



## ECONOMIC SYSTEMS

**SS.7.CG.3.15** Analyze the advantages of capitalism and the free market in the United States over government-controlled economic systems (e.g., socialism and communism) in regard to economic freedom and raising the standard of living for citizens.

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## 2023 BENCHMARK UPDATES

- New benchmark added to the 2023-2024 middle school civics and government standards

# Essential Teacher Content Background Information

[Teacher Content Notes Not Appropriate For Student Use]

**This section addresses the following topics:**

1. Economic Systems
2. Economic Prosperity and Opportunity of Current Nations

## 1. Economic Systems

There are numerous types of economic systems around the world. The economic system of a country, combined with its political system, shape the government, marketplace, and society in which they function. Economic systems are best thought of as a spectrum, with pure planned/command economies on one end, pure free market economies on the other, and mixed economic systems in between. Along that spectrum lie capitalism, communism, and socialism.

### *Command, Mixed, and Market Economies*

#### A. Characteristics of a command economy

1. The state owns the factors of production (natural resources, capital goods)
2. Planners in the state direct the economy
3. Planners in the state determine what should be produced
4. Planners in the state determine how to produce
5. Planners in the state determine how goods and services are distributed
6. Economic activity is based on collective well-being and in strengthening the state
7. Individuals have little power to make decisions in buying, producing, and even in the nature of their work
8. Private property is either limited or non-existent
9. Work is obligatory and is on behalf of the state

#### B. Characteristics of a market economy

1. Individual buyers decide what should be produced
2. Individual sellers decide how to produce
3. There is no central planner directing economic activity
4. Emergent prices direct resources, goods, and services
5. Private property rights are strongly protected
6. People are free to buy and sell goods and services to satisfy their own desires
7. The state's power is strongly limited
8. Human freedom in decision-making must be maximized
9. The potential for profit provides the incentive to create and to work

### *Capitalism, Communism, Socialism*

Capitalism falls closest to the pure free market end of the economic systems spectrum. It is a free enterprise system that allows private individuals to own and control most of the factors of production. In examining their definitions, “capitalism” refers to the rule of law with property rights supporting governments with a robust private sector. “Free market” means an economy free of government regulation, and with low taxation. Capitalism supports free enterprise that allows for private ownership

of the means of production and their operation for profit. It rests on the philosophy that the free market will regulate itself through supply and demand without needing government interference. As such, this provides the most significant amount of both political and economic freedom as well as better alternatives for promoting economic growth. Free market economies foster competition that benefits both producers and consumers. It leads to increased efficiency, product diversity, price equilibrium, and more innovation. This system, first described by Adam Smith in his *The Wealth of Nations*, is most often, though not exclusively, associated with democracies or republics. Both of these forms of government and the economic system of capitalism rely on individual freedom and power resting with citizens.

On the other end of the economic systems spectrum is communism. Communism is a centralized political and economic system in which a single party dictatorship abolishes private property and controls the means of production and distribution of goods and services. Communism is a type of command economy because the central government determines production, investment, prices, and wages. While communism, as described in *The Communist Manifesto* by Karl Marx and Friedrich Engels, predicted that this system would result in a democratically oriented worker-led government of equals, in practice, that has not been the case. Historically, all attempts at achieving a communist economic system with a utopian class-free society have failed. Communism is most associated with autocratic or totalitarian regimes since the government must have control of the means of production.





While a socialist economic system falls more in the middle of the economic spectrum, it still sits much closer to the planned economy end. Socialism is a political and economic way of organizing the state and economy in which the government owns and controls most major industries rather than individual people and companies. In its original conception, theorists and leaders like Karl Marx and Vladimir Lenin viewed socialism as an advanced phase of progress towards full communism. In its purest forms, both communism and socialism rely on planned economies with government controlled institutions rather than privately-owned businesses. However, with socialism, individuals may still retain ownership of personal property and people are compensated not just based on need but contributions. Using this definition of socialism, a modern day example may be North Korea or Venezuela, however no country has ever truly built a successful socialist society. More often, the term “socialism” today is used to describe countries with higher levels of government involvement in their economies, an increased number of social services provided by the government, and higher levels of taxation. Governments in these countries may provide universal services such as healthcare, education, and public transportation to its citizens but require them to pay higher personal taxes. Government size, in terms of level of involvement in the economy, may be gauged by using the World Bank’s measure of government expenses as a percent of GDP. Using this definition and those metrics, modern day examples may be Greece, France, Norway, Netherlands, Latvia, South Africa and numerous others.

It should also be noted that many nations will blend various economic and political systems. China, for example, maintains the political domination of the Communist Party and is a totalitarian state with government ownership of many core industries. However, it has adopted some free market oriented economic policies as it allows private property ownership, individual investments, and the establishment of Special Economic Zones (SEZs). The United States, as a constitutional republic, is predominantly capitalist/free market but has specific sectors of the economy that are wholly or partially government-run, such as utilities and public schools.

## 2. Economic Prosperity and Opportunity of Current Nations

When attempting to compare economic systems and countries, there are numerous data points that may be used including, but not limited to: Gross Domestic Product (GDP), Gross National Product (GNP), Purchasing Power Parity (PPP), the Human Development Index (HDI), Gini Index, and Inflation Rate. See the chart below based on the CIA World Factbook to compare current nations' economic prosperity and opportunities.

Economic indicators for the countries in the chart below will be examined in this lesson.

Command Economy	Market Economy
<p><b>Cuba</b></p>  <p>CIA World Factbook Description: A state-run planned economy, although privatization increasing under new constitution. Widespread protests due to lack of basic necessities and electricity and widespread corruption</p>	<p><b>Australia</b></p>  <p>CIA World Factbook Description: An Asian and global economic leader and partner for 3 decades with a strong financial sector and highly traded domestic currency. Australia has become an internationally competitive, advanced market economy due in large part to economic reforms adopted in the 1980s and its proximity to East and Southeast Asia.</p>
<p><b>North Korea</b></p>  <p>CIA World Factbook Description: A centrally planned economy that faced serious economic setbacks after the fall of the communist Soviet Union in 1991. It has been hard hit by COVID-19, crop failures, shortages, international sanctions, and isolationist policies which has led</p>	<p><b>Singapore</b></p>  <p>CIA World Factbook Description: Singapore is one of the world's most prosperous and high-income countries. It is a service-based economy renowned for its financial markets. They have strong international trading links (its port is one of the world's busiest in terms of</p>

<p>to declining growth and trade, heavy reliance on China, and poor exchange rate stability. New economic development plans in the 2010s failed to meet government-mandated goals for key industrial sectors, food production, or overall economic performance.</p>	<p>tonnage handled) and its per capita GDP among the highest globally.</p>
<p style="text-align: center;"><b>Venezuela</b></p>  <p>CIA World Factbook Description: Economic policies have expanded the state's role in the economy through expropriations of major enterprises, strict currency exchange and price controls that discourage private sector investment and production. Venezuela has an overdependence on the petroleum industry for revenues which has resulted in economic decline Since the mid-2010s they have seen reduced government social spending, shortages of basic goods, and high inflation. Living conditions have prompted over 7 million Venezuelans to migrate, mainly settling in nearby countries.</p>	<p style="text-align: center;"><b>United States</b></p>  <p>CIA World Factbook Description: The U.S. has a high-income, highly diversified economy. It is a global economic leader as the largest importer and second-largest exporter. It is home to leading financial exchanges and typically has low interest and taxation rates.</p>

Sources:

<https://hdr.undp.org/data-center/specific-country-data#/countries/VEN>  
<https://data.oecd.org/conversion/purchasing-power-parities-ppp.htm>  
<https://www.cia.gov/the-world-factbook/>  
<https://books.lib.uoguelph.ca/mgmt1000/chapter/1-2-economic-systems-around-the-world/>  
[https://docs-of-freedom.s3.amazonaws.com/uploads/document/attachment/635/7.1\\_Handout\\_D\\_Characteristics\\_of\\_Command\\_and\\_Market.pdf](https://docs-of-freedom.s3.amazonaws.com/uploads/document/attachment/635/7.1_Handout_D_Characteristics_of_Command_and_Market.pdf)  
<https://www.cia.gov/the-world-factbook/>  
<https://direct.mit.edu/isec/article-abstract/44/1/160/12235/The-End-of-War-How-a-Robust-Marketplace-and?redirectedFrom=fulltext>  
<https://data.worldbank.org/>

## Lesson Summary

BENCHMARK		
<b>SS.7.CG.3.15</b> Analyze the advantages of capitalism and the free market in the United States over government-controlled economic systems (e.g., socialism and communism) in regard to economic freedom and raising the standard of living for citizens.		
BENCHMARK CLARIFICATIONS		
<ul style="list-style-type: none"> <li>Students will evaluate various economic systems (e.g., capitalism, communism, socialism).</li> <li>Students will compare the economic prosperity and opportunity of current nations.</li> </ul>		
CIVICS EOC REPORTING CATEGORY		
N/A		
BENCHMARK CONTENT LIMITS		
N/A		
OVERVIEW		
In this lesson, students will evaluate capitalism, communism, and socialism by comparing each system's characteristics and current nations' prosperities.		
ESSENTIAL QUESTION		
What are the advantages of capitalism and the free market in the United States over government-controlled economic systems?		
CIVICS CONTENT VOCABULARY		
<ul style="list-style-type: none"> <li>capital, capitalism, command economy, communism, consumer, demand, economic freedom, economic indicators, economic systems, economics, factors of production, free market, goods, market economy, mixed economy, prosperity, services, socialism, standard of living, supply</li> </ul>		
INSTRUCTIONAL STRATEGIES		
Reading of complex text	Research	Cooperative learning
MATERIALS		
<ul style="list-style-type: none"> <li>What is Economics? An Intro to Economics video (external link)</li> <li>Economics Video Review activity sheet</li> <li>Economics Definitions activity sheet</li> <li>Economics Vocabulary Mix-n-Match</li> <li>Economic Systems Spectrum image</li> <li>Economic Systems InfoGraphic</li> <li>Economic Systems Notes</li> </ul>		

- Capitalism, Socialism, Communism reading
- The Economist: Big Mac Index article/graphic (external link)
- CIA World Factbook Economics Chart activity sheet
- CIA World Factbook website (external link)
- Student digital devices

### **B.E.S.T. STANDARDS**

- ELA.7.R.3.2- Paraphrase content from grade-level texts.
- ELA.7.C.1.4- Write expository texts to explain and analyze information from multiple sources, using relevant supporting details and a logical organizational pattern.
- ELA.7.V.1.1- Integrate academic vocabulary appropriate to grade level in speaking and writing.
- ELA.7.V.1.3- Apply knowledge of context clues, figurative language, word relationships, reference materials, and/or background knowledge to determine the connotative and denotative meaning of words and phrases, appropriate to grade level.

## Suggested Student Activity Sequence & Pace

DAY	ACTIVITY SEQUENCE
DAY 1	<ol style="list-style-type: none"> <li>1. To begin this lesson, ask students to write down any words or phrases that come to mind when they hear the word ‘economics’ or ‘economy’.</li> <li>2. Ask students to share out responses or have them write some of their answers on a classroom whiteboard to create a large bubble map.</li> <li>3. Explain to students that ‘economics’ relates to the production, distribution, and consumption of goods and services. Every country around the world is shaped by both their system of government and their economic system. We spend the majority of our time in civics examining elements of government. In this lesson, we are going to look at the economy of the United States and other nations.</li> <li>4. Watch the “<a href="#">What is Economics? An Intro to Economics</a>” video from Pursuit of History to provide students an overview of the basics of economics.</li> <li>5. Have students fill in the “<a href="#">Economics Video Review</a>” activity sheet while the video is played.</li> <li>6. Give students time after the video is over to finish completing the review sheet. <b>Teacher Note:</b> Collect from students as you will utilize in the Day 2 warm-up.</li> <li>7. Explain to students that when studying different economic systems, there are some basic economic terms, some of which we have already heard about in the video, that we must understand.</li> <li>8. Provide each student a copy of the “<a href="#">Economics Definitions</a>” activity sheet.</li> <li>9. Let students know that they will play a game of “<a href="#">Economics Vocabulary Mix-n-Match</a>” to ensure they know and understand some of the key elements of an economy.</li> <li>10. Give each student <u>one</u> card from the mix-n-match <b>Teacher Note:</b> Print and cut out the word and definition cards before class. Count the class and make sure each student has one vocabulary word or definition card. If there are an odd number of students, the teacher must take a card.</li> <li>11. Have students move around the room until they find their match. <b>Teacher Note:</b> Encourage students that even though they may not have strong background knowledge in this area, they can use context clues to help facilitate matches.</li> <li>12. Once they have found their match, direct them to stand spread out around the room with their partner. <b>Teacher Note:</b> Before continuing, ensure all students are correctly matched</li> <li>13. One at a time, call on pairs to read their word and definition. <b>Teacher Note:</b> It is suggested you go in the order of the “Economics Definitions” activity sheet as they are intentionally organized for student scaffolding.</li> <li>14. After a correct pairing is read/identified, all students should fill in the missing word matched to the correct definition on their “Economics Definitions” activity sheet.</li> <li>15. Finish today by having students return to their individual sheets and looking at the words/definitions as a whole. Emphasize with students that all countries and their economies have commonalities like consumers, producers, supply, demand etc. What differs is the method used by a society or government to organize production and distribute resources, goods and services (economic systems).</li> </ol>

DAY 2	<ol style="list-style-type: none"> <li>1. Review the Day 1 material by asking the whole class some of the questions created at the bottom of the "<a href="#">Economics Video Review</a>" activity sheets.</li> <li>2. Ask one of the questions and give students individual ‘think time’.</li> <li>3. Allow students to consult with a partner.</li> <li>4. Call on a student to share their answer with the class and discuss why they are correct or coach if they are incorrect.</li> <li>5. Project the "<a href="#">Economic Systems Spectrum</a>" image.</li> <li>6. Explain to students that as discussed yesterday, while the basics of economics are the same in every country, each country may have a different economic system. You can think of different economic systems like a spectrum. Economists typically place economic systems on the spectrum based on how much the government is involved. And everyone falls somewhere and can move along the spectrum throughout history! <ul style="list-style-type: none"> <li>■ when a central government controls production, investment, prices, and incomes we call that a <b>command economy</b></li> <li>■ when the economy is completely free of government regulation we call that a <b>free market economy</b></li> <li>■ when some elements are left to the free market but other parts of managed by the government we call that a <b>mixed economy</b></li> </ul> </li> <li>7. Project or provide students with a copy of the "<a href="#">Economic Systems InfoGraphic</a>" and the "<a href="#">Economic Systems Notes</a>". <p><i>Teacher Note:</i> The infographic may be printed in color or black/white or could be projected or shared digitally with students.</p> </li> <li>8. Place students in pairs. Using the infographic, have students complete all sections of the notes with the exception of the ‘Putting It Together’ section. <p><i>Teacher Note:</i> Walk around as they work and assist as needed.</p> </li> <li>9. Review the notes as a whole class, providing time for students to add any missing information. <p><i>Teacher Note:</i> Use the answer key below to help guide discussion.</p> </li> <li>10. Provide each pair a copy of the "<a href="#">Capitalism, Socialism, Communism</a>" reading.</li> <li>11. Instruct students to read and mark text that helps them identify whether these economic systems are more command (government controlled) or more free market.</li> <li>12. Have students examine the spectrum in the ‘Putting It Together’ section of their notes handout. Using what they now know about command versus market economies <i>and</i> capitalism, socialism, and communism, have the students work to place the three economic systems correctly on the spectrum and justify placement using evidence from all texts.</li> </ol>
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DAY 3	<ol style="list-style-type: none"> <li>1. Begin today by reviewing the "<a href="#">Economic Systems Notes</a>" to clear up any misconceptions and emphasize elements of the benchmark.</li> <li>2. Project the "<a href="#">Big Mac Index</a>" article/graphic from The Economist website. <p><i>Teacher Note:</i> To adjust for obvious differences between more rich and poor countries, toggle the index to ‘GDP-adjusted’ on the right hand side.</p> </li> <li>3. Explain to students that to compare economic systems of the economies of different nations, economists use many different economic indicators. One of those is this unique one: The Big Mac Index.</li> <li>4. Explore some countries on the left hand side by clicking on the country name. The information on the right will show the cost of a Big Mac in that country (in U.S. dollars) but</li> </ol>
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also explain whether that price indicates an overvalue or undervalue of that nation's currency which is an indication of its economic health and performance.

5. Provide each student a copy of the "[CIA World Factbook Economics Chart](#)" activity sheet and review some additional economic indicators.
6. Explain to students that this type of data allows us to compare the economic prosperity and opportunity of current nations and determine the advantages and disadvantages of their economic system.
7. Place students into small groups or pairs.
8. Using student computers, have groups use the information provided on the "[CIA World Factbook](#)" website to complete the chart.

**Teacher Note:** If students do not have access to computers, this can be done whole-class. You may want to do one together to demonstrate how to navigate to each country on the website and sift through the information provided.

9. Once all student groups have completed the chart, debrief as a whole class. Ask students: What observations can you make in regards to the economic performance of countries that lean more on the command side of the economic spectrum versus those that lean more on the free market side?
10. Checking for Understanding (Formative Assessment): Instruct students to write a well-crafted response to the following prompt:

Prompt:

What are the advantages of capitalism and the free market system over government-controlled economic systems regarding economic freedom and raising the standard of living for citizens?

## Civics Content Vocabulary

Word/Term	Definition
<b>capital</b>	anything that enables us to produce goods and services; common examples of capital are tools, factories, materials, knowledge, and money
<b>capitalism</b>	an economic system in which private individuals own and control most of the factors of production
<b>command economy</b>	an economy in which a central government controls production, investment, prices, and incomes
<b>communism</b>	a system of centralized political power and economic system in which a single-party or dictatorship abolishes private property and controls the means of production and the distribution of goods and services
<b>consumer</b>	a person who buys a good or service
<b>demand</b>	the amount consumers want to buy; together with supply will impact price
<b>economic freedom</b>	the ability of citizens in a society to make economic choices
<b>economic indicators</b>	data used to help measure the health of the economy; common examples include GDP, PPP, HDI, employment numbers, inflation, home sales etc.
<b>economic systems</b>	the method used by a society or government to organize production and distribute resources, goods and services
<b>economics</b>	the study of the production, distribution, and consumption of goods and services
<b>factors of production</b>	the resources needed to produce a good or service including land, labor, capital, and entrepreneurship
<b>free market</b>	an economy free of government regulation
<b>goods</b>	tangible items that consumers may purchase (pens, apples, books)
<b>market economy</b>	an economic system in which production and prices are determined by supply and demand and unrestricted competition between privately owned businesses.
<b>mixed economy</b>	an economic system in which some elements are left to the free market but other parts of managed by the government
<b>producer</b>	a person who creates and supplies goods or services
<b>prosperity</b>	successful, flourishing, or thriving
<b>services</b>	intangible items that consumers may purchase (haircuts, dental services babysitting)

<b>socialism</b>	a political and economic way of organizing the state and society in which the government owns and controls major industries rather than individual people and companies
<b>standard of living</b>	how well people live in a town, region, or country in terms of income and wealth
<b>supply</b>	the amount that is produced; together with demand will impact price

## ADDITIONAL RESOURCES

### [Civics 360 Resources](#)

Florida Department of Education's Civic Literacy Reading List

- N/A

## ANSWER KEYS

[Sample Answers: Economics Video Review activity sheet](#)

[Sample Answers: Economics Definitions activity sheet](#)

[Sample Answers: Economic Systems Notes](#)

[Sample Answers CIA World Factbook Economics Chart activity sheet](#)

[Written Response: Sample Scoring Rubric](#)

## SOURCES

U.N. Human Development Reports: <https://hdr.undp.org/data-center/specific-country-data#/countries/VEN>

OECD Data: <https://data.oecd.org/conversion/purchasing-power-parities-ppp.htm>

Economic Systems Around the World from University of Guelph:

<https://books.lib.uoguelph.ca/mgmt1000/chapter/1-2-economic-systems-around-the-world/>

Documents of Freedom from Bill of Rights Institute:

[https://docs-of-freedom.s3.amazonaws.com/uploads/document/attachment/635/7.1\\_Handout\\_D\\_Characteristics\\_of\\_Command\\_and\\_Market.pdf](https://docs-of-freedom.s3.amazonaws.com/uploads/document/attachment/635/7.1_Handout_D_Characteristics_of_Command_and_Market.pdf)

CIA World Factbook: <https://www.cia.gov/the-world-factbook/>

World Bank Data: <https://data.worldbank.org/> and

[https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?most\\_recent\\_value\\_desc=true&locations=LI](https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?most_recent_value_desc=true&locations=LI)

What is Economics? An Intro to Economics video from Pursuit of History:

<https://www.youtube.com/watch?v=dVTNmSmUo14>

2023 Index of Economic Freedom from The Heritage Foundation: <https://www.heritage.org/index/ranking>

The Big Mac index from The Economist: <https://www.economist.com/big-mac-index>

The End of War: How a Robust Marketplace and Liberal Hegemony Are Leading to Perpetual World Peace by Michael Mousseau:

<https://direct.mit.edu/isec/article-abstract/44/1/160/12235/The-End-of-War-How-a-Robust-Marketplace-and?redirectedFrom=fulltext>

The World Atlas:

<https://www.worldatlas.com/articles/what-type-of-economy-does-the-united-states-have.html>