6.1.1 HANDOUT

ECONOMIC SIMULATION ANTICIPATORY SET

Economic simulation game: command vs. market

TEACHER DIRECTIONS: Divide students into 3 groups. One group is the command economy, one group is the market economy, and one group is the consumers. Let the students "play" the game without any prior instruction or review of economics. Do not let the other groups hear the rules of the other group.

MATERIALS:

- 100-200 stickers or small items for easy trading
- 200 red index cards
- 200 green index cards

LET THE GAME BEGIN:

Group 1: Command

The command economy consists of 4 producer-students. Each student receives 10 stickers only. They must sell the stickers at a set price: One sticker may be be exchanged (i.e., "sold") for 1 **red** index card only. There are no exceptions!

Group 2: Market

The market economy consists of 6 producer-students. Each student is given an equal number of stickers. The goal of each producer will be to "earn" as many **green** index cards as possible. Individually each student determines how many stickers will be required to "sell" a green index card. The producer-students may negotiate with the buyers and change the "price" of the stickers as they see fit. The prices may change to allow the producers to compete amongst themselves. If possible, the teacher should not allow the supply of stickers to run out for these producers.

Group 3: Consumers

The consumers are the remaining students in the class. Give each consumer-student 10 red index cards and 10 green index cards; these cards represent paper currency with which to "buy" stickers from the producer groups. The consumers' goal is to buy as many stickers as possible. No stealing!

Start the game by ringing a bell! Ring the bell after 5 minutes to stop the trading period.

CONCLUSION:

Once the buying has ended, the students return to their seats. The consumers count their stickers and both economic systems count their "money." The command group will **only** have red index cards. Technically there is no winner. All should end up with the same number: 10. If anyone has any green index cards or more than 10 red index cards, discuss their potential "arrest" by the teacher. Ask students whom the teacher represents (the government). This can lead to a discussion of a black market.

Have the market group report their individual earnings. The terms, profit, supply and demand, etc. are discussed. The one with the most "money" is determined the winner.

The consumer with the most stickers is also the winner.

DEBRIEFING:

The teacher should ask students to use their simulation experience to help them compare and contrast the market and command economies.

The teacher should project the following chart and give students a hard copy to fill in during the discussion of the *Economic Simulation Chart*. The questions listed on the chart will help to generate appropriate responses.

Below are sample responses.

1. Since economics is the study of how goods and services are obtained, produced, distributed, and used, tell how these occur in each system.

Market	Command
• Goods are produced by the producer.	• Goods are produced by state-owned companies.
• Goods are produced for as long as there is consumer demand.	• Goods are produced for as long as the government will produce them; consumer demand receives little attention.
• Goods are distributed where they will be sold for the highest price and make the greatest profit.	• Goods are sold wherever the government decides is best for the system; consumer input is not requested; making a profit is not required; a black market system may develop because of consumer demand.
• Products are produced under government safety rules.	

2. How is price determined?

• By the producer, based on supply, demand, and competition .	• By the government.
• As the supply dwindles, the price increases.	
• Greater demand means higher prices.	
• The producer can negotiate with the consumer; the seller reacts to the buyer.	• The seller doesn't make deals with the consumer.

3. How does the consumer feel?

• Feeling of freedom.	• The consumers are not satisfied.
• Feeling of competition by the consumer.	• Supply does not meet demand; supply was limited.
• Keeps looking for a better deal.	• Few consumer goods.
• Feeling that the system is based on greed.	
• Feeling of unlimited wants with producers trying to comply with abundance of goods.	

REFLECTION: Ask students to predict the possible effects the former East Germans faced as they transitioned from the command economy to the market system. The following are possible responses.

Possible effects of transitioning from command to market system

Positive

- More consumer products become available to consumers.
- More private ownership of housing and business may occur.
- Credit may become available.
- Long lines for consumer goods will disappear.
- Workers may insist on renegotiating wages and working conditions.
- Greater possibility of purchasing luxury and high-tech goods.
- Standard of living may increase if the consumer has the money.

Negative

- Loss of jobs in industries where there is little consumer demand.
- Prices will no longer be controlled by the government, therefore prices may rise.
- Housing will no longer be controlled by the government, so rent may rise.
- Citizens who are unfamiliar with consumer economics may overspend on credit.
- Bankruptcy and homelessness may occur.
- Unskilled workers will be unemployed and require public assistance.
- Greed may become more evident.
- Strikes may occur.
- Products produced locally may not be able to compete with products produced elsewhere and marketed by sophisticated advertising.
- Generalized fear of the unknown, the non-traditional, and outsiders.
- Discovery that having more goods does not necessarily mean being happier.
- Because of increased unemployment, families may have less money than before and may have to move or be separated during job search.
- Competition may reduce or replace cooperation and a sense of teamwork.