

21st Century Lesson Plan



Teacher: **Meghan Matthews**

Class: **Post World War II, Modern European, and Modern World**

Topic: **Capitalism, Socialism, and Communism**

Curriculum Challenge: Students fail to understand the meaning of socialism and communism and how it differs from our system (capitalism).

Objectives/Learning Goals:

- The students will be able to define the terms capitalism, socialism, and communism
- The students will be able to explain how a pure capitalist society is different from a pure communist society (based on the theory, not practice)
- The students will be able to identify and explain the problems with how communist societies function in practice.

Essential Question:

- How are capitalism and communism different?
- What are the problems with the way a communist system really operates?
- How do normal people survive in a communist system?

21st Century Outcomes:

- **Think. Work. Share. - 21st Century Skills**
 1. Economics
 2. Problem Solving

Teaching Strategies: Brainstorming, Simulations, Lectures, Independent Work, Power Point Presentations

Lesson Content:

Part 1: Introduction

-Power Point Presentation on Capitalism, Socialism, and Communism (see attached)

Part 2: Capitalist Theory vs. Socialist Theory

- Students receive a piece of paper that states “Capitalist” or “Socialist” randomly
- Students make a list of things needed to survive and have a productive life on their own
- Students share their lists, making a master list on the board (food, clothing, housing, education, transportation, etc.)
- The class is split-capitalist students on one side and socialists on the other
- Teacher brings out Hershey’s milk chocolate and dark chocolate bars and tells the students to think of the chocolate as all of the things on the list
- Every student on the socialist side is given 1 row of one of the types of chocolate bars (4 rows to each bar)
- Students on the capitalist side are offered the chance to purchase the chocolate (price depends on class and how much chocolate is on hand)
- Students come to understand that a socialist society provides the basic needs, but there is a limited supply and no choice is given a capitalist society has lots of stuff, but it must be purchased, and those without money are out of luck
- Before a class discussion, students write a paragraph to explain the differences between the two theories
- Students share their answers, discuss the activity and edit their paragraphs

Part 3: Communism in Action

- Present the “Communism in Action Key Points”
- Students are chosen to be the “Minister of Production,” Minister of Records,” and Minister of Candy”
- Explain that the Ministers are among the more privileged individuals in your country and that they are trying to earn money to shop in the Elite Store. They will be paid 20 rubles for each round of the activity, starting now.

(The Elite Store is at the teacher’s desk on which are prominently displayed a better class” of products: cans of pop, large candy bars, free tardy passes, free extra credit points, etc. “Prices” of the items should be posted. The prices should be somewhere in the area of 15-40 rubles, so that ministers can get the items but not too easily.)

1. Display the **doodle** on the overhead and explain that citizens in your country earn their income producing **Doodles**. *(Remove the transparency while you give the rest of the instructions.)*
 - o Explain that your society works in the following way:
 - o Workers are paid 10 rubles when they are hired.

(Distribute rubles to workers.)

- o Workers produce **doodles** to the specifications of the Production Ministry and take their finished products there to be checked by the Minister. *(Distribute 4×4 production blanks.)*
 - o Workers then go to the Ministry of Records to receive credit for their work, which translates into yellow coupons that allow them to purchase goods and services.
 - o Workers with yellow coupons (and enough money) may purchase candy from the Ministry of Candy, for the price of 2 rubles / piece of candy.
2. Using the overhead, show students the work specifications that the Production Ministry has provided.
 - o Point out the 6 components of the **doodle** on the overhead transparency. *(gray rectangle, white rectangle, circle, 3 lines)*
 - o Hand out job descriptions to the Ministers and ask them to read while you answer any questions from the workers.
 - o Allow students to begin working. *(Students do not need rulers. They may use the edges of books, etc. The point of the exercise is not for them to engage in painstaking work, but to produce doodles relatively quickly so that they get in line and begin to suffer the frustration of the ministry bottlenecks.)*
 - o While the workers are busy, direct the ministers to their “offices” and answer any questions they may have.
 3. Once students have their **doodles** finished, they must take them to the Bureau of Production. There, they must wait in line until the minister has time to see them and to correct their papers.
 - o Papers that do not meet the Minister’s standard will be returned to the worker and must be corrected.
 - o Papers that do meet the Minister’s standard will be collected. The Minister will give the “worker” a yellow square of paper (about the size of a post-it note).

4. Workers then take their yellow squares to the Ministry of Records. The Minister (painstakingly) records on an index card the following information about the worker:
 - o full name
 - o parents' full names
 - o complete address (both addresses if students split residence between divorced parents)
 - o date
 - o time of day
 - o number of yellow squares presented at this time
 - o Note that only the Minister himself may record this information.
 - o When he has finished, he will draw a star on the worker's yellow square with a colored marker.
5. Workers who have yellow squares with stars may go to the Bureau of Candy to buy treats from the minister. One yellow square and 2 rubles must be exchanged for each piece of candy.

Set Up Directions for the teacher:

- A. *Set the three ministers' offices in the front of the room, facing away from the overhead (so that it is difficult and awkward for the Minister of Production to see the prototype he is using to judge workers' products. You want to slow down his checking of the work so that a long line forms in front of him.*
 - B. *Keep the three ministers' offices close to one another so that the ministers may interrupt their work to talk to each other and so that the lines of waiting citizens can interact with each other.*
 - C. *Don't take measures to prevent "cheating the system;" in fact, you can make it easier by:*
 - o *leaving markers and yellow paper around the room – seemingly accidentally*
 - o *arranging student desks so that the lines of workers snake through them*
 - o *emphasizing to the ministers that they get paid if they come to work and try to do their jobs – you will not keep a count of materials or of work products collected, etc.*
 - o *call a minister from his office from time to time to interrupt his work;*
 - o *announce a break for ministers, and if they start to pick up their supplies, instruct them to leave their materials in their offices;*
 - o *to "speed up" things in response to citizen complaints, have the Minister of Production throw the completed "products" on the floor by his office, and tell him that you will collect them from time to time. Each time you collect the finished products, dump them into a large box that you place somewhere in the back of the room.*
 - o *place the Minister of Candy's stash of candy in another part of the room, so that he must get out of his chair and walk across the room to get each order.*
1. Plan the timing of the activity so that the bell rings long before most students can get through the lines. Agree to continue the activity or to play another round on the next class day. (Alternately, allow the first production round to last only about 10 minutes. Stop the activity well before everyone has had a chance to get through the lines, and direct all students back to their seats.)
 - o Let the ministers buy items from the Elite Store.

- Ask if students understand the game and whether they have any comments or questions. Act surprised at their complaints.
 - Admonish the students! Obviously this is their problem because you can clearly see that the ministers are doing their job. Clearly, the students have not made an efficient line, or are not giving their information to the minister in an organized way.
 - (*Note: Consumer complaints in the Soviet Union were routinely treated in this manner. The consumer was blamed for using the product inappropriately or having no scientific basis for his complaint.*)
2. Pay the ministers again and play a second round. Allow this round to go on a little longer and observe what workers do to get around the system. Anticipate that they might:
- make their own yellow squares by taking paper and markers left around the room
 - take the discarded work products and try to reuse them
 - find ways to “cut” the lines
 - bribe the bureaucrats, either for extra yellow squares or to buy things for them in the Elite Store
3. End the activity and debrief. Debriefing Questions:
- What transaction costs (non-monetary costs) did you bear in order to obtain goods and services in this economy? (*standing in line, frustration, etc.*)
 - Transaction costs are sometimes referred to as “dead-weight” costs; that is the cost to the consumer of waiting in line was of no benefit to the producer. No one was made better off by the consumer bearing this cost. Can you think of other “dead-weight” transaction costs that people in the Soviet Union paid?

(Search costs are dead-weight costs. The time and energy it takes a consumer to find products that cost him and no benefit to the seller. In fact, in market economies, sellers try to reduce consumers’ search costs by advertising.)

- Was the time spent on the **doodles** a transaction cost?

(No – this was production, and the opportunity cost of the time you spent producing a doodle resulted in a benefit for you – the income you earned and the candy you eventually bought.)

- Comment on your perception of the transaction costs and the price (money cost).
- In your opinion, was one more burdensome than the other? If so, which one and why?
- Was there anything you could do to reduce the money cost (price)?

(No – there’s no competitor, only the one seller – the bureau of Candy)

- Was there anything you could do to reduce the transaction costs? Explain.

(*Did students cheat, or enter into “black market” transactions?*)

- Did you? Why or why not?
- In comparison to your experience shopping in the U.S., did you find the Ministry of Candy more or less responsive to customers’ needs, wants, and desires?
 - Why do you think that is the case?

- What incentives face the Minister of Candy? Use your knowledge of the incentives to explain why he responded (or didn't respond) to you as he did?

(The minister faces no profit or loss that depends on how he treats the consumers. His rewards come from the planners and he has no reason to care about the consumers.)

- How did you feel about the economic planner (teacher) blaming the consumers for the inefficiencies of the ministers? How did the planner's response affect the ministers' behavior? Were the incentives changed in such a way as to encourage more responsiveness to the consumers?

(No, if anything, the ministers were reinforced in their lack of responsiveness to the citizens.)

- What incentives face the owner of a small candy store in our economy?

(The candy store owner is responsible for the profit or loss of his business. If he doesn't respond to consumers, he will not make a profit.)

- How do those incentives influence his treatment of you as a customer?

(Teacher note: Emphasize this question as it builds the transfer skills necessary for students to apply their experience in the simulation to the assessment question. Help them to consciously make comparisons, to focus on "What's the same?" and "What's different?")

- What are the benefits of engaging in legal market transactions in our economy?
- What are the benefits of engaging in illegal (black market, bribery, theft, etc.) transactions in our economy? (In other words, what benefits do you give up if you choose not to participate in illegal activities?)
- How does the presence of high transaction costs, as in our classroom simulation, change the opportunity cost of engaging in illegal markets?
- Offer an explanation, using the concepts of cost and incentives that explains the willingness of many, if not most, Soviet citizens to participate in illegal transactions like black markets and/or bribery, or even theft.

(Note: Offering an explanation is not the same as offering a justification or excusing such behavior!)

Communism in Action Key Points

1. Review: In market-based economies, property rights are clearly defined and prices are allowed to move freely in response to changing conditions of demand and supply.
 - This has two effects that help to determine standards of living for citizens:
 - Voluntary exchange (trade, on a small or large scale) is facilitated, and, in fact, encouraged; and
 - Wealth is created.
 - In market-based economies, search and other non-monetary costs of purchasing most goods and services are relatively small.
 - Non-monetary costs, like the time spent searching for a product or waiting in line, are called transaction costs.
 - Market-based economies offer incentives to sellers to reduce transaction costs.
2. In the USSR, government prevented prices from changing in response to changes in demand or supply.
 - A hallmark of the economy of the Soviet Union was governed and fixed prices in both the labor and other resource markets, and in retail markets for goods and services.
 - In some cases, prices of retail goods remained virtually unchanged for 10 to 15 years at a time.
 - The official price of many goods and services became almost meaningless for purposes of allocating and rationing goods.
 - Consequently:
 - non-monetary costs rose and were more important than monetary costs;
 - the opportunity cost of exchange rose; it was harder to trade and therefore
 - fewer exchanges took place; and
 - cooperation became less likely and less effective.
3. The full price of consumer goods in the USSR consisted of a low, nominal ruble price plus a high time price for searching and queuing for each good.
 - Knowing where and when goods would arrive became a critical problem to citizens.
 - The average citizen spent many hours outside of work each week queuing in the state stores and farmers' markets to provide for her family.
 - Waiting lists for items like cars, telephones, and apartments added greatly to the cost of money prices charged.
 - In legal markets, it was not uncommon to wait 15 to 20 years for an apartment, 5 years for a plumber, or 10 years to purchase an automobile.
 - In illegal, or "gray" markets, the price of a used car was greater than the legal market price for a new one because the price was bid up by those not willing to wait for a new one.
 - Many times two and three generations of family had to live together in very small apartments, and divorced couples might live together for years until one found a place to move to.
 - It was common in the Soviet Union to see nearly everyone on the street carrying mesh shopping bags.

- When a delivery truck pulled up to the curb outside a work place with sausage, cheese, or lemons, workers would grab their bags and stand in line to purchase for family and friends.
 - So great was the uncertainty of obtaining goods that when people saw things for sale, they would purchase for friends – who would return the favor when the opportunity arose.
 - Stories abound of people getting in line and then asking what the line was for.
 - In efficient economies, costs paid by consumers generally become benefits of producers; queuing transaction costs in the Soviet Union created benefits for no one.
4. Householders were also aware that transaction costs were not equally burdensome to all members of Soviet society.
- From the perspective of the average consumer, it was clear that the perquisites of position or who you knew, not money, determined access to goods in short supply.
 - The nomenklatura, the communist party members who were approved to hold top management positions in the party and government, did not have to place their names on waiting lists for apartments, vacations, and desired goods.
 - Their wages consisted partly of special coupons to be used in special stores that were closed to the public and guarded by special police.
 - The elite shops carried fresh fruits and vegetables, roasts, chickens, and Armenian cognac and other goods that never appeared in state stores.
5. Awareness of extremely high transaction costs and of the fact that administrators had the ability to influence the allocation of quality consumer goods helps us to understand two phenomena of planned economies which, with less thought, we might blame on character deficiencies of Soviet citizens: the pervasiveness of both bribery and secondary, or black, markets.
- When housing, automobiles, vacations, nursery schools, and quality consumer goods are allocated by administrators, it made sense for households to devote many resources to influencing the allocator and trying to gain access to benefits.
 - From the consumers' point of view, it was far more efficient and less costly to pay money to a regulator to gain access to goods and services than to pay the huge costs of time searching and standing in line.
 - From the point of view of analysis, it is more instructive to regard this as a question of opportunity cost, than as an issue of character.
 - When official regulations governing the allocator's behavior provided loopholes allowing considerable discretion, it made sense for administrators to use their control rights to improve their own well-being.
 - It should, therefore, not be surprising that gifts, favors, or outright bribery were often necessary to obtain access to goods, services, and resources.
 - Purchasing goods, services, and resources often entailed two payments:
 - a low, nominal price paid into the official accounts, and
 - a higher payment to the allocator.
 - The second result of the long wait for goods, services, and resources, was the development of very effective secondary, or black, markets where business was done "na levo" – on the left; that is, through privately arranged, illegal exchanges.
 - The reality was that in many spheres of Soviet life, there was no legal way that a household could meet its needs. For example:

- There were no private repair shops for a damaged auto transmission or a burned out oven.
 - The wait for state repair services might be up to two years.
 - Satisfying needs and wants “na levo” was often the only realistic alternative.
 - A friend of a friend could fix it and provide the necessary parts, obtained “somehow” from state channels.
 - To have a concrete floor poured was to go out to a zone of new construction and hitch-hike on a concrete truck and negotiate an informal delivery “na levo.”
 - Drivers of private automobiles rarely went to gasoline stations to buy rationed fuel; instead they would drive to the edge of town where official vehicles and even military fuel trucks would sell fuel “na levo” by the side of the road.
- 6. By the 1980s, the informal, private economy had become an essential part of the Soviet system.
 - Practices “on the left” included everything from routine bribery, theft from the state sector, black marketeering, and underground manufacturing to large-scale organized crime.
 - Householders had little choice but to participate in this informal economy if they were to satisfy their most routine needs and wants.
 - Government policies increased the attractiveness of the informal alternative and reinforced the incentives to shun legally sanctioned institutions and practices.
 - In the late 1980s, the Gorbachev government expanded purchasing power by giving firms greater freedom to bid up wages, but productive output remained stagnant – citizens had more money but no more goods were available for them to purchase.
 - In a market-based system, this policy would have caused prices to rise, generally, but the Soviet government held prices constant.
 - The bigger the gap between governments regulated prices and the true (market) value of products, the greater the benefit to the allocator of shifting goods out of the official economy and into the black market.
 - Gradually, goods disappeared from the shelves and official production began to fall as goods – and resources – moved into the black market.
 - Wage levels were also officially regulated and were well below the value of workers to a firm.
 - In order to keep workers, managers found ways of paying workers in-kind, with various goods.
 - The custom of taking goods home from the factory soon turned to routine, outright theft.

The People's Republic of D219

Survival Guide

This guide is meant to help you navigate through our Communism in Action Simulation. Before the day of the simulation READ this carefully. It will give you all the official and unofficial information you need to operate in our worker's paradise. **For homework, you will write a paragraph that describes your strategy to win this game.**

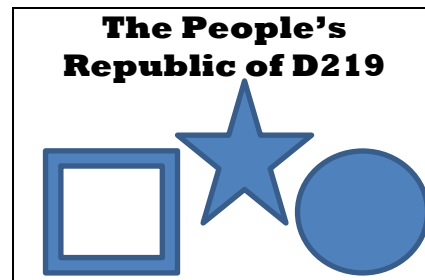
The Game-Your goal is to get the most candy (which represents food, clothing, shelter, and education). To do this you need to thrive in the socialist system.

-Keep in mind:

- All prices are fixed
- All wages are fixed
- The price of something includes how much it costs and how much time/effort it takes you to get it
 - it is helpful to know when goods would arrive at the store, as they will quickly sell out
 - the average citizen will spend hours waiting in lines for basic goods
 - waiting lists for cars, telephones, televisions, apartments are 10 to 15 years long
 - illegal markets existed, but the prices were high
 - satisfying needs and wants through other channels was often the only way to get something in a timely manner
 - the practice of taking things from work became routine—who you knew became as important as what you did/what you knew
 - to many people it was easier to pay the higher cost of the black market than spend the time waiting in line

-How the game works:

- You will be a worker or a minister.
- There are three ministers—the Minister of Production, the Minister of Records, and the Minister of Candy.
- Ministers are paid 20 rubles and can use them at the elite store.
- Workers are paid 10 rubles and can use them only at the candy store, run by the Minister of Candy.
- Workers earn their rubles by producing:



- Their work will be checked by the Production Minister. It must be on the proper sized paper.
- If the work is substandard, it will be rejected.
- Workers will then go to the Ministry of Records to receive credit for their work in the form of a ration coupon.
- The Minister of Records will record the worker's information before giving out the ration coupon.
- Workers then turn in their coupons and rubles to the Minister of Candy to get candy (remember, represents food, shelter, clothing, education, etc.)

Ration Coupon Distribution Form
People's Republic of D219-Ministry of Records

Worker's Name_____

Address_____

Age_____ Number of Children_____ Occupation_____

Number of Doodles Produced_____ Date_____

Signature of Worker_____

Signature of Minister_____

Ration Coupon Distribution Form
People's Republic of D219-Ministry of Records

Worker's Name_____

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People's Republic of D219-Ministry of Records

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