



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

WRITTEN BY
Robert Ed. Werner
Denver Street School
Denver, CO

Last Modified: June 12, 2007

Economic Systems

Time Required

15 – 30 Minutes

Grade Level and Subject

High School; Social Studies

Keystone Principle

Principle #4 – Economic Systems Influence Choice

Economic Concepts

The Three Basic Economic Questions – *Economic systems are categorized by the way in which they answer questions of what to produce, how to produce and for whom to produce.*

Economic system – *The system that countries establish to allocate their productive resources to provide for the wants and needs of its citizens/consumers. Systems fall into the following three categories:*

- **Traditional Economies** – *a system that answers the economic questions by following what has always been done in the past. These economies are usually characterized by subsistence living and limited trade.*
- **Command Economies** – *The answers to the basic economic questions are made by a central authority, usually “the state”.*
- **Market Economies** – *Economic questions are answered by buyers and sellers at mutually agreeable terms. Such economies are characterized by the decentralization of decision-making.*

Mutually Agreeable Terms – *A consensus; a decision to which all interested parties agree and reached without coercion or undue influence.*

Overview

Although we all make choices which have costs and consequences, the same choices are not necessarily available in all societies. It is helpful for students to develop an appreciation of the different choices an entity faces when the economic system is different. In this brief lesson, students will consider the comparative opportunities available in traditional, command, and market economies.

Objectives

1. Students will be able to describe a Traditional, Command, and Market economy.
2. Within the context of each of the three types of economies, students will be able to identify who determines:
 - a. What to produce
 - b. How to produce it
 - c. For whom to produce
3. Students will identify countries or people groups that use Traditional, Command, and Market economies.

Materials and Handouts

- Any economic text, the internet, encyclopedias, or any other source that would have information regarding economic systems.
- Handout of the Economic Systems table

Teaching Activity

1. Explain the three basic economic systems.
2. Discuss the idea that choices are influenced (but not completely dictated) by the economic system. Provide examples.
 - a. In a rural village in a traditional economy, what types of productive activity would most likely be seen? (*A continuation of whatever activity had been done in the past.*) How would the skill set for these tasks likely be passed on? (*Within families; passed on from parent to child.*)
 - b. In a command economy, what types of productive activity would most likely be seen? *The amount of activity can range from a little to a lot. It is characterized by limited individual choice.*
 - c. In a market economy, what types of productive activity would most likely be seen? (*A wide variety of activity, limited only by the imagination and effort of the citizenry.*)
3. Explain the three basic economic questions: what is to be produced, how is it to be produced, and for whom is it to be produced.
4. Provide resources and have students research/explore the three types of economies and complete the table.
5. Lead a review of their findings.
6. Discuss that all economies are actually Mixed Economies to some degree and that these three are theoretical.

Economic Systems

	Traditional Economy	Market Economy	Command Economy	Mixed Economy
Describe each Economic System				
Who decides what to produce?				
Who decides how to produce goods and services				
Who decides who consumes goods and services				
Give examples of countries, or groups that fit each economic system				