

# Economic Systems

Traditional, Command, & Market

### Let's Review

basic questions that every economic system

economic systems?

was an example of what kind of

is for the most individual freedom?

is the government have the most

individuals do things based on

communist countries?

goods?

of economic

4. Which

5. In which

6. In which

7. What is the

8. How do

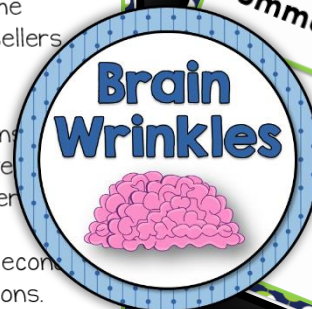
9. Which

10. Most

**Notes & Activities**

### Market Economy

- Economic decisions are made based on the changes in prices that occur as buyers & sellers interact in the market place.
- Free enterprise helps make these decisions.
  - Free Enterprise = competition between companies (shifts prices of goods/services)
- The government has no control over the economy. Private citizens answer all economic questions.



### The Economic Continuum

Command

Market

Russia

Germany

UK US Australia

A diagram showing an arrow pointing from left to right, labeled "Command" at the left end and "Market" at the right end. Countries are placed along the arrow with arrows pointing to their position: Russia is near the Command end, Germany is in the middle, and UK, US, and Australia are near the Market end.

# Teachers:

The following pages have the vocabulary words that the students should familiar with regarding the economic systems. I also included some blank ones to make your own.

## IDEAS:

1. Print these words out and stick them on your Word Wall.
2. Give each student a set & have them write definitions & symbols on the back.
3. Use the cards to study—play review games with the cards!

**Market**

**Mixed**

Print & cut out to post on Word Wall OR to use as study cards!

**Command**

**Traditional**

**Barter**

**Scarcity**

Print & cut out to post on Word Wall OR to use as study cards!

**Economic  
System**

**Free  
Enterprise**

A rectangular template with a dark blue top and bottom bar and a white central area, set against a green polka-dot background.

A rectangular template with a dark blue top and bottom bar and a white central area, set against a green polka-dot background.

A blank template in case you'd like to add more words!

A rectangular template with a dark blue top and bottom bar and a white central area, set against a green polka-dot background.

A rectangular template with a dark blue top and bottom bar and a white central area, set against a green polka-dot background.

# Teachers:

Have students create a three-flap foldable for the different economic systems.

\*Some teachers like to include Mixed; however, I do not since technically it is not a type of economic system. It's up to you!

Students should write the definition, examples, symbol, etc. in each flap.

You can print off the following pages and use as posters around the room, or project each page and discuss it.

## Scarcity is the Root of Economics

- There is not a single country in the world that has an abundance of all the resources that its people need/want.
  - Scarcity = the limited supply of something
- Because of this, countries must make a plan of how to use these limited resources.
- This “plan” is called an...

# Economic System!

# Three Little Questions

- When developing the economic plan, each country must ask three basic economic questions:
  1. What goods/services will be produced?
  2. How will goods/services be produced?
  3. Who will consume the goods/services?

The way a country answers these questions determines what kind of economic system it will have:

Traditional

Command

Market



# Traditional Economy

- All economic decisions are based on customs, traditions, & beliefs of the past.
- People will make what they always made & do the same things their parents did.
- The exchange of goods is done through bartering.
  - Bartering = trading without using money
- Some Examples: villages in Africa & South America, the Inuit in Canada, Aborigines in Australia

# Traditional Economy

Let's see how a traditional economy fits in with the 3 economic questions...

1. **What goods/services will be produced?**

- People follow tradition & make what their ancestors made.

2. **How will goods/services be produced?**

- People produce goods the same way that their ancestors did.

3. **Who will consume the goods/services?**

- People in the village who need them.

# Command Economy

- **All** economic decisions are made by the Government.
- The government owns most of the property, sets the prices of goods, determines the wages of workers, plans what will be made...everything.
- This system has not been very successful. More and more countries are abandoning it.

# Command Economy

- This system is very harsh to live under; because of this, there are no PURE command countries in the world today.
- Some countries are close: Cuba, former Soviet Union, North Korea, former East Germany, etc.
- All of these countries have the same type of government: Communist! The government is in control of everything.

# Command Economy

Let's see how a command economy fits in with the 3 economic questions...

1. **What goods/services will be produced?**

- Government decides what will be produced.

2. **How will goods/services be produced?**

- Government decides how to make them.

3. **Who will consume the goods/services?**

- Whoever the government decides to give them to.

# Market Economy

- Economic decisions are made based on the changes in prices that occur as buyers & sellers interact in the market place.
- Free enterprise helps make these decisions.
  - Free Enterprise = competition between companies (shifts prices of goods/services)
- The government has no control over the economy; private citizens answer all economic questions.

# Market Economy

Let's see how a market economy fits in with the 3 economic questions...

## 1. What goods/services will be produced?

- Businesses (owned by private citizens) based decisions on supply & demand and free enterprise. (AKA \$!)

## 2. How will goods/services be produced?

- Businesses (owned by private citizens)

## 3. Who will consume the goods/services?

- Consumers



# Market Economy

- In a truly free market economy, the government would not be involved at all. Scary...
  - There would be no laws to make sure goods/services were safe.  
\*Food! Medicine!
  - There would be no laws to protect workers from unfair bosses.
- Because of this, there are no PURE market economies, but some countries are closer than others.
  - Some Examples: US, UK, Australia, etc.



# Hmmmm . . .

- Since there are no countries that are purely command or purely market, what does that make them? Comket? Markmand?
- Ha! Most democratic countries have some characteristics of both systems, so we keep it simple and call them:
- Of course, most countries' economies are closer to one type of system than another...  
**Mixed!**

# The Economic Continuum

Command

Market



↑  
Cuba

↑  
Russia

↑  
Germany

↑ ↑  
UK US

↑  
Australia

## Teachers:

- Print off the following page for each student. Students will write down how each economic system answers the 3 basic economic questions.

\*This can be used as a review, or the students can fill it in while discussing the notes.

Traditional

Command

Market

1. What goods/services will be produced?

2. How will goods/services be produced?

3. Who will consume the goods/services?

# Teachers:

- Print off the cards on the following page and glue them back to back.
- Project the following “Show Me” statements and have the students hold up the correct end of the card.
- There is also a blank template for you to add additional questions if you’d like. \*Or have the students write one of their own!

**Mixed**

**Market**

**Traditional**

**Command**

Show ME!

The government makes *ALL*  
economic decisions.

Answer

Command



Show ME!

If your parents were peanut farmers, then you would be a peanut farmer also.

Answer

Traditional

Show ME!

Most democratic countries are  
this.

Answer

Mixed

Show ME!

Cuba and North Korea  
are close to having this type  
of system.

Answer

Command

# Show ME!

Businesses (run by private citizens)  
determine what goods/services are  
produced and how they will be made.

Answer

Market



Show ME!

Bartering is used.

Answer

Traditional

Show ME!

Communist countries are  
closely related to this.

Answer

Command

Show ME!

Businesses make economic decisions, but the government regulates them to make sure they're safe/fair.

Answer

Mixed

Show ME!

Australia is close to this.

Answer

Market



Show ME!

## Teachers:

- Have the students answer the following questions on their own paper (or on white boards) to check for understanding.\*This could also be used as a quiz grade!

# Let's Review

1. What are the three basic questions that every economic system must answer?
2. What are the three economic systems?
3. The former Soviet Union was an example of what kind of economic system?
4. Which economic system allows for the most individual freedom?
5. In which economic system does the government have the most control?
6. In which economic system do individuals do things based on customs & beliefs?
7. What is the economic system of most communist countries?
8. How do traditional economies exchange goods?
9. Which country is closest to a true Market economy?
10. Most democratic countries have which type of economic system?

# Answers

1. What are the three basic questions that every economic system must answer? **What's produced, how's it produced, & who consumes it**
2. What are the three economic systems? **Traditional, Command, Market**
3. The former Soviet Union was an example of what kind of economic system? **Command**
4. Which economic system allows for the most individual freedom? **Market**
5. In which economic system does the government have the most control? **Command**
6. In which economic system do individuals do things based on customs & beliefs? **Traditional**
7. What is the economic system of most communist countries? **Command**
8. How do traditional economies exchange goods? **Bartering**
9. Which country is closest to a true Market economy? **Australia**
10. Most democratic countries have which type of economic system? **Mixed**

# Teachers

- Have the students respond to the opinion prompt on their own paper. This could also be used as a quiz grade!

# In My Opinion...

Which economic system do you think is best?

Write a paragraph to defend your answer. Make sure that you give specific details as to why you chose this economic system.

# Teachers

- Put the students into groups and give each group a card (next page) with vocabulary words on it. The groups will create a role play to present to the class, using their vocabulary words and what they've learned about the economic systems.
- It's okay to give more than one group the same words, as their role plays all turn out different!

# Role Play Terms

- Bartering, traditional economy, customs/beliefs, ancestors, past

- Market economy, free enterprise, businesses make what they want & how they want it

- Command economy, strict government, no individual choice for what to make/buy

- Mixed economy, democracy, private citizens have own business & government regulates them

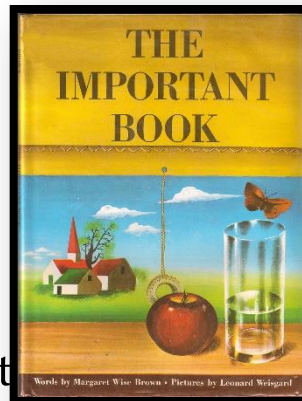


# Role Plays

- Look at your group's vocabulary words.
- Develop a skit that shows the term "in action". This means, don't just define the word—you have to act out how it works in a real world situation.
- You will act out your role play in front of the class, so make sure that you really understand what the words mean!

# Teachers

- The following activity is a review mini-book project. I suggest reading aloud *The Important Book* by Margaret Wise Brown before completing the activity. This book is a short children's book that shows students how to find the most important point. Plus, even big kids like being read to! 😊



- You can still do this activity [without](#) reading the book.

# Important Book

You are going to create an Important Book about Economic Systems based on *The Important Book* by Margaret Wise Brown.

Each page will have THE MOST IMPORTANT THING TO KNOW about the system, followed by 2-3 additional facts.

Illustrate each page with a drawing of the system on the back of the page!

Follow this format

SYSTEM NAME

The important thing about (System) is...

--1<sup>st</sup> fact

--2<sup>nd</sup> fact

--3<sup>rd</sup> fact

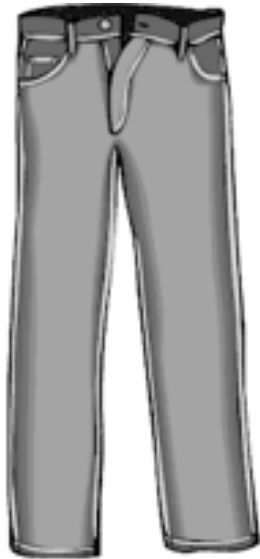
But the most important thing about (System) is (write the most important thing to know).

# Teachers

- Print out the following page (two-per-page) and have students complete the Ticket Out the Door at the end of class. I like to read over what they write and address any “issues” the following day.

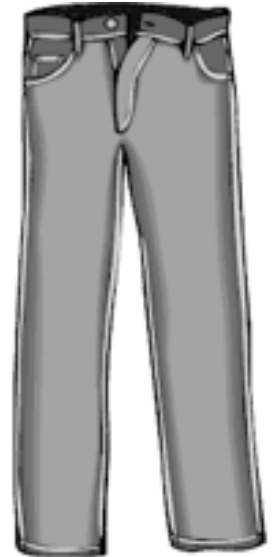
# Smarty Pants

Ticket Out the Door: Write down 3 of the most important things that you learned from today's lesson.



# Smarty Pants

Ticket Out the Door: Write down 3 of the most important things that you learned from today's lesson.





# Thank You!

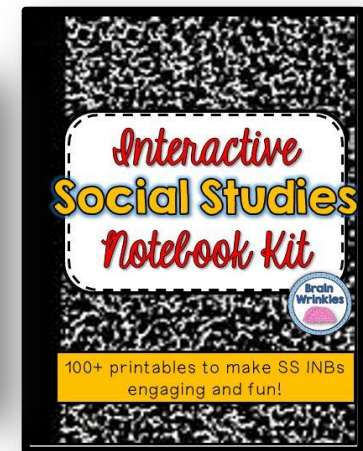
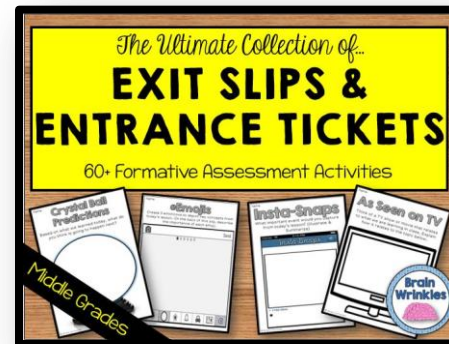


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Best of luck to you this school year,

**Ansley at Brain Wrinkles**



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