scissors, and “bead” bowls for each group
- Copies of Systems Values and Goals sheets [Handout 4-3](#), [Handout 4-4](#), and [Handout 4-5](#)
- Overhead of score board sheet, [Handout 4-6](#)
- Student copies of the debriefing [Handout 4-7](#)

Have the room set up in six small groups of 4 or 5 students. Designate a “quality control” person for this simulation. The teacher or reliable student can be the quality control person.

Distribute to each group string, bowl, scissors, ruler, and copies of Handout 4-3, Handout 4-4, or Handout 4-5. Due to time constraints, you can have each group experience each system for short seven-minute rounds OR have one round with groups experiencing a different system simultaneously. Having one round for the entire class will reduce the materials needed.

Groups are to follow whatever directions are on their Values and Goals sheets (Handout 4-3, Handout 4-4, or Handout 4-5). The teacher acts as the person to distribute the beads to the quality control person.

After the production round(s), group scores are posted on the overhead by the quality control person (Handout 4-6).

After discussion about the simulation, students should complete Handout 4-7 either individually or as a group.

³ This simulation is from, “Bead Game Simulation, Lesson Plan” by Ken Ripp for Foundation for Teaching Economics, 2001 and accessed through Educational Resource Information Center (ERIC), ED458175 www.eric.ed.gov

Handout 4-7 answers:

	Traditional	Command	Market
The government told us what to make		✓	
Individuals chose their jobs			✓
Customs dictated jobs	✓		
Produced for the highest bidder			✓
Produced by the least costly method		✓	✓
Government decides what is needed		✓	
Most stressful			✓
Competition was stressed			✓
Motivated through social gain			✓
Least stressful	✓		
Culture directed jobs	✓		
Produced for those that were declared in need		✓	

Which system is best? Student answers will vary, but explanations should be based on the criteria in Handout 4-7.

Check for Understanding

- ❖ How do cultural values, resources, and technologies affect the means of production, distribution, and exchange in different economic systems? Give examples from the bead simulation.

Rubric

- 2** – This response gives a valid relationship with an accurate and relevant example.
- 1** – This response gives valid relationship with an inaccurate, irrelevant, or no example.

Performance Task – ChecBric

	Student Checklist Did you ...	Teacher Scoring Rubric
Cultural Impact	<ul style="list-style-type: none"> <input type="checkbox"/> discuss whether it matters who makes the product? (male/female, young/old, etc.) <input type="checkbox"/> describe any customs that are followed when making the product? (order, time of day/year, etc.) 	<p>___ 3 Full or comprehensive list of how culture influences the production of the product.</p> <p>___ 2 Most cultural influences are identified, with only one or two factors not mentioned.</p> <p>___ 1 Few references as to how culture impacts the production of the product.</p>
Resource Selection	<ul style="list-style-type: none"> <input type="checkbox"/> tell about the human resources needed to make the product? <input type="checkbox"/> tell how tools are used to make the product? <input type="checkbox"/> share what and where the resources to make the product come from? Or, share if the product is assembled from pre-manufactured parts or totally from resources in a natural state? 	<p>___ 3 Full explanation of how resources are obtained, secured, and selected for the production of the product.</p> <p>___ 2 Partial explanation of how resources are obtained, secured and selected for the production of the product.</p> <p>___ 1 Weak explanation or description of the necessary resources.</p>
Production Technology	<ul style="list-style-type: none"> <input type="checkbox"/> describe the production methods (assembly line, one worker, etc.) used over time to make the product? <input type="checkbox"/> describe how technology changed over time to make this product? <input type="checkbox"/> describe the impact of using different technology to make this product? 	<p>___ 3 Full and complete comparison of the production methods and technology used to produce the product.</p> <p>___ 2 Partial comparison of the production methods and technology used to produce the product.</p> <p>___ 1 Weak comparison of the production methods and technology used to produce the product.</p>
Summary	<ul style="list-style-type: none"> <input type="checkbox"/> summarize how culture, resources, and technology impact the production and final product? <input type="checkbox"/> support your conclusion with details about which economic system your product was produced under (traditional, command, market)? 	<p>___ 3 Complete summary with a strong and convincing conclusion as to the type of economic system(s) used.</p> <p>___ 2 Complete summary that may or may not have a strong and convincing conclusion as to the type of economic system(s) used.</p> <p>___ 1 Summary is vague without appropriate conclusion.</p>

Teacher Comments:

10 to 12 points = Above the standard
 7 to 9 points = Meets the standard
 4 to 6 points = Below the standard

Economics Standard 3 – Sample Questions

- 1. Why is the economy of the United States considered a mixed economy instead of a pure market economy?
 - a. Because both producers and consumers are involved.
 - b. Because the citizens represent many different cultures.
 - c. Because not all exchanges take place at a market location.
 - d. Because government actions affect some production and prices.
- 2. Production processes are often tied to resources that are available to a country or a region. What is probably true of countries with a large population?
 - a. Natural resources are plentiful.
 - b. Capital resources are efficient.
 - c. Energy resources are renewable.
 - d. Human resources are inexpensive.

Assume your class is planning an end-of-the-year activity. All the resources you need for the activity are owned by the school.

How might the ownership of the resources affect the way decisions are made about the activity? Explain your answer.

In China, many items are manufactured by hand rather than using mechanical technology. How might labor resources and technology be related? Explain your answer.

Handout 1-1

Vocabulary Words

Production – How goods and services are produced. Are goods handmade by an individual craftsman or are they made in a factory using assembly lines?

Distribution – Allocation of goods and services. How is it decided who gets to have the goods and services?

Exchange – How goods and services are traded and/or paid for.

Economic System – How a society decides: what goods and services to make, how to make the goods and services, and who gets to have the goods and services.

Command Economy – Central planners or government officials determine what and how much to produce based on politically determined goals.

Market Economy – Consumer preferences, producer costs, and profit considerations determine what and how much of a good or services to produce.

Traditional Economy – Traditional economies tend to do things the way they have always been done.

Resources – What is needed to make a product. Resources come in three categories: natural, human, and capital.

Cultural Values – The customs, beliefs, and organizational structures that are present in a society that impact the economic decisions that are made.

Technology – The systems and tools that are used make goods and help service providers.

Capital Resources – The equipment, tools, and buildings that are used to make products. Capital resources are often reusable.

Gross Domestic Product (GDP) – Measures the market value of all goods and services produced in a country per year.

Productivity – How well a society uses resources to make goods. Productivity of labor can be measured by the amount of output divided by the number of hours of work.

Standard of Living – A measure of quality of life. Often the GDP per capita (GDP per person) is used to compare the standard of living of countries.

Handout 1-2

What Economics Is All About

Adapted from: Day, Harlan R. *What Economics Is About: Understanding the Basics of Our Economic System*. [Indianapolis, Ind.]: Indiana Department of Education, Center for School Improvement and Performance, Office of Program Development, 1996. Print.

Scarcity

Every society has **resources** which are used to **produce** the goods and **services** that enable the society to survive and prosper. These resources, called **productive resources**, can be classified into three groups—natural resources, human resources, and capital resources. **Natural resources** (often called **land**) refer to resources such as minerals, water, trees, and land itself. **Raw materials** used in production come from natural resources. **Human resources (labor)** describe the human work effort, both physical and mental, expended in production. **Capital resources** are the man-made physical resources (such as buildings, tools, machines, and equipment) used in production.

1. In the chart write the names of the three types of resources.

The study of **economics** explains how productive resources are used to provide the **goods** and **services** that satisfy human wants. Because productive resources are limited, the goods and services that can be produced from them are also **limited**. In contrast, the goods and services wanted by individuals and societies are virtually **unlimited**.

This tension between unlimited wants and the limited productive resources available for satisfying these wants is what economists refer to as **scarcity**. Thus, stereos, hot dogs, education, lawn mowers, T.V. repair services, and bubble gum are all considered **scarce** because many individuals desire these things, but their availability is limited. Scarce goods and services command a price in the marketplace. The price indicates how scarce a good is relative to other goods.

A good with a high price is relatively more scarce than a good with a lower price. It is quite difficult to think of things that are *not* scarce. Some examples might include sand in a desert, salt water at the beach, or the air you are breathing at this moment. But, even air is scarce to the scuba diver or astronaut, and certainly clean air is scarce for the inhabitants of urban areas. It is safe to conclude that in economics, most things in this world are considered scarce.

2. In the chart write a definition for the term Scarcity and give examples of items that many people may not think are scarce.

The Basic Economic Problem

The existence of scarcity creates the **basic economic problem** faced by every society, rich or poor—how to make the best use of limited productive resources to satisfy human wants.

To solve this basic problem, every society must answer these three basic questions:

- **What** goods and services will be produced?
- **How** will goods and services be produced?
- **Who** will consume the goods and services?

3. In the chart write the three basic questions every society must answer.

Economic Systems

Several fundamental types of **economic systems** exist to answer the three questions of what, how, and for whom to produce: traditional, command, and market.

4. In the chart write the names of the three types of economic systems.

- **Traditional:** In a **traditional economy**, economic decisions are based on custom and historical precedent. For example, in tribal cultures or in cultures characterized by a caste system, people in particular social strata or holding certain positions often perform the same type of work as their parents and grandparents, regardless of ability or potential.
- **Command:** In a **command economy**, governmental planning groups make the basic economic decisions. They determine such things as which goods and services to produce, their prices, and wage rates. Cuba and North Korea are examples of command economies.
- **Market:** In a decentralized **market economy**, economic decisions are guided by the changes in prices that occur as individual buyers and sellers interact in the market place. As such, this type of economy is often referred to as a **price system**. The economies of the United States, Singapore, and Japan are identified as market economies since prices play a significant role in guiding economic activity.

5. Complete the chart by writing how the three basic economic questions are answered by each type of economy.

Economic Systems

Examples

Scarcity

2.

1.

	Resources	

All societies must answer 3 basic questions about their resources

3.

5.

4.

T _____

C _____

M _____

Answer Key

Scarcity
unlimited wants >
limited resources

Examples
Sand in a desert, salt water
at the beach, and air

	Resources	
Natural	Human	Capital

All societies must
answer 3 basic
questions about their
resources

What to produce?

How and How much
to produce?

For Whom to
produce?
(Distribution)

Tradition

Custom

Custom

Custom

Command

Government
(Central Plan)

Government
(Central Plan)

Government
(Central Plan)

Market

Consumers

Consumers

Consumers

Economic Systems

Handout 1-4***Summary Questions: Addendum 1-4***

Questions	Answers
Why must every country have an economic system?	Scarcity
What are the three basic economic questions that every country must answer?	What to produce? How to produce? Who will get the products?
What are the three basic kinds of economic systems?	Traditional, Command, Market
Which economic system is characterized by the least change?	Traditional
Which economic system allows for the most individual freedom?	Market
In which economic system is the government most influential?	Command
What are the three categories of productive resources?	Natural or land, human or labor, and capital
How are goods and services distributed in a market economy?	Money or consumer income
Which countries have command economies?	Cuba and Korea
Which countries have market economies?	United States, Singapore, and Japan.

Handout 2-1

Bubble Map

Directions: Write the name of four different groups on the lines below. Then, extend the Bubble Map by listing rules, customs, or cultural values of the groups. Answer the question below.



What is a cultural value of a group to which you belong that affects one of the three basic economic questions? Explain your answer.

Handout 2-2

How Cultural Values Affect Production

Adapted from: What is Kosher Food? By Giora Shimoni,
<http://kosherfood.about.com/bio/Giora-Shimoni-17142.htm>

Millions of people, from various religious and ethnic backgrounds, eat kosher food for religious, cultural, health, and quality reasons. Jews, Muslims, Hindus, Seventh Day Adventists, Jehovah's Witnesses, vegetarians, lactose-intolerant, and others may share an interest in kosher food, but their definitions of kosher food may vary. Food can be described as either kosher or non-kosher.

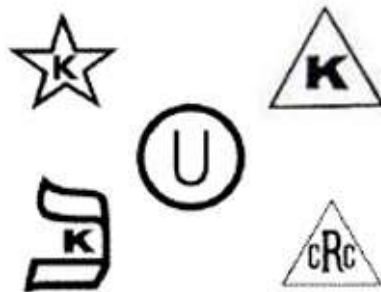
In their most "biblical" form, Jewish Dietary Laws state:

- Pork, rabbit, eagle, owl, catfish, sturgeon, and any shellfish, insect, or reptile are non-kosher.
- Other species of meat and fowl must be slaughtered in a prescribed manner to be kosher.
- Meat and dairy products may not be made or consumed together.

A kosher food that is processed or cooked together with a non-kosher food becomes non-kosher. For example, food coloring derived from a shellfish and used in a cake makes the cake non-kosher.

Due to the growing complexity of how food is produced, the need arose for kosher certifying agencies to determine whether prepared food is kosher or non-kosher. Today, kosher certification labels are printed on the packages of kosher food.

Products that have been certified as kosher are labeled with kosher symbols. The symbols are printed on the food's package. Kosher symbols are registered trademarks of kosher certification organizations and cannot be placed on a food label without the organization's permission. Some symbols you might find on food packaging include:



How are the following basic economic questions answered by Jewish Dietary Laws?

What to produce? _____

How to produce? _____

Handout 2-3

Visual 1 – Who Gets to See the Game?

**TEAM WINS, LAST
PLAYOFF SPOT!**

**ONLY 100 TICKETS
AVAILABLE!**

HUNDREDS OF STUDENTS WANT TO SEE THE GAME!

Handout 2-4

Distribution Methods Cards

<p>1. First-Come, First-Served: Scarce resources are distributed by distributing to those arriving first. *</p>	<p>2. Lottery: Scarce resources are distributed by randomly drawing numbers corresponding with a name. &</p>
<p>3. Contest: Scarce resources are distributed to the winner of any competition. %</p>	<p>4. Auction: Scarce resources are distributed to the highest bidder. #</p>
<p>5. Personal characteristics Scarce resources are distributed based on an arbitrary trait. @</p>	<p>6. Authority: Scarce resources are distributed by a person in a position of power. !</p>

Handout 2-5

Distribution Methods

First-Come, First-Served

People who arrive first, sign up first and are the ones who receive the resources, goods, or services first. For example, people who are first in line for concert tickets get to buy tickets first.

Lottery

Everyone's name is placed in a hat or everyone gets a ticket, and a winning ticket is drawn —these are two examples of the lottery method.

Contest

The winner of the 100-meter race wins the prize, the fastest swimmer wins a medal, the one who spells the most words correctly wins an award, and so on. All of these involve distributing based on some type of contest.

Auction

The person who bids the most on e-Bay gets the item. The person who can afford a car, a house, or clothing is able to buy it. Many goods, services, and resources are distributed by auction or are distributed based on price.

Personal Characteristic

The tallest people get chosen first for the basketball team. The people who run the fastest are chosen to participate in track events. Sometimes distribution is based on personal characteristics.

Authority

The teacher decides who gets to use the computer, when they may use it, and for how long. The principal decides which classes get to use the gym, at what time, and for how long. Your parents decide when you can watch television, what you can watch, and how long you can watch. Sometimes a person in authority or a small group of people decide how to distribute something.

Handout 2-6

Visual – Evaluation of Distribution Methods

Method of Distribution	My Initial Choice	Group Choice	Benefits	Costs
First-Come, First-Served				
Lottery				
Auction				
Personal Characteristics				
Contest				
Authority				

Directions for filling out the table: Each cost and benefit cell must be filled with at least one comment.

Before cost/benefit analysis my choice was _____

After cost/benefit analysis my choice is _____

Explain why you did or did not change method of distribution:

Debriefing – Distribution Methods

1. Why must people make distribution decisions?

2. Describe the benefits and costs of each method listed in the chart.

Distribution Method	Benefits	Costs
First-Come, First-Served		
Lottery		
Auction		
Personal Characteristics		
Contest		
Authority		

3. Why isn't a single distribution method always the best?

4. How can people decide which allocation method to use?

Handout 2-8

Buster's Amish Mismatch

As you watch Buster's Amish Mismatch complete the following chart:

Economic Question	Examples of how the Amish answer the economic question.	Examples of how I answer the economic question.
What to produce?		
How to produce?		
Who will get the products?		

Handout 3-1

Economic Sort

Zinc	Plumber
Copper	Engineer
Coal	Waitress
Water	Architect

Oven	Mechanic
Sand	Medical Technician
Plants	Teacher
Trees	Landscape Designer
Soil	Hammer

Diamonds	Animals
Sales Clerk	Computer
Factory	Calculator
Scissors	Paper
Delivery Truck	Telephone

Stethoscope

Assembly-Line Worker

Handout 3-2

Good Economist Badges

From *Roosters to Robots*, National Council on Economic Education, New York, NY

Your country produces badges with the inscription "Good Economist." These badges are made of white paper. Each badge is 5 cm. by 5 cm. The inscription is written with a black marker. All of the badges are identical because all the citizens in your country are considered equal. These badges are pinned to citizens clothing. The badges must look like the sample below.



The teacher, who is a representative of the central planning committee, has assigned you to a production group and has decided that your group should produce six badges.

Your group will receive the following productive resources. The government owns these resources. They do not belong to you, and they may only be used to produce badges.

- 2 paper plates
- 1 black marker
- 1 sheet of white paper
- 1 sheet of colored paper
- Colorful pictures

Handout 3-3

Trading Cards

From *Roosters to Robots*, National Council on Economic Education, New York, NY

Consumers in your country like to buy badges for people who are the best economists. They buy badges that they can afford and that they think are well made and attractive.

Your firm is one of several that produce badges. You were hired by this firm to produce badges because of your education and experience. The firm pays you a salary for your work. You must make production decisions for your firm.

Resources that it may use to produce badges are listed below. However, because the firm cannot afford to purchase all the resources, you can only purchase six. **Decide which six you want.**

-
- 1 sheet of colored paper
- 1 sheet of white paper
- 1 marker
- Glue
- Tape
- 1 pencil
- Ribbon/yarn
- Hole punch
- Ruler
- Scissors
- Colorful pictures
- Two napkins

Decide what your badges will look like, how many badges you will produce, and what resources you will use. Also, decide how these badges will be distributed to consumers. Please write your decisions below.

1. What badges will you produce? (Describe them.)

2. How will you produce these badges? (What resources will be used, and how will you divide the labor?)

3. For whom are you producing? (How will these badges be distributed or distributed to consumers?)

Name _____

Handout 3-4

Assessment

Read the following statements. Indicate whether each statement is true (T) or false (F).

1. ___ An economic system is the way in which people decide to organize the production, distribution, and consumption of goods and services.
2. ___ What, how, and for whom to produce are the basic economic questions that every society must answer.
3. ___ All societies answer the three basic questions in the same way.
4. ___ In a command economy, a central authority makes the decisions regarding what, how, and for whom to produce.
5. ___ The three basic economic questions are: What to produce? How to divide labor in production? and Who owns the productive resources?
6. ___ In a market economy, only the government decides what goods and services are produced.
7. ___ In a command economy, consumer purchasing decisions determine what will be produced.
8. ___ In a command economy, the government decides how the goods and services that are produced will be distributed.
9. ___ In a market economy, decisions regarding production and consumption result from the interaction of consumers and producers.
10. ___ In a traditional economy, goods always look the same as those produced in a market economy.

Handout 3-5

Visual – What? How? For Whom?

	Round 1	Round 2
Type of Economic System		
What to Produce?		
How to Produce?		
For Whom to Produce? (Distribution)		

Handout 4-1

Widget Production Table

1. Group	2. Production Method	3. Input of Workers	4. Output of Widgets			5. Productivity (Widgets per Worker)		
			Round 1	Round 2	Round 3	Round 1	Round 2	Round 3

Name: _____

Handout 4-2

Widget Debriefing

Answer the following questions after the Widget Production simulation.

1. What are some reasons the groups without the triple-hole punch increased their productivity anyway?
2. What effect did the triple-hole punch have on productivity?
3. How did the triple-hole punch affect the workers who had previously measured and marked?
4. What do you think would happen to productivity if the workers were inadequately trained in using new machines (capital)?
5. How could the productivity of these workers be increased?
6. What are some things a producer should consider when deciding whether to buy (invest in) capital, such as the triple-hole punch?

Handout 4-3

Values and Goals of “We Do What We’re Told Ville”

VALUES: You have accepted a government, which is run by a very strict and strong central leadership group. You are highly organized, and the leader assigns the people of your group specific tasks. Your country strives for efficient use of time and resources, which will increase economic growth and hopefully raise the standard of living. It is up to the central leaders to determine what is needed and how the resources will be used.

GOALS: To produce what the central leadership finds necessary for your society. Also, there must be an efficient use of time and resources, so increased production and growth will occur.

SITUATION: With your limited resources of string, beads, ruler, and scissors, you can create rings, necklaces, or bracelets. Your group gets \$10 (dollars) for a necklace, \$5 (dollars) for each bracelet and \$2 (dollars) for each ring. **Your country needs 5 bracelets immediately, and then the central planners want necklaces to be produced by your group.**

PRODUCTION PROCESS: The central planners emphasize specialization. The person sitting closest to the front of the room will be the string cutter, then going clockwise around the group, the next person will be the bead sorter, then the bead stringer, knot tier, and knot trimmer.

A bracelet must be made from a 12-inch piece of string with 8 beads on it, in this sequence: 2 red, 2 yellow, 2 blue, and 2 green. A necklace is made with a 20-inch piece of string and 10 beads in this sequence: 3 yellow, 3 blue, 2 green, and 2 red. After the loops are on the string it should be tied in a knot and the knot should be neatly trimmed.

The finished product is then handed to the quality control person who marks down the dollar amount. **Your group will receive \$10 (dollars) per person if the required quota is filled.** After that, the dollars earned by your production will go to the central planners and will not be added to your total dollar amount.

Handout 4-4

Values and Goals of “We Make As Much As We Want Ville”

VALUES: Your country and economic system reflects values, which centers on rugged individualism. It is up to each person to make herself/himself more prosperous than other people. Your country produces whatever brings the highest price and produces it with the method that costs the least. Individual rewards and material incentives are used to encourage and stimulate continuous economic growth and production.

GOALS: To produce whatever your group decides will be most beneficial for it. You will also want to organize yourselves so you can make the most efficient use of time and resources. Maximized profit is the key.

SITUATION: With your limited resources of string, beads, ruler, and scissors, you can create rings, necklaces, or bracelets. Your group gets \$10 (dollars) for a necklace, \$5 (dollars) for each bracelet, and \$2 (dollars) for each ring. **Your group produces whatever it wants.**

PRODUCTION PROCESS: It is up to you to organize your group and choose jobs in whatever fashion you want. You should probably want to have a string cutter, bead sorter, bead stringer, and knot tier.

A ring must be made from a 6-inch piece of string with 4 beads. A bracelet must be made from a 12-inch piece of string with 8 beads on it. A necklace is made with a 20-inch piece of string and 10 beads. After the beads are on the string, it should be tied. You may trim the knot neatly if you want.

After the tying is done, the finished product must be handed to the quality control person. Your group will be paid in full for as many of the items as you can produce within the time limit.

Handout 4-5

Values and Goals of “That’s The Way We’ve Always Done It Ville”

VALUES: Your group is really concerned with the way things were done in the past. Positions of authority, jobs, etc., are handed down according to tradition. You value the past and see no need for concern about increased economic growth in the future. Basically everything in your society is determined by beliefs and customs.

GOALS: To produce what your ancestors did and in the same way that they did. Following tradition is your basic underlying goal.

SITUATION: With your limited resources of string, beads, ruler, and scissors, you can create rings, necklaces, or bracelets. Your group gets \$10 (dollars) for a necklace, \$5 (dollars) for each bracelet, and \$2 (dollars) for each ring. **Your country has always produced bracelets so everyone must produce bracelets.**

PRODUCTION PROCESS: Each person must make the entire bracelet, no specialization of tasks. The person designated by the teacher will use the string, ruler, and scissors first and then pass it clockwise around the table.

A bracelet must be made from a 12-inch piece of string with 8 beads on it in this order: 3 red, 2 yellow, and 3 green. After the beads are on the string, it should be tied in a knot to finish the bracelet. The knot should be neatly trimmed off, as done by past generations.

After each bracelet is finished it must be passed around the group clockwise, and each member must tell the maker how beautiful it is (this is an old tradition of the country). The maker then hands the bracelet to the quality control person who records the \$5 (dollars) if all procedures are followed correctly.

According to tradition, each person can only make 1 bracelet every 15 minutes before starting the next one. So after you complete your first bracelet, relax for 15 minutes before starting the next one.

Handout 4-6

Score Sheet

Team Name	Market	Command	Traditional
1.			
2.			
3.			
4.			
5.			
6.			

Necklaces = \$10 Bracelets = \$5 Rings = \$2

Name: _____

Date: _____ Period: _____

Addendum 4-7

Debriefing/Bead Game Simulation

Read each statement to the left and place a check under the corresponding type of economic system. The first one was done for you. Also, answer the question at the bottom of the page.

	Traditional	Command	Market
The government told us what to make		✓	
Individuals chose their jobs			
Customs dictated jobs			
Produced for the highest bidder			
Produced by the least costly method			
Government decides what is needed			
Most stressful			
Competition was stressed			
Motivated through social gain			
Least stressful			
Culture directed jobs			
Produced for those that were declared in need			

Which system is best? Explain your answer.