

**WHDE**  
Lesson Plan

Dark and Light: Incentives and Korea's Divergent Economies

**AUTHOR INFORMATION**

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**GENERAL INFORMATION**

**Lesson Grade Span:** Secondary (9-12)  
**Targeted Grade Level/Course:** Integrated Social Studies; Economics; AP Modern World History  
**Estimated Time to Complete Lesson:** Two 50 minute class periods or one 90 minute block

**FOCUSED QUESTION**

Do economic incentives matter?

**STANDARDS (STATE/C3)**

**Kentucky:**

HS.E.MA.2 Analyze ways in which competition and government regulation influence what is produced and allocated in an economy.

HS.E.IC.2 Evaluate how individuals, organizations and governments respond to incentives in the decision-making process.

**C3:**

D2.Eco.8.9-12. Describe the possible consequences, both intended and unintended, of government policies to improve market outcomes.

**STUDENT & TARGET OUTCOMES**

Students will be able to describe why incentives matter to the creation of economic growth and good governance.

## LESSON OVERVIEW

Post-war North and South Korea present a direct comparison case study through which students can understand how economic incentives help create wealth and good governance or deprivation and bad governance.

After World War II, North and South Korea were partitioned into two separate nations, each following different economic patterns. Although both nations redistributed land to peasants, in South Korea, newly land-owning farmers were able to sell their products in a market economic system, incentivizing production and investment, as well as education. In addition, by creating a more equal distribution of wealth, the power of the few to control resources and government actions was eroded. Slowly, then exponentially, South Korea's GDP grew, and the government became more democratic.

In the North, however, no market incentives were allowed. Instead, the government created a command economic system, in which production and prices were set by the government. Few incentives were present for production or investment into consumer goods, as no rewards were garnered by those taking economic risks, especially when private ownership of land in North Korea was retracted and peasants put to work on collective farms owned by the state. In this case, the few controlled the many, with the state and its elite allies controlling all national assets and political power.

These differences in economic incentives led to the divergence between the two countries, with the South Korean economy experiencing growth that ballooned by the 1970s. Today, South Korea has a spot as one of the wealthiest economies in the world and is a high-functioning democracy. North Korea's lack of market incentives, in contrast, helped contribute to the emergence of a totalitarian government and extremely low GDP.

By examining photos, charts, and videos, students will be able to understand the role of incentives in creating economic growth and democratic institutions.

## PROCEDURES

### Day 1

#### Introduction:

1. Ask students what motivates them to wake up every morning and go to school or work (if they have a part time job). Write the word "Incentives" on the board and list the motivators students brainstorm under this heading. Students may think of some motivators focused around avoidance (eg: their mom will yell at them if they don't wake up and get to school), but they also likely will think of positive incentives, like earning money to buy a car or attending school to do well and earn a scholarship to trade school or college. Focus students' attention on these positive incentives.
2. Ask students to use this whole-class brainstorm to Think-Pair-Share a definition for Incentives. Reveal the economic definition, "An incentive is a financial motivation (profits, bonuses, income) which influences people's choices or behaviors."

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3. Project a picture of North and South Korea at night. Ask them to fill in the “I see, I think, I wonder” portion of their worksheet. Complete a Think, Pair, Share of their observations with one another. Ask each pair to share one see, think, or wonder with the group.  
<https://geospatialmedia.s3.amazonaws.com/wp-content/uploads/2017/10/ABC.png>
4. Let students know that the two countries in this satellite image are North and South Korea today. But, until the 1970s, they had similar levels of wealth. After that time, South Korea’s economic growth took off, while North Korea’s stagnated. They are going to examine how fostering the economic incentive of earning profit from work and entrepreneurial risk can help an economy grow and democratic political institutions to develop, leading to the results in the picture.

**Task 1: Gallery Walk**

1. Print the factual/statistical displays from the article found at <https://www.bbc.com/news/world-asia-41228181>. Display them around the room and ask students to move individually, filling in their graphic organizer.
2. ALL students should complete their graphic organizer for the chart called, “But the Koreas Used to be Much More Closely Matched.” They should then choose THREE other charts to examine (their choice).  
[If large color printing is an issue, ask students to work in small groups to fill in the graphic organizer, displaying charts one at a time on your projector and completing all charts.]

**Task 2: Group Presentation**

1. In groups of 2-4, students should stand beside a chart of their choice. They should state the fact from the chart to the group, along with their idea for an “underlying information” students can gain from the existence of that fact. (See Key below).

**Nine Charts About North and South Korea**

<b>Chart Title</b>	<b>Fact</b>	<b>Hypothesis of Underlying Information</b>
But the Koreas Used to be Much More Closely Matched	Until 1974, the GDP of N & S Korea were basically the same, then South Korea’s rapidly rose	South Korea’s economy offered incentives for workers to produce more, invest more, and grow the economy
Dynasty Versus Democracy	Since 1948, North Korea has had 3 leaders and South Korea has had 12	More leaders indicate that there is more than one family/group with power. Having few leaders, all from the same family indicates low levels of democracy
Hardly Anyone Has a Mobile	North Korea (population 25 million) has 3.2 million cell phones subscriptions.. South Korea (population 51 million) has almost 60 million cell phone subscriptions.	Having a cell phone (or more than one) is normal in South Korea and probably just for elites in North Korea. Having a cell plan is a luxury item, indicating a high level of wealth in South Korea.
North Koreans are Shorter	North Koreans are 1-3 inches	Nutrition is likely not very good in North Korea,

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than South Koreans	shorter than South Koreans	since the same genetic population should have similar average heights. South Korea's wealth may result in better nutrition and taller average height.
North Korea's Roads are Bad	97% of Korea's roads are not paved, as opposed to 92% of South Korea's roads being paved.	Paved roads are essential for cars. This chart means that there are not many cars in North Korea and that there isn't much ability for normal citizens to travel very far.
Coal is King in the North	Korea exports less than \$1 billion in coal per year. South Korea exports almost \$64 billion in circuit boards for computers.	South Korea has a large, high tech economy and North Korea has a small, low tech economy
Military Might	North Korea's military is far larger than South Korea's	A lot of the limited resources of North Korea don't go into consumer goods like cell phones, roads, or food. Instead, their money is spent on the military, which is a major employer.
South Koreans Live Longer	Beginning in the 1980s, South Koreans' life spans became much larger than North Koreans'.	Life expectancy is a strong indicator of wealth - it means there is access to nutrition, medicine, vaccines, and regular health care. South Korea has these amenities for citizens because of their wealth. North Korea does not.
But North Koreans Have More Babies	Both nations had mostly declining birth rates since 1960, but North Korea's is much higher	Family planning is more possible in South Korea, a wealthy nation. In poor nations, women often have more children. This might be connected with average life expectancy, as people often have more children in nations where child mortality is higher.

**Task 3: Make a Hypothesis**

1. Working in small groups, students should brainstorm what kinds of government models and economic incentives would lead to the results displayed through the charts about North and South Korea.
2. Lead a whole group discussion, calling on small groups which hypothesized that North Korea has a non-democratic, military-focused government that tightly controls the economy to benefit elites and that South Korea has a democracy with a market economy, driven by profit incentives to produce goods desired by all citizens who, as consumers, are the main influencers of economic choices.

**Day Two**

**Introduction:**

1. Remind students that they are discovering why incentives matter for strong economies and governments. At the end of class, they are going to answer the question, "Do

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incentives matter?” and back it up with evidence from the experience of North and South Korea.

**Task 4: Putting It Together**

1. Students view the video found at: <https://www.youtube.com/watch?v=wdKBfXRpNsk> and fill out the guiding questions.
2. Discuss answers to the questions together before continuing to the assessment component. (See Key below).
  1. What are some examples of “institutions” necessary for economic growth?
    - a. Laws, regulations, property rights, political stability, cultural norms around honesty, trust, cooperation
  2. What were the two “institutional tracks” of North and South Korea after World War II?  
North Korea - Communism  
South Korea - Capitalism/relatively free market economy
  3. According to the video, “It all comes down to incentives. Different institutions create different incentives.” Describe the incentive of commercial cooperation seen in South Korea.
    - a. entrepreneurs produced things consumers wanted for profit. Unsuccessful firms went bankrupt so resources were efficiently allocated. A cooperative, trust-based society evolved which produced globally successful products like cars, K-pop, cosmetics, etc. Korea is a fully developed country. The profit incentive created motivation to grow the economy.
  4. In the north, what kind of incentives were created in the “totalitarian state, where the economy is centrally planned and directed”?
    - a. there was a lack of freedom and people didn’t get to keep their profits. Everything was allocated by the state, so human energy went into political manipulation, not making goods consumers wanted. Incentives were skewed away from fulfilling people’s needs and wants.

**ASSESSMENTS**

**Task 5: Assessment of Student Understanding**

1. Students reflect on incentives by making an assertion on the question, “Do incentives matter?” and backing it with evidence from the case study of North Korea and South Korea. Use the “Do Incentives Matter” rubric to evaluate student work.

**RESOURCE LIST**

- Chaturvedi, Aditya. (2017, October 6.) A Tale of two Koreas: 10 Maps Show Sea of Contradictions Between the Two Nations. Retrieved December 27, 2019 from <https://geospatialmedia.s3.amazonaws.com/wp-content/uploads/2017/10/ABC.png>
- Marginal Revolution University. (2016, February 02.) The Importance of Institutions. Retrieved December 26, 2019 from <https://www.youtube.com/watch?v=wdKBfXRpNsk>
- Murray, Alex, & Housden, Tom. (2017, September 26.) Nine Charts Which Tell You All You Need to Know about North Korea. Retrieved December 9, 2019 from <https://www.bbc.com/news/world-asia-41228181>

### Light Versus Dark: Why Economic Incentives Matter

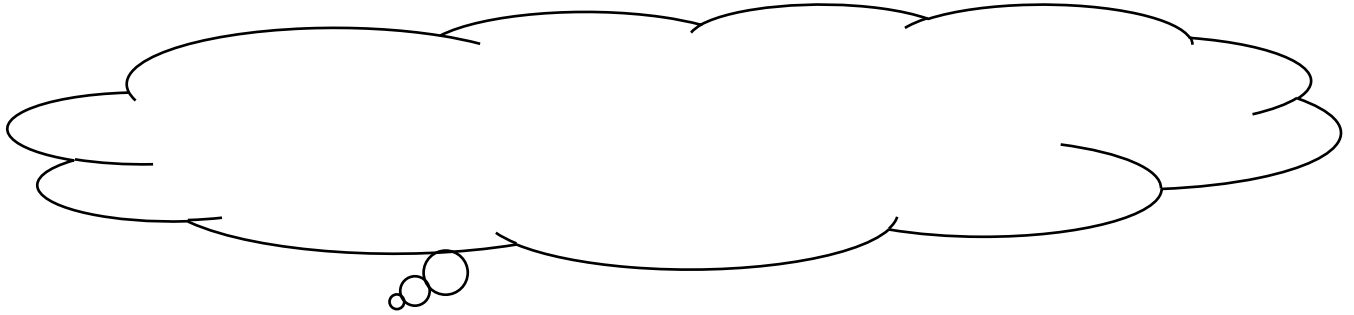
I see ...

I think ...

I wonder ...

#### Nine Charts About North and South Korea

Chart Tile	Fact	Hypothesis of Underlying Information
But The Koreas Used to be Much More Closely Matched		



**Video Notes: *The Importance of Institutions***  
(<https://www.youtube.com/watch?v=wdKBfXRpNsk>)

# Hypothes

1. What are some examples of “institutions” necessary for economic growth?
2. What were the two “institutional tracks” of North and South Korea after World War II?  
North Korea -  
  
South Korea -
3. According to the video, “It all comes down to incentives. Different institutions create different incentives.” Describe the incentive of commercial cooperation seen in South Korea.
4. In the north, what kind of incentives were created in the “totalitarian state, where the economy is centrally planned and directed”?

**Assessment:**

Please write a paragraph in which you make an assertion and back it with evidence from the case study of North Korea and South Korea. Answer the question, ***Do incentives matter?***



**Do Incentives Matter?  
Rubric**

	<b>Complete</b>	<b>Partially Complete</b>	<b>Incomplete</b>
<b>Assertion:</b> Assertion is on-topic and accurate			
<b>Evidence:</b> At least three pieces of factual evidence from the lesson are used to back up the assertion			
<b>Explanation:</b> The explanation of how the evidence relates to and backs up the assertion is clear			