



POWELL CENTER FOR  
ECONOMIC LITERACY

*Lesson Plan*

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## Ingredients for a Successful Economy

### Time Required

Two or more class periods, depending on the material that has been taught previously in the class.

### Grade Level and Subject

Secondary; Social Studies

### Keystone Principles

[Principle #4, Economic Systems Influence Choices](#)

### Voluntary National Content Standards in Economics

[Content Standard #3](#) – Allocation of Goods and Services

[Content Standard #10](#) – Role of Economic Institutions

### Economic Concepts

**Developing Countries** – *Nations generally characterized by high rates of illiteracy, high unemployment, low household income, and exports consisting of primary rather than finished goods.*

**Financial system** – *An information system, comprised of one or more applications, that is used for any of the following: collecting, processing, maintaining, transmitting, and reporting data about financial events; supporting financial planning or budgeting activities; accumulating and reporting cost information; or supporting the preparation of financial statements.*

**GDP** – *Gross Domestic Product. The total of all goods and services produced by workers in a country; used to monitor economic growth.*

**Human Resources** – *The mental and physical skills and abilities people use in the production process. A skilled and educated workforce.*

**Infrastructure** - *The basic facilities, services, and installations needed for the functioning of the community, such as transportation and communications systems, water and power lines, and public institutions including schools, post offices, and prisons.*

**Legal System** – *a system of rules that regulate behavior and the processes by which the laws of a country are enforced and through which redress of grievances is obtained.*

**Natural Resources** – *Land for farming and development; water for drinking and irrigation; energy sources, forests, animals, and minerals.*

**Private Property Rights** – *The rights of individual and corporate owners to use, sell or rent property.*

**Tariff** - *A tax (or duty) applied to goods transported from one country to another, or on imported products. Tariffs raise the prices of imported goods, a cost which is passed on to the consumer in the form of higher prices, thus making them less competitive in the marketplace.*

**Trade Policy** - *Any policy affecting international trade, including especially tariffs and non-tariff barriers.*

## Overview

In my middle school social studies/world history class we study many different countries around the world, focusing on their forms of government, their cultures, their history and geography, and their economic systems.

In the economic context I ask the students to learn and apply some basic concepts like competition, supply and demand, free market economy, command economy, standard of living, scarcity, productivity, costs, and entrepreneurship.

I also want my students to see that even when the same economic concepts are applied in economies around the world, success is not assured. Productive economies require many ingredients that cannot be readily created. They must be developed over time, and people must gain confidence in these ingredients (as well as confidence from them) in order for an economy to succeed long-term.

These ingredients can be grouped and described in many ways. Handout #1 shows an economist's overview of some of the key ingredients of a successful economy. This list can be used for teacher preparation or as a handout to the students.

In presenting these ingredients to my students, I simplify them still further and put them into eight categories, which we discuss in class and examine in our study of other countries around the world. These categories (or ingredients) are as follows:

1. A working financial system
2. An effective legal system
3. A system for supplying basic services like healthcare and education
4. Political stability
5. Adequate infrastructure
6. A skilled workforce
7. Basic natural resources
8. A supportive trade policy

I want the students to be able to look at countries around the world, especially ones that are underdeveloped and poor, and appreciate that, in spite of the best efforts of a hard-working people, creating a successful economy is difficult. The task requires attention to all of these ingredients in a robust cooperation.

## Objectives

- Students learn about basic conditions or ingredients that are essential for a successful economy.
- Students learn that countries with a more complete set of productive ingredients, strongly embedded in the national culture, will enjoy more prosperous economic conditions than those countries with an incomplete or weak set of productive ingredients.
- Students learn that deficiencies in the basic ingredients help to explain why some countries have poor economies and low standards of living.
- Students learn to connect certain social and historical conditions to economic conditions in particular countries.

## Materials and Handouts

- Handout #1 – Ingredients of a Successful Economic System
- Handout #2 – Economic Progress Chart
- Handout #3 – Game Board (written for 8 ½” x 14” paper, or if possible, enlarge to fit ledger paper [11” x 17”])
- A game piece for each student
- A score sheet for each student

## Teacher Preparation

If you desire to extend the lesson, you may want to spend some time familiarizing yourself with the CIA World Factbook (<http://www.cia.gov/cia/publications/factbook/>).

## Teaching Activity

One activity I have used to help students appreciate the difficulty of assembling these ingredients is a board-style game in which students circle a game board to collect the necessary features of a successful economy. Once they have collected these ingredients, measured in “points,” their economy can sustain various industries of increasing complexity.

The game board is laid out in Handout #3. To play, the students should split into groups of three or four. Each group needs one die (or some kind of “spinner”) and a copy of Handout #3, the game board. Each player needs a game piece (like a coin, paperclip, or raisin) and a copy of Handout #2, the chart like the one below on which to record the points collected in each category.

Players may start on any space, and on each turn they may decide the direction in which they

wish to move. In other words, players may “double-back” to land on spaces that will improve specific aspects of their economic systems. When a player lands on a space, the player must read the information on that space and then record the level (1, 2, or 3) in the correct column on the Economic Progress Chart.

Assume that a player lands on the “legal system” space marked with a “2.” The player “checks” the legal system box for all the industries with “2” or less in that category. In this example, those would be farming, mining, textile manufacturing, and toy manufacturing. The player, however, would not have a legal system sufficient to support software development. To do that the player must first land on the “3” for “legal system.” The first player to fill in all of the boxes on the board is the winner, but each player continues to roll until all boxes on that player’s chart are filled. The effort to create a strong economy is not limited to the countries that “arrive” first. As in the real world, many countries are on the road to creating successful economies, but the progress will at times be slow. If you have a bag of candy kisses, you can give one to each player when they have the capacity to develop software (to illustrate that everyone can win, but at different times).

### **Economic Progress Chart for the “Ingredients” Game**

	Financial System	Legal System	Basic Services	Political Stability	Infra-structure	Work-force	Natural Resources	Trade Policy
<b>Farming</b>	1	1	1	1	1	1	1	1
<b>Mining</b>	2	2	1	2	1	2	3	1
<b>Textile (clothing manufacturing)</b>	2	2	2	3	2	3	2	2
<b>Electronics Manufacturing</b>	2	2	2	2	2	3	1	2
<b>Toy manufacturing</b>	2	2	2	2	2	2	1	3
<b>Software Development</b>	3	3	3	3	2	3	1	3

Note that these “points” are for purposes of illustration only. They are intended to show in a general way that, for example, a country seeking to develop a software industry must have a stable political system and an effective legal system; these ingredients would be less important if the country in question were focused on developing its farming sector.

### ***Extending the Lesson***

For an extension activity based on this lesson, assign the students to conduct an in-depth study of a country in North Africa or the Middle East, focusing on the ingredients of an economic

system. Many excellent sources exist on the Web for collecting data on the countries of the world. One of these, the [CIA World Factbook](#), is particularly thorough. Country Watch is another, although you must be a member to use the site.

Using these resources, students can look at quantitative measures of some of the essential economic ingredients and compare them with the GDP per person (or other measures of the standard of living) in a given country. If computers with Internet access are available for students, one related activity is to have them create a graph correlating a particular “ingredient” with GDP per person. Hand out graph paper; have the students choose an ingredient; and have them collect the data (1) on this ingredient, and (2) on GDP per person and this ingredient for five to ten countries.

Have the students compare the information represented on their graphs and discuss whether they believe that the chosen ingredient is “essential.” Ask them whether they think an improvement in one of these ingredients alone would improve the economy, or whether the ingredients must improve as a group. Which ingredients are the most essential?

## **Ingredients of a Successful Economic System**

Successful economic systems do not just happen and are not created over night. Economies that do a good job of providing a high standard of living for their citizens have usually evolved over time. They do, however, have many similarities in the basic components that have allowed them to be successful in providing for their citizenry.

These include the following:

- A stable governmental, legal, and political system. Revolutions, civil war, and riots do not lead to strong economies.
- A tradition of respect for the law and an orderly way for the citizenry to redress grievances.
- Private ownership of the factors of production and the protection by the government of private property rights.
- An educated and skilled workforce.
- A history of strong, viable financial markets, with a stable currency, providing a low-inflation environment.
- An entrepreneurial spirit that leads to innovation and job creation.
- The desire for technological progress, shared by industry and government. Significant levels of investment in capital goods.
- Free trade. Trade allows all nations to make the best and most efficient use of their productive resources. Trade allows each participating economy to derive the maximum benefit from its comparative advantage, producing what it does best and then trading for the rest.
- Governmental policies and practices in line with the fundamental goals of maximizing sustainable, long-term economic growth, high levels of employment, and economic stability. Governments need to provide the necessary infrastructure, policies, and incentives to allow individuals and businesses to work for the benefit of all within the economic system.

We can each work for our own self-interest and still produce a desirable social outcome. Uncoordinated activity gets coordinated, as Adam Smith taught us, by the market, thus enhancing the wealth of nations.

### Economic Progress Chart for the “Ingredients” Game

	Financial System	Legal System	Basic Services	Political Stability	Infrastructure	Workforce	Natural Resources	Trade Policy
Farming	1	1	1	1	1	1	1	1
Mining	2	2	1	2	1	2	3	1
Textile (clothing Manufacturing)	2	2	2	3	2	3	2	2
Electronics Manufacturing	2	2	2	2	2	3	1	2
Toy Manufacturing	2	2	2	2	2	2	1	3
Software Development	3	3	3	3	2	3	1	3

<b>Financial System</b> Inflation; no working bank system 1	<b>Financial System</b> Stable currency; banks make loans available 2	<b>Financial System</b> Rock solid currency; banks and stock market encourage investment 3	<b>Legal System</b> Widespread corruption; piracy of intellectual property 1	<b>Legal System</b> Laws exist to protect contracts and private property 2	<b>Legal System</b> Respect for and enforcement of contracts and private property rights 3	<b>Basic Services</b> Lack of basic health care and educational systems 1	<b>Basic Services</b> Basic healthcare and educational opportunities available to citizens 2	<b>Basic Services</b> Advanced medical care and educational systems available to citizens 3
<b>Trade Policy</b> Lack of trade agreements with other countries; heavy tariffs on imports 1								<b>Natural Resources</b> Abundant supply of fertile farmland, natural resources and water supply 3
<b>Trade Policy</b> Some trade agreements and tariffs on some imports 2								<b>Natural Resources</b> Availability of fertile farmland, coal, gas, water, and other valuable resources 2
<b>Trade Policy</b> Productive trading agreements with other countries with minimal tariffs on imports 3								<b>Natural Resources</b> Lack of fertile farmland or other natural resources; lack of water resources 1
<b>Political Stability</b> Civil war; no reliable method for transfer of power 1	<b>Political Stability</b> Stable government with prospect of smooth transition 2	<b>Political Stability</b> Stable democracy with track record of smooth transitions between opposing parties 3	<b>Infrastructure</b> Low percentage of paved roads; few sources of electricity or other power supplies 1	<b>Infrastructure</b> Developed system of roads and railways; availability of basic electric and power supplies 2	<b>Infrastructure</b> Advanced system of roads, railways, air travel and ports; advanced electricity, oil and natural gas supplies 3	<b>Workforce</b> Uneducated, unskilled workforce 1	<b>Workforce</b> Workforce has basic skills 2	<b>Workforce</b> Highly skilled and mobile workforce 3