

MODULE OVERVIEW

ECONOMIC SKILLS: INTERPRETING ECONOMIC PRINCIPLES AND MODELS

CONTENT: TYPES OF ECONOMIES

DAY
1

LESSON QUESTION: WHAT ARE THE MAJOR TYPES OF ECONOMIES FOUND IN THE WORLD TODAY?

CLASS ACTIVITY: Understanding the Major Economic Systems: Command, Market, and Fixed Economies

Working collaboratively, students will learn about and define the three major economic systems found in the world today - Command, Mixed, and Market Economies. After building definitions and understanding of each of these economic structures, students will work in teams using data analysis of charts and graphs from different global economies to attempt to classify which type of economy is represented in each.

CHECK FOR UNDERSTANDING: Exit Ticket

Students will use their understanding of each of the three main economic systems and their analysis of charts and graphs to formulate an argument as to which economic system best describes the United States, China, and North Korea, providing evidence to support their assertion.

DAY
2

LESSON QUESTION: WHERE DO MODERN GLOBAL POWERS FALL ON THE ECONOMIC CONTINUUM?

CLASS ACTIVITY: Determining Components of Real-World Economies to Determine What Economic System is in Place

Working in teams, students will use their new understanding about components and definitions of each economic system to place pictures, graphs, data charts, and other economic indicators on a continuum spanning from Command to Market Economies. In placing these sources on the continuum, students will be required to provide explanations and reasoning for the placements. Through this activity, students will begin to understand that there is much overlap between these different economic systems and that most modern economies fall into the category of Mixed Economies.

CHECK FOR UNDERSTANDING: Exit Ticket

Students will use the information from their source analysis economic continuums to attempt to determine where the United States, China, and North Korea fall on the continuum from Command to Market Economies.



ASSESSMENT

Students will analyze the impact that changing from a command to a market economy has on increasing democratization of a nation. Students will then make an argument as to whether they believe that North Korea will become more democratic in the future based on the current economic structure.

DAY 1

BASED ON A 60-MINUTE CLASS

Lesson Question: What are the Major Types of Economies Found in the World Today?

AP MICROECONOMICS COURSE FRAMEWORK KEY CONCEPTS

Learning Objective MKT 1.B - Define how resource allocation is influenced by the economic system adopted by society.

- Essential Knowledge - MKT 1.B.1 - Resource allocation involves answering three basic questions: What goods and services to produce? How to produce those goods and services? And who consumes those goods and services?
- Essential Knowledge - MKT 1.B.2 - Resource allocation is significantly influenced by the economic system adopted by society, such as command economy, market economy, or mixed economy. Each system involves a particular set of institutional arrangements and a coordinating mechanism for allocating scarce resources and distributing output.

AP MACROECONOMICS COURSE FRAMEWORK KEY CONCEPTS

Learning Objective MOD 1.A - Define scarcity and economic resources.

- Essential Knowledge MOD 1.A.1 - Individuals and societies are forced to make choices because most resources are scarce.

VOLUNTARY NATIONAL CONTENT STANDARDS IN ECONOMICS

Content Standard 1: Scarcity

- Students will understand that: Productive resources are limited. Therefore, people can not have all the goods and services they want; as a result, they must choose some things and give up others.
- Students will be able to use this knowledge to: Identify what they gain and what they give up when they make choices.

Content Standard 9: Competition and Market Structure

- Students will understand that: Competition among sellers usually lowers costs and prices, and encourages producers to produce what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.
- Students will be able to use this knowledge to: Explain how changes in the level of competition in different markets can affect price and output levels.

Content Standard 16: Role of Government and Market Failure

- Students will understand that: There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental

concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on people's incomes.

- Students will be able to use this knowledge to: Identify and evaluate the benefits and costs of alternative public policies, and assess who enjoys the benefits and who bears the costs.

Content Standard 17: Government Failure

- Students will understand that: Costs of government policies sometimes exceed benefits. This may occur because of incentives facing voters, government officials, and government employees, because of actions by special interest groups that can impose costs on the general public, or because social goals other than economic efficiency are being pursued.
- Students will be able to use this knowledge to: Identify some public policies that may cost more than the benefits they generate, and assess who enjoys the benefits and who bears the costs. Explain why the policies exist.

Economic Skills: Interpreting Economic Principles and Models

OVERVIEW

Students will define and develop a level of understanding of the three major economic systems that are found in our modern world: Command, Mixed, and Market Economies. Students will begin by exploring the basic definition of what elements are found in each of the different economies. After developing an understanding of the definitions for Command, Mixed, and Market Economies, students will then use a variety of sources to determine which economies can be found in the United States, China, and North Korea.

MATERIALS NEEDED FOR:

In Class Activity

- [Bonus Points Tokens](#) (three per team)
- [Defining Economies Handout](#) (one per student)
- [The Three Major Types of Economies](#) (one per student)
- [What Economy is THAT?!? Handout](#) (one per student)
- [United States Information](#) (one per team)
- [China Information](#) (one per team)
- [North Korea Information](#) (one per team)

SEQUENCE OF INSTRUCTION

CLASS ACTIVITY: WARM UP/INTRODUCTION

WARM UP/INTRODUCTION (20 MINUTES): What is an Economy?

ACTIVITY 1:

- Have students arrange desks to work in teams of four for this activity.
- Tell the students that they are going to be given an opportunity to earn “bonus points” by completing a task.
 - You can also use candy or other rewards that would work best for your student population.
- Give each group three [Bonus Points Tokens](#).
 - If you have any groups of fewer than four students, make sure to give them one less card than the number of students.
- Tell the students that they are to divide up the bonus points tokens fairly amongst the group members, but that you cannot tear the cards or subdivide them.
 - Students will quickly complain that this is not fair since there are not enough tokens for each person in the team. Just reiterate the rules that they should divide them up as fairly as they can.
- After a few minutes, have teams share how they went about dividing up the tokens in a fair and equitable manner.

- Next distribute the [Defining Economies handout](#). Tell students that they just participated in an activity to help them understand the word SCARCITY.
- Based on the activity, teams should try to brainstorm a definition of the word SCARCITY in the provided space on the [Defining Economies handout](#).
 - For students who are struggling, you can provide clues using synonyms such as shortage, small amount, lack of, etc.
- After allowing teams to brainstorm for two to three minutes, call on teams to share out answers. Then, provide the class with the actual definition and have them write this in the space provided on the [Defining Economies handout](#).
 - Scarcity - a limited supply; not enough for everyone.
- Next, have students investigate the question: What does this mean in “economic” terms? Write their answers in the space provided on the [Defining Economies handout](#).
 - Student answers should be focused on the idea that people cannot have everything that they want and therefore they must choose among alternatives.
- Have teams share answers and focus students on the concept above.

ACTIVITY 2:

- Have students work individually to brainstorm definitions to the other key words of the definition of economy on the [Defining Economies handout](#).
 - These words are less complicated so most students will know the definitions.
- After a few minutes, have teams share their brainstorming for each key word and add to their definitions and change as necessary in the space provided.
- Next, tell the teams that these FOUR words - scarcity, resources, production, and consumption - are the major components of the definition of an economy. Have teams attempt to link these key words into a definition for the word “economy” in the box on the [Defining Economies handout](#).
- Have student teams share out the definitions that they created and encourage other teams to critique or add to the definitions. The goal is for the entire class to work together to create a working definition of the word “economy.”
- Conclude by providing students with this definition:
 - An economy determines how the production and consumption of goods and services are managed when there is a scarcity of resources.

Teacher Notes

There is a wide variety of definitions for the term economy. The goal of this lesson is for students to get a basic understanding of the term and what goes into making an economy. If the definition provided is too complicated for some students in your classroom, you can provide the more basic definition of economics as the study of how society divides scarce resources and goods.

CLASS ACTIVITY PART 1: Identifying the Major Economies of the Modern World

CLASS ACTIVITY (15 MINUTES): Defining Command, Mixed, and Market Economies

ACTIVITY 1:

Continuing to work in the same teams as the previous activity, student teams will explore the definitions of the three major economic systems: Command, Mixed, and Market Economies.

- Begin by reading the three definitions provided on the [The Three Major Types of Modern Economies handout](#). Point out to students that they have these definitions on the handout and should follow along as you read them aloud.
 - Command Economy - A command economy is where the decisions about allocating scarce resources and production and consumption of goods and services are made and controlled by the government.
 - Market Economy - A market economy is where the decisions regarding allocation of scarce resources, production, and consumption are guided by the forces of supply and demand.
 - Mixed Economy - A mixed economy is where there is a blending of elements from both command and market economies.
- Encourage students to ask any questions they may have about each of these definitions.
- Next, working individually, students should try to create a visual representation for each of the three different types of economies in the box provided on [The Three Major Types of Modern Economies handout](#). They may find this difficult, but encourage them to do the best they can.
 - Students will reference these visual representations during their Day 2 Warm Up / Introduction Activity, but will not need these for the remainder of the Day 1 lesson.

Teacher Notes

Some students will say that they do not know how to draw or that they cannot create a visual representation for the types of economies. Tell students that you are not “grading” their images, but rather want them to be thinking about how they would try to represent this definition visually. Let them know they can use very basic drawings, symbols, etc. to visualize the definition.

Teaching Tip



Asking students to attempt to transform a definition into a visual representation can help students to solidify their understanding of a concept. It requires students to develop a strong understanding of the definition before they can turn that concept into a visual.

CLASS ACTIVITY PART 2: Categorizing Economic Systems Using Data Sources

CLASS ACTIVITY (25 MINUTES): Classifying the Economic Systems of the United States, China, and North Korea

ACTIVITY 1:

Now that students have a strong understanding of the three types of economies, they will analyze data to attempt to classify the economies of the United States, China, and North Korea.

- Provide each student with a copy of the [What Economy is THAT?!?](#) handout and each team with one copy of the [United States Information](#), [China Information](#), and [North Korea Information](#) handouts.

- Working collaboratively, teams should analyze the sources given for each country to determine the type of economy they believe best fits that country. Explain that each type of economy can only be used ONE time, so they should match the country to the economy that best fits the definition.
- Although they are working together, each student should fill out the [What Economy is THAT?!?](#) handout as they work through this exercise. You can choose to collect this as an exit ticket at the end of class.

Bonus Points Tokens

Bonus Points	Bonus Points	Bonus Points
A+	A+	A+

Defining Economies

Name: _____ Period: _____

What is an Economy?!?

To understand what an economy is, you need to first understand the concept of SCARCITY. Working with your TEAM see if you can come up with the definition of scarcity in the box below:

SCARCITY	Team Definition:
	Teacher Definition:
	How does this relate to economics?

Working individually, write down what you think are the definitions to the KEY WORDS located below in the brainstorming column (resources, production, and consumption).

Brainstorming Space	Add Ideas from Other Teammates Here
<ul style="list-style-type: none"> ● Resources ● Production ● Consumption 	

Building YOUR Definition of an Economy

In the space below, write what YOU believe is the definition of ECONOMY based on the previous activity and team brainstorming. Make sure you use ALL of the terms that you defined in your brainstorming (Resources, Production, and Consumption):

The Three Major Types of Modern Economies

Name: _____ Period: _____

Three Major Types of Modern Economies	
Type of Economy	Definition
Command Economy	A command economy is where the decisions about allocating scarce resources and production and consumption of goods and services are made and controlled by the government.
Market Economy	A market economy is where the decisions regarding allocation of scarce resources, production, and consumption are guided by the forces of supply and demand.
Mixed Economy	A mixed economy is where there is a blending of elements from both command and market economies.

In the space below, create a visual representation that you feel best explains or describes each type of economy.

Command Economy	Mixed Economy	Market Economy

What Economy is THAT?!?

Name: _____ Period: _____

Determining the Type of Economy Found in the United States, China, and North Korea

Using your new understanding of the types of economies - Command, Mixed, and Market - and some information about the United States, China, and North Korea, you will attempt to determine which of these economies is found in each.

For each of the following countries, write which type of economy you believe the country has, and support your argument with evidence from the information provided.

Country	Evidence	The Source Suggests Which Economy?	Final Evaluation: Which Economy (and why based on three docs)						
United States	Source 1:	<table border="1" style="width: 100%; text-align: center;"> <tr><td>Market</td></tr> <tr><td>Mixed</td></tr> <tr><td>Command</td></tr> </table>	Market	Mixed	Command	<p>Based on all three sources, the US has this economy...</p> <table border="1" style="width: 100%; text-align: center;"> <tr><td>Market</td></tr> <tr><td>Mixed</td></tr> <tr><td>Command</td></tr> </table> <p>Explain why...</p>	Market	Mixed	Command
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Command									

Country	Evidence	The Source Suggests Which Economy?	Final Evaluation: Which Economy (and why based on three docs)						
<p style="text-align: center;">China</p>	Source 1:	<table border="1" style="width: 100%; text-align: center;"> <tr><td>Market</td></tr> <tr><td>Mixed</td></tr> <tr><td>Command</td></tr> </table>	Market	Mixed	Command	<p>Based on all three sources, China has this economy...</p> <table border="1" style="width: 100%; text-align: center;"> <tr><td>Market</td></tr> <tr><td>Mixed</td></tr> <tr><td>Command</td></tr> </table> <p>Explain why...</p>	Market	Mixed	Command
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Country	Evidence	The Source Suggests Which Economy?	Final Evaluation: Which Economy (and why based on three docs)						
<p style="text-align: center;">North Korea</p>	Source 1:	<table border="1" style="width: 100%; text-align: center;"> <tr><td>Market</td></tr> <tr><td>Mixed</td></tr> <tr><td>Command</td></tr> </table>	Market	Mixed	Command	<p>Based on all three sources, North Korea has this economy...</p> <table border="1" style="width: 100%; text-align: center;"> <tr><td>Market</td></tr> <tr><td>Mixed</td></tr> <tr><td>Command</td></tr> </table> <p>Explain why...</p>	Market	Mixed	Command
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United States Information

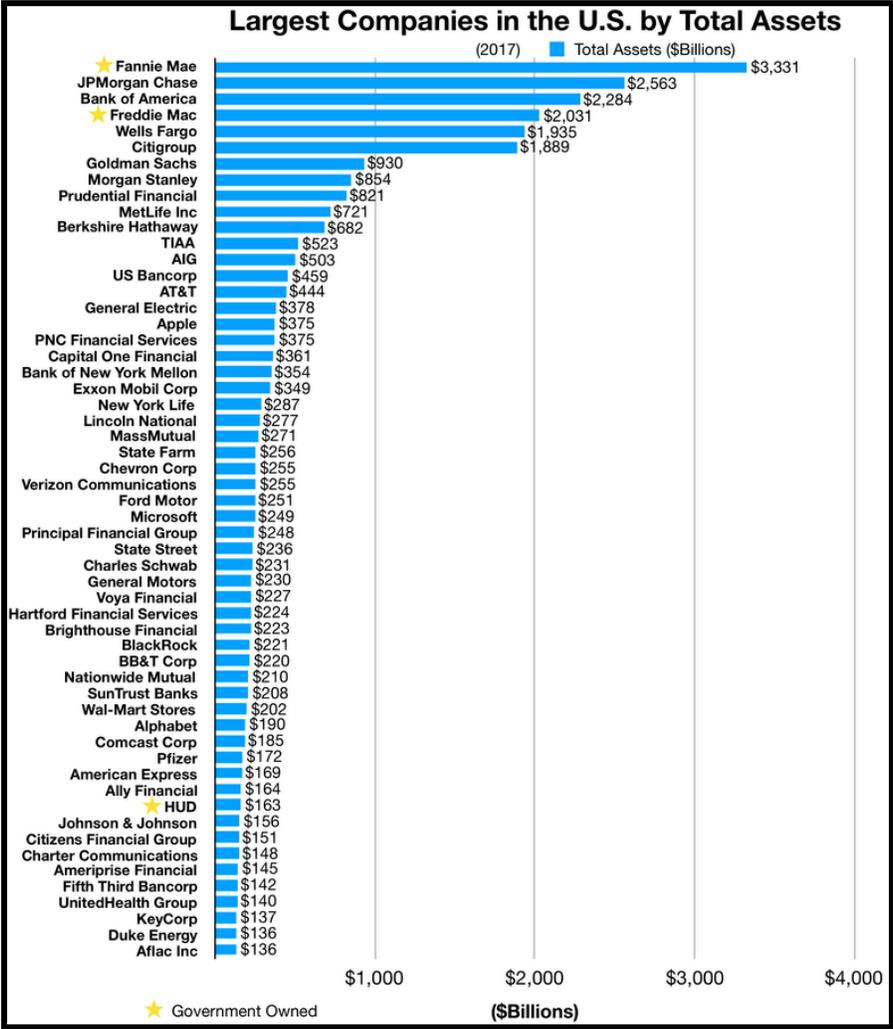
Source 1: Privately Owned Enterprises

Private firms dominate. Out of the 27 million firms in the U.S., nearly all are privately held. Even among the 5.7 million firms with employees, less than 1 percent of them have shares listed on a U.S. exchange. And private firms are a growing majority of U.S. firms.

Excerpt from Forbes article “4 Things You Don't Know About Private Companies”
by Mary Ellen Biery, May 26, 2013

<https://www.forbes.com/sites/sageworks/2013/05/26/4-things-you-dont-know-about-private-companies/?sh=76af4834291a>

Source 2: Largest Companies in the United States

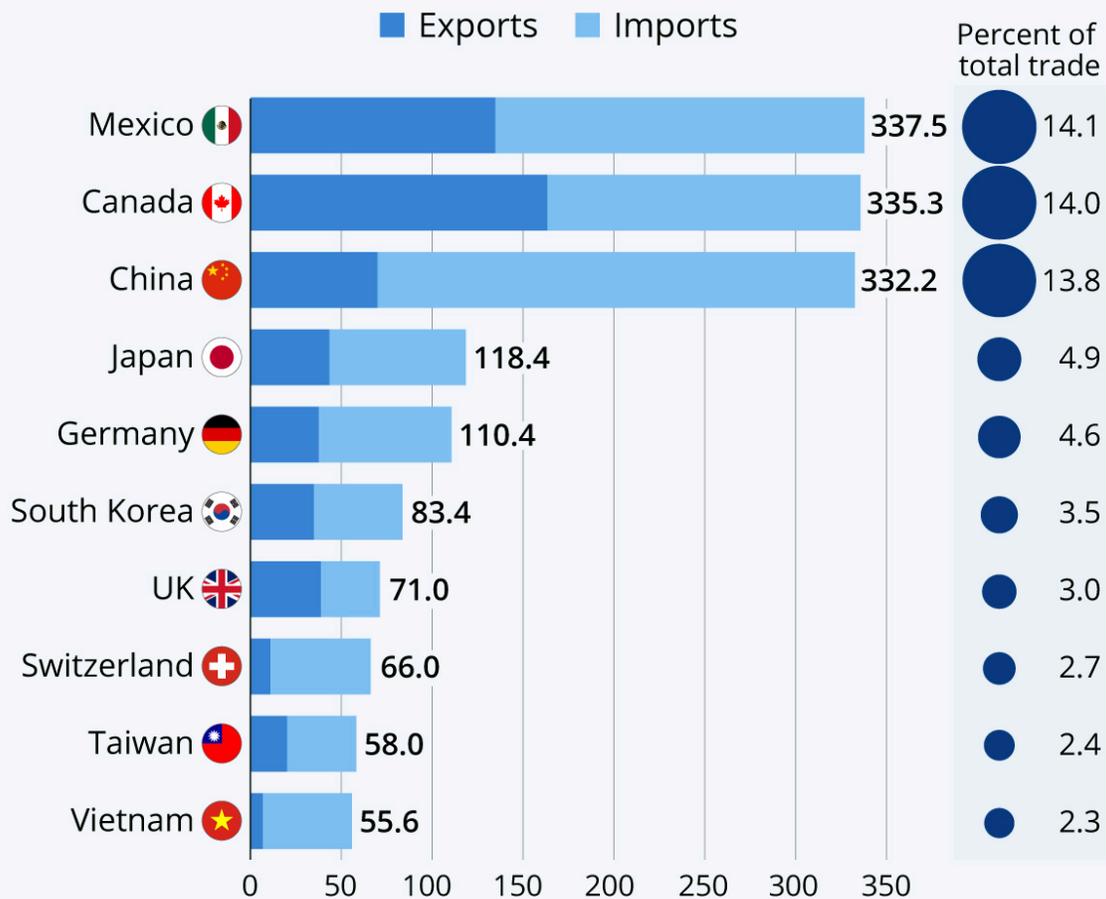


https://commons.wikimedia.org/wiki/File:Largest_companies_in_the_US_by_total_assets.png

Source 3: Trading Partners

America's Most Important Trading Partners

Top U.S. trading partners for goods only
(in billion of U.S. dollars) *



* year-to-date - August 2020

Source: U.S. Census Bureau



<https://www.statista.com/chart/10942/top-us-trading-partners-for-goods/>

China Information

Source 1: State-Owned Enterprises (SOEs)

China, the world's second largest economy, has the largest number of state-owned enterprises (SOEs) in the world – over 150,000.

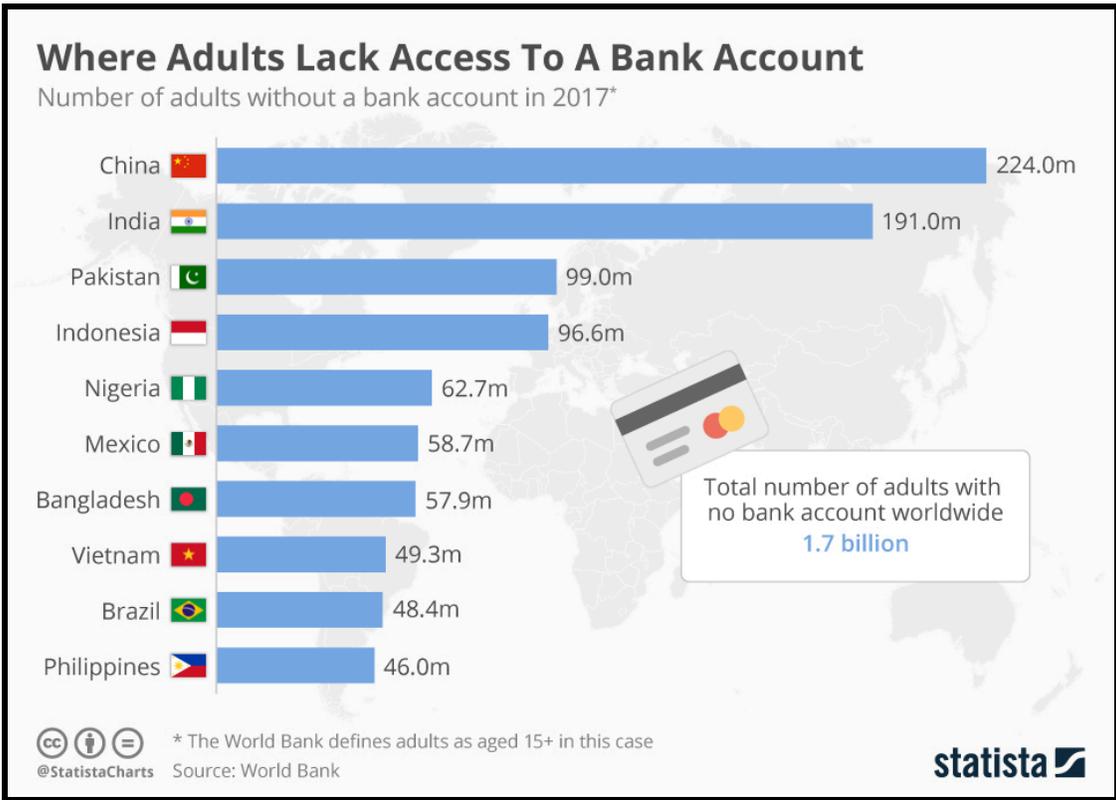
In many other countries, especially in the West, the number of SOEs is much smaller, normally in single digits.

According to the Fortune Global 500 list 2020, 117 of the global top 500 companies are based on the Chinese mainland and 91 of those are SOEs. There are 121 companies from the United States in the top 500, but none of them are government-owned.

Excerpt from CGTN (China Global Television Network) article “Explainer: Why does China have so many state-owned enterprises?” by Wang Tianyu, June 14, 2021

<https://news.cgtn.com/news/2021-06-14/Explainer-Why-China-has-so-many-state-owned-enterprises-115vt8ntcZ2/index.html#:~:text=China%2C%20the%20world%27s%20second%20largest,smaller%2C%20normally%20in%20single%20digits>

Source 2: Adults Without Bank Accounts



<https://www.statista.com/chart/14192/where-adults-lack-access-to-a-bank-account/>

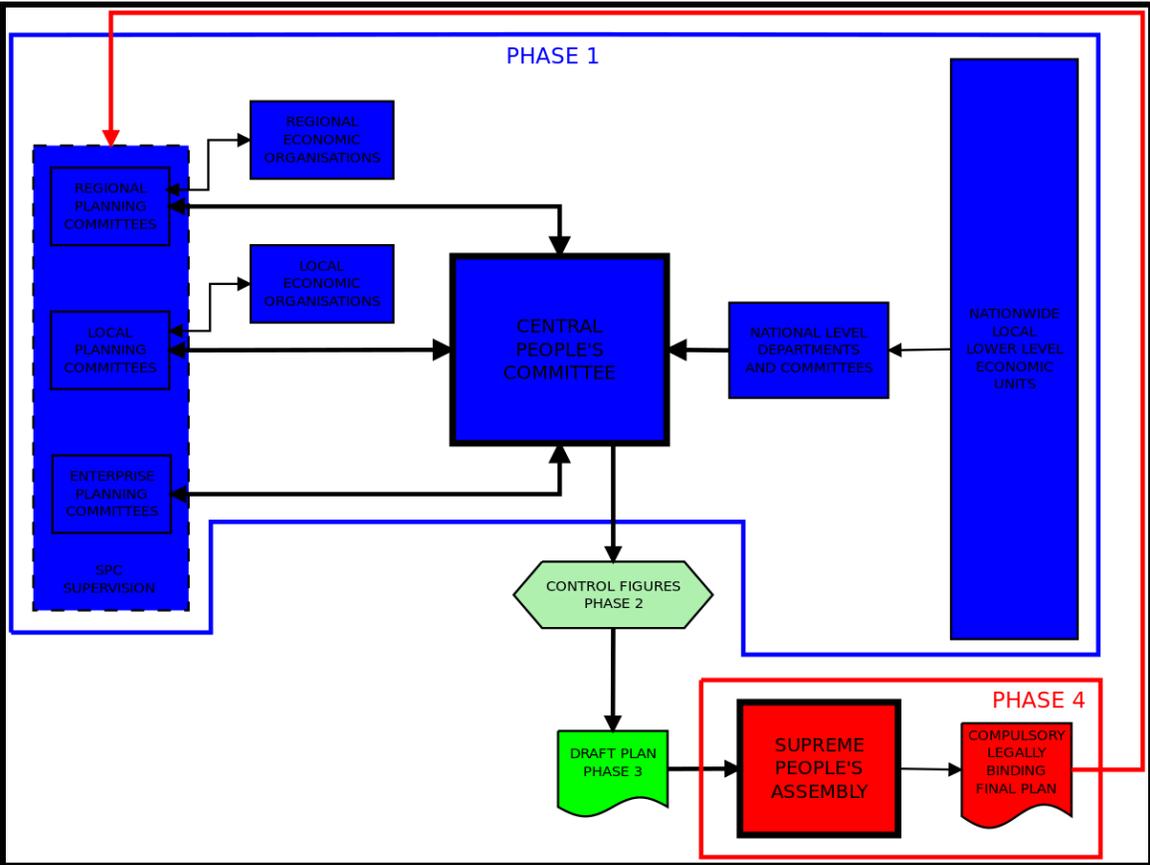
Source 3: China's Wealthiest People



<https://www.statista.com/chart/19626/richest-people-china/>

North Korea Information

Source 1: Diagram Showing the Process of Economic Policy Planning



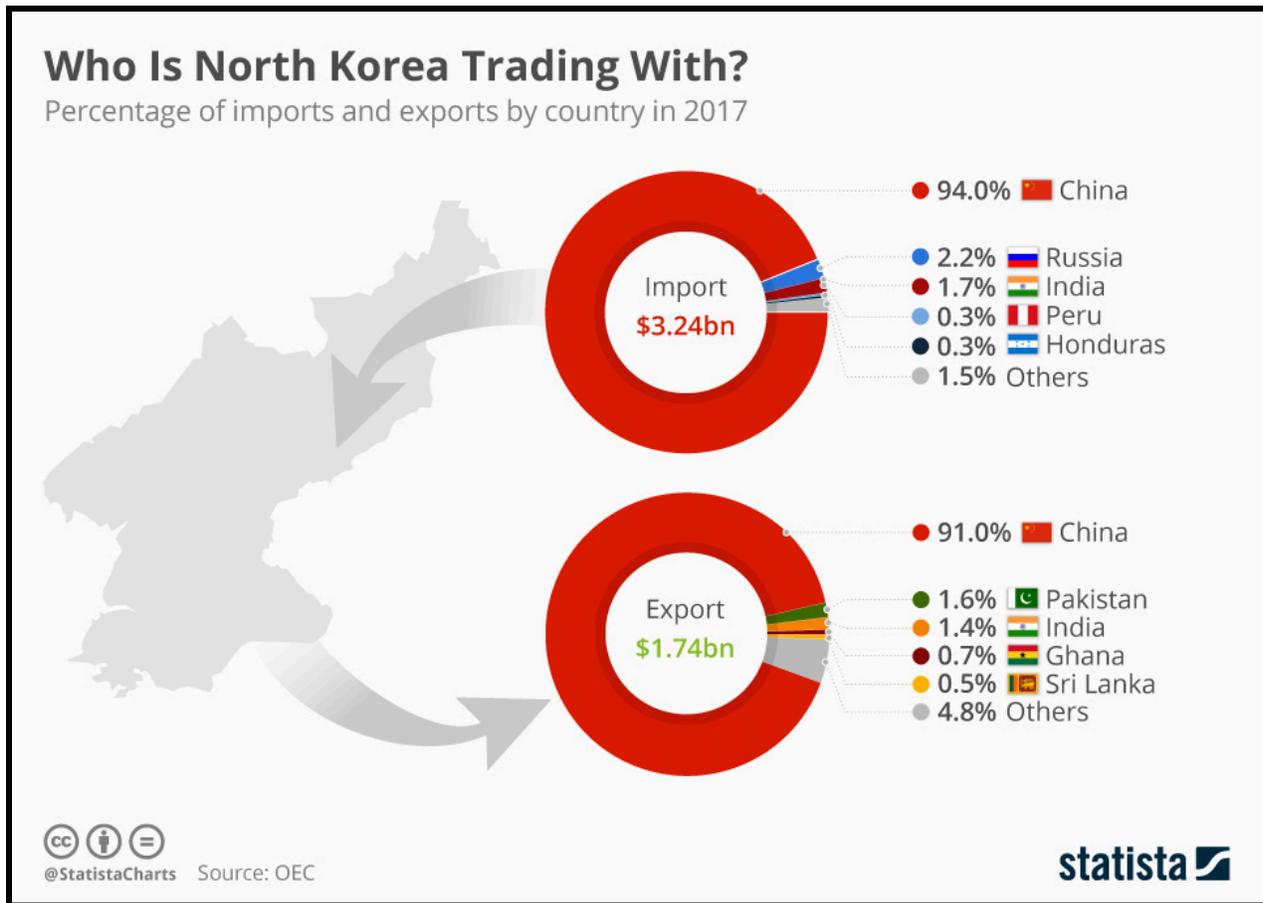
<https://commons.wikimedia.org/wiki/File:Nkorea-economic-planning-2.svg>

Source 2: State Planning Commission

Although general economic policy objectives are decided by the Central People's Committee (CPC), it is the task of the State Planning Committee to translate the broad goals into specific annual and long-term development plans and quantitative targets for the economy as a whole, as well as for each industrial sector and enterprise... Under unified planning regional committees are established in each province, city, and county to systematically coordinate planning work. These committees do not belong to any regional organization and are directly supervised by the State Planning Committee.

https://en.wikipedia.org/wiki/Economy_of_North_Korea#:~:text=The%20economy%20of%20North%20Korea,to%20a%20centralized%20command%20economy.

Source 3: Trading Partners



<https://www.statista.com/chart/10683/north-korea-trading-partners/>