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ABSTRACT

Guidelines are provided for integrating the teaching of the American free enterprise system into required high school social studies courses, as specified in Texas school accreditation standards. Five sample instructional units are included: an introductory unit which defines the essentials and benefits of the free enterprise system, and four units which present concepts and activities relevant to American history, world history studies, world geography studies, and American government. The American history unit is designed to promote understanding of price and production of goods and services and of supply and demand. The world history unit focuses on the evolution of economic systems including the New Stone Age, the Middle Ages, and early modern times. The world geography unit emphasizes problems faced by societies in allocating relatively scarce resources. In the American government unit, students learn how government plays a limited but necessary role in the American free enterprise system. All units contain charts of student objectives, related classroom activities and resources, and bibliographies of state-adopted textbooks and other reading materials. (AV)

Teaching the FREE ENTERPRISE SYSTEM in Required Social Studies Courses

Division of Curriculum Development
Texas Education Agency
201 East 11th Street
Austin, Texas 78701

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(1) acceptance policies on student transfers from other school districts;

(2) operation of school bus routes or runs on a non-segregated basis;

(3) non-discrimination in extracurricular activities and the use of school facilities;

(4) non-discriminatory practices in the hiring, assigning, promoting, paying, demoting, reassigning or dismissing of faculty and staff members who work with children;

(5) enrollment and assignment of students without discrimination on the ground of race, color or national origin;

(6) non-discriminatory practices relating to the use of a student's first language; and

(7) evidence of published procedures for hearing complaints and grievances.

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If there be a direct violation of the Court Order in Civil Action No. 5281 that cannot be cleared through negotiation, the sanctions required by the Court Order are applied.

FOREWORD

The development of economic competency in students is a major goal of public education in Texas. The study of the American free enterprise system should, therefore, be included in the school curriculum where appropriate.

This bulletin gives Texas school personnel guidelines for integrating the teaching of the American free enterprise system into the required high school social studies courses, as specified in school accreditation standards. It was prepared by a committee composed of representatives from school systems, institutions of higher learning, and the Texas Education Agency.

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Commissioner of Education

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CONTENTS

RATIONALE

The American free enterprise system is an essential component of America's past and present. Its basic foundations were built and developed within the framework of America's social, political, and economic life. In addition, it functions effectively in a world-wide setting.

As participants in American social, political, and economic systems, it is essential that students possess the knowledge, skills, and attitudes concerning the free enterprise system that will enable them to contribute effectively to the continuing development and maintenance of that system.

Reflecting the concern that students should possess a knowledge of the American economic system, the Sixty-third Texas Legislature, in 1973, passed House Bill 1118. This bill called for all public high schools to give instruction on the essentials and benefits of the free enterprise system. Accreditation standards* were amended to require all school districts to require an elective course on the free enterprise system. In 1975, the Texas Education Agency provided all high schools with *Fundamentals of the Free Enterprise System: Course Guide*, Texas Education Agency Bulletin 744, a revision of the pilot draft distributed to all school districts during the 1974-75 school year. Accreditation standards* were also amended to require schools to incorporate the study of the free enterprise system into the required courses of American History, World History Studies or World Geography Studies, and American Government.

The basic purpose of *Teaching the Free Enterprise System in Required Social Studies Courses* is to demonstrate for teachers how to incorporate the basic facts, concepts, and principles of the American free enterprise system into the required high school social studies courses. It is important to note that, to integrate free enterprise into the courses, teachers need not take something out. This bulletin is not designed to be comprehensive but to provide examples of ways to teach about the free enterprise system within the context of existing courses.

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*Principle VI, Standards 6 and 9, *Principles and Standards for Accrediting Elementary and Secondary Schools*, Texas Education Agency Bulletin 560, Revised October 1974.

USE OF THE BULLETIN

The samples of instructional units presented in this bulletin were developed to be integrated within existing course content, and to provide instructional models for additional units that teachers may develop.

The arrangement of this bulletin is intended to make teacher use and reference as convenient as possible. The introductory unit on the free enterprise system (blue section) provides background information for both teachers and students. Units II-V are color-coded by subject area: American History, pink; World History Studies, yellow; World Geography Studies, green; American Government, gold. It is important for the user to note that concepts and activities need not be limited to specific courses but may be used in others.

Each instructional unit is keyed to the state-adopted textbooks (identified by †) for each subject area. As new adoptions become effective, teachers should key the objectives and activities to the new textbooks. Each unit contains a bibliography of selected additional resources. Overhead transparency masters for several activities are also included.

Teachers are encouraged to use the above as well as their own ideas, activities, and materials, adapting them to meet the needs, interests, and abilities of students in their classrooms.

AN INTRODUCTION TO THE AMERICAN FREE ENTERPRISE SYSTEM:*

ESSENTIALS AND BENEFITS

Before teachers begin instruction in the "essentials and benefits of the free enterprise system"--actually the social science of economics--they need some basic information:

- A brief summary of what economics is all about
- The basic economic concepts which must be understood by students
- A framework for comparing and evaluating the performance of alternative economic systems
- An outline of the fundamentals and workings of the ideal free enterprise system
- Some features of today's "mixed" free enterprise system.

*Strictly speaking, free enterprise is one feature of a capitalistic system. However, the terms *free enterprise* and *capitalism* are often used interchangeably and, for purposes of this guide, will be considered synonyms.

The Economic Problem

Economics can be defined as the study of how society arranges itself to transform its scarce resources into goods and services to satisfy the varied wants and desires of its members. This is a simple statement of the universal existence of scarcity; i.e., our resources are limited in supply relative to the wants of our society. Since our resources have alternative uses, part of the problem is to choose how the resources are to be used and which wants will be satisfied. Accordingly, economics is often referred to as the "science of choice," i.e., the study of choosing among alternatives.

The following diagram (figure 1) may be helpful in seeing the economic problem. Suppose that all the resources (land, labor, and capital) available to society could be combined into one group, represented by the area of Circle A. Further, all the varied wants of the individual members of society could be put into a single group, represented by the area of Circle B. Now, if resources could be

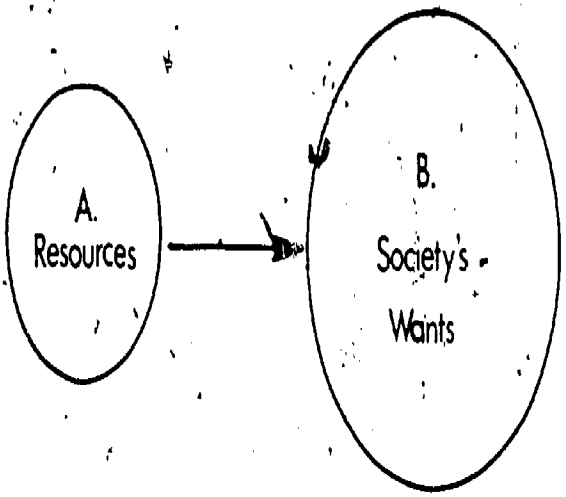


Fig. 1

used to directly satisfy human wants and if the extent to which these wants can be satisfied by resources is proportionate to the area of the circles, it is clear that all wants cannot be satisfied. The problem is, however, a bit more complicated than this, for most wants are only indirectly satisfied by resources. Thus, resources are combined in varying ways to produce the goods and services specifically desired by individuals. Circle C (figure 2) then represents the size of the "pie" which is to be distributed among the population.

This is a static view of the economic problem for it tacitly assumes that society's wants are given and fixed in composition. Thus it might seem that, over a time, human wants could be fully satisfied as different goods are produced in future periods to satisfy those wants left unsatisfied in previous periods. Unfortunately, most of people's wants cannot be satisfied once and for all but must be continually satisfied. Moreover, those which are completely fulfilled are then replaced by others. Good or bad, people seem to have an infinite capacity to create wants, but a limited capacity to create goods and services. Scarcity is not unique to any one society; it is a universal phenomenon. Thus, all societies are confronted with common fundamental problems: what to produce; how to produce;

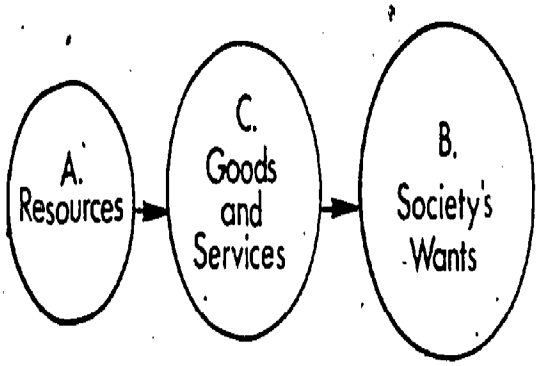


Fig. 2

and for whom to produce. Although these are stated separately, they are in fact solved simultaneously.

The what question refers to the problem of choosing which goods and services (which combination or set) are to be produced from the resources to most nearly satisfy society's wants.

Once the what question is answered, how to combine resources to produce these specified items must be determined. Most items can be produced by using several alternative methods, or combinations of resources. Because resources are scarce, we tend to seek that resource combination which is most efficient or least costly. By so doing, total output of society (Circle C) is as large as possible and the wants left unsatisfied are thereby minimized.

The for whom question is often referred to as the distribution problem. That is, how are the fruits of production to be divided among the many economic units (households, businesses, and governments) of society?

ALTERNATIVE ECONOMIC SYSTEMS

The decision mechanism, or the process by which these questions are answered, is society's economic system in action. Though all societies face the same problems they have not adopted the same economic system. Why not? Mainly because an economic system is more than simply a vehicle for decision-making. It is a way of life, and variations among systems reflect differences in fundamental social values concerning the individual, the state, and freedom and justice. Though the world is populated with many different economic systems, all are established to coordinate the activities of individual economic units and, to do so, each relies to varying degrees on the mechanisms discussed below: tradition, command, and market.

Tradition

The oldest mechanism for coping with a society's economic problem is that of tradition. In such societies, the problems were, and are, solved largely by custom or traditions which reflect family, religious, and legal mores of the culture. For example, deciding who is to produce what is usually solved by assigning the jobs of fathers to their sons and classifying many tasks as exclusively male or female. Moreover, the distribution of production is commonly based on traditional criteria such as age, sex, and other features not necessarily related to productivity. Under such arrangements, birth is the predominant factor in determining one's role and status in life.

Historically, traditional solutions have been most important in primitive, agrarian societies and today are a significant feature of less developed economies. In more developed countries, tradition has given way to other coordinating mechanisms, though it has by no means disappeared entirely. Indeed, all modern industrialized economies have elements of tradition continuing from early generations. In our own economy, tipping, exchange of gifts, philanthropy, rights of seniority, sons following occupations of fathers, and women tending to child-rearing duties are a few examples of tradition-bound economic solutions.

Market

A *market* is a place or an institution which facilitates the exchange of goods and services among individuals. As economies develop, many of the economic problems are solved by individuals transacting with one another in the marketplace. Through the marketplace individual economic units register their desires (demand) for goods and services while simultaneously offering (supplying) other goods or their own resources in exchange. This interaction among economic units produces a set of prices which is an index to the terms on which exchange alternatives are available.

Individuals operate as independent decision-makers in the marketplace and interact with each other through a system of voluntary exchange. Through such interactions the market mechanism coordinates the activities of the millions of economic units and guides resources into their most valuable uses.

Command

The command system for economic decision-making is the antithesis of the market mechanism. Instead of resources moving into alternative uses as the result of decentralized and independent market transactions, they are directed into the production of goods and services by governmental, dictatorial, or bureaucratic order. Usually such orders are the result of some overall "plan" as to what the economy is expected to accomplish.

The main difference between the command and market mechanisms is the emphasis of the latter on the independence and sovereignty of individual economic units; under this mechanism, economic decision-making is decentralized. The former subordinates the individual economic unit to the government plan; economic decision-making is concentrated in, or vested with, a central planning authority.

PERFORMANCE CRITERIA

Knowing what an economic system is and the problems which it must face still gives no basis on which to determine whether one system is preferable to another. Yet, there is widespread acceptance of the free enterprise system among Americans, and a consensus that this system serves our society best. What is the reason for this broad-based appeal? What are the features Americans find so attractive? To answer these questions, it is necessary to specify performance criteria against which all economic systems can be evaluated. In other words, what do the citizens want the economic system to do, and what social values or objectives are to be maintained or reinforced by the economic system?

Quality of Life

Economic systems are set up to serve people, to serve as a vehicle for them to realize their objectives in life. It is doubtless accurate to say that the basic goal which all seek (irrespective of nationality) is the highest possible "quality" of life. Naturally, the description of this condition varies among individuals, but in its broadest sense it includes spiritual, psychological, and other nonmaterial desires as well as a high standard of material well-being. An economic system contributes importantly to the realization of nonmaterial wants, but it is directly, and perhaps most importantly, concerned with society's material well-being, or what is commonly referred to as the *standard of living*. Accordingly, citizens want to know how much the system is producing overall and per person; that is, what is the value of all goods and services produced by the system? Embodied in the goal of a high quality of life are subgoals, or means to this end, specifically, growth, stability, security, efficiency, equity, and freedom.

Economic Growth

Economic growth means an increase in per capita output of the economy, and thus the source of a high standard of living. It is considered by many nations (especially the less developed) to be the most important criterion of successful economic performance.

Stability

Economic stability refers to both prices and employment. Prices indicate the cost of items and the value of the nation's own resources. They are the basis for many economic decisions. Wide fluctuations in prices are generally thought to be undesirable for they redistribute wealth capriciously; introduce a high de-

gree of uncertainty into the system; and tend to lead to general instability in employment, growth, and overall economic activity. In addition to stable employment, full employment is also desirable, for only if resources are used to the greatest extent possible will the total productive potential of the economy (the size of Circle C) be realized.

Security

In advanced countries economic insecurity stems primarily from unpredictable economic instability and "acts of God." It is widely agreed today that Americans want an economic system which is capable of protecting individuals against such uncertainty, thereby providing for the chronically ill, disabled, handicapped, aged, or otherwise dependent. It should also be noted that, although there is wide agreement about the desirability of economic security, there is also extensive debate about the appropriate degree to which it should be provided and the concomitant benefits and dangers of the "welfare state."

Efficiency

In a world of scarcity there is virtual unanimity about the desirability of being efficient in the use of resources. Efficiency is usually conceived of in a technical sense, i.e., maximizing output per unit of input. But it is also desirable that a system be economically efficient, meaning that resources are allocated in a way to produce the highest possible total value of goods and services.

Equity

Equity and fairness have no specific definitions, though virtually everyone has a value judgment about what is just concerning acceptable income and wealth distributions. This too is an emotional issue which has been debated throughout history. It is difficult if not impossible to specify a consensus of what is equitable, though it is generally thought undesirable for any group to suffer poverty while others realize affluence.

Freedom

Freedom is perhaps the most cherished of human goals. It is defined as the absence of constraint in choice or actions. But most constraints on choices are people-made and, therefore, people largely control the extent of their own freedoms.

Of the many different types of freedom, all interrelated, this bulletin is concerned primarily with the extent to which freedom exists within the economic system. Economic

freedoms can be grouped into two broad categories: freedom of enterprise and freedom of individual choice. *Freedom of enterprise*, which is perhaps the most familiar, refers to a situation where business enterprises have the freedom to acquire any resources they wish and can pay for, to use any technology, to produce any product and to sell it at any price, and to invest in any way they please. Of course, total freedom is never realized in this regard because of the existence of laws (labor, patent, pollution, safety, etc.), competition from other producers, and substitute products.

Though less familiar, *freedom of individual choice*, is certainly no less important. This term refers to the individual's freedom to buy any goods and services available subject only to the constraint of one's budget, to accept any job within the limits of his or her abilities, to quit any job, and to use his or her own resources as desired consistent with the rights of others.

THE IDEAL FREE ENTERPRISE SYSTEM

The ideal free enterprise system has never existed and probably never will. All economic systems have elements of free enterprise, socialism, and tradition; and they are characterized according to their dominant features and relative emphasis. Many refer to the current American system as a "mixed" economy with heavy emphasis on capitalism. Regardless of the exact nature of our current system, it is important to specify what we regard as the "ideal" in order to have a benchmark against which to evaluate deviations therefrom. Thus, the task is to describe an ideal free enterprise system; to specify its essentials and underlying assumptions; and to explain how it goes about answering the questions of what, how, and for whom. Once this is accomplished, the system's benefits become apparent.

Private Property

Society must select one of two forms of ownership of its scarce resources--social or private. In an ideal free enterprise system resources are owned privately. Title rests with individuals, not governments, and with such title go the rights to control, use, and dispose of the property as the owner sees fit.

Freedom

At the heart of the system is recognition of people's desire to be free from constraints on their choice of activities. Thus, great emphasis is placed upon allowing people the greatest possible freedom to engage in economic activities both as producers/investors and as consumers.

Self-interest

The fundamental behavioral assumption about an individual is that one is motivated to promote his or her own self-interest. Self-interest is not to be confused with selfishness; for altruism, or concern for the welfare of others, can and often is a part of one's own self-interest, philanthropy and other forms of private charity being examples.

A person is assumed to choose among alternatives to maximize the well-being of self and/or family. Thus, people in business are presumed to seek maximum profits, property owners the highest price for their resources, workers the greatest wage for a given occupation, consumers the lowest price for a given product, etc. Moreover, in the quest for maximum well-being, emphasis is given to the assumption that the individual is the best judge of what is in his or her own self-interest.

Self-interest is the primary driving force of the free enterprise system, for it gives direction and consistency to the total functioning of the economy.

Competition

It is often charged that, with its reliance on the driving force of self-interest, the free enterprise system breeds a competitive, dog-eat-dog society rather than a society based on cooperation. Yet, competitive behavior takes a variety of forms and is a universal phenomenon; it is not confined only to capitalistic societies.

As people seek to better their lives through profits or wages, or by seeking the best buy, they naturally compete with each other, sometimes directly and personally, but more often indirectly and impersonally as buyers and sellers in the market.

Competition, however, is more than the manifestation of scarcity and people's self-interest; it is also a regulatory force within the system. Its existence implies a diffusion of economic power, a large number of buyers and sellers in the market none of which is big enough to influence significantly the price of the product by individual action.

If competition is to be preserved, the system must operate in a way to make it possible for new producers to enter an industry or to leave it if desired.

Markets and Prices

The free enterprise system places a great deal of importance on the individual and, though people have a common desire to maximize the quality of their lives, definitions of *quality*

vary among individuals. The free enterprise system is designed to respect this variation and it seeks to answer the What question by producing goods and services which are most highly valued by the individual consumers in society. How is this done? What type of system will guarantee or come closest to realizing this objective? What kind of communication system will allow the economy to be responsive to society's desires?

In a free enterprise system communication occurs through a system of markets where buyers and sellers engage in voluntary exchange. The result of the transactions is a system of product and resource prices. In turn these prices provide an index to the terms on which various alternatives are available to producers and consumers as they exercise their choices in furthering their self-interests.

This extremely elaborate communication system receives literally millions of signals from millions of individuals daily. And it is through this system of markets that society answers the questions of what to produce, how to organize its productive efforts efficiently, and for whom the fruits of production are to be distributed.

Limited Government

Given the force of competition and the assumption that individuals know best how to pursue their own self-interests, a free enterprise system is believed to be largely self-regulating. Therefore, there is little need for government to be involved in the operation of the economy. Government's role is limited to that of a rule-maker and umpire with the primary objectives of protecting individual freedom and property rights and preserving competition. The free enterprise system is extremely wary about assigning the government much more power than this, for the larger the role of government, the greater the concentration of power.

THE ECONOMIC PROBLEM AND THE FREE ENTERPRISE SYSTEM

When the millions of different individual tastes, preferences, and values held by members of society are considered, it becomes apparent that the what and for whom questions are incredibly complex. Moreover, because most goods can be produced by several different processes, the how question is also very complicated. Thus, not only the three questions must be answered, but literally millions of other questions must be answered daily.

Considering the scale and complexity of the problem, many conclude that it is folly to suppose that such a system could be expected to run satisfactorily on its own; chaos would surely result without a planned and centralized

management. In fact, precisely the opposite is the case. The size and complexity of the system make it impossible to manage by centralized authority except at a substantial sacrifice of many of the goals of the system, in particular, freedom and economic efficiency. Fortunately, transactions among individuals through a system of markets allows the daily problems to be answered, many of society's goals to be realized, and its values preserved.

An understanding of how the market mechanism works is facilitated by the use of a simple model commonly referred to as a *circular flow* diagram (figures 3-5). Here society is divided into two groups of economic units: households and firms. Householders are individuals acting as consumers and are the owners of all resources, or factors of production. Firms are any kind of business enterprise; they are the primary producing institutions of American society. Note that in fact the householders also own the firms, but in the model they act in the capacity of producers rather than consumers. Both groups are assumed to be free to use their resources as they wish (subject only to legal constraints) and both are presumed to pursue their own self-interests.

Both groups are dependent on each other. The householders want firms to produce certain items, but production requires access to the resources owned by the households. The two groups communicate with each other through a system of markets which are of two basic types: *product markets* and *factor markets*.

What to Produce

It is largely in the product market that the what to produce question is resolved. In this market consumers register their desires, or demands, for specific items by offering money in exchange. This is sometimes described as casting dollar "votes" for what they want produced. Such votes are cast on the basis of people's income and tastes. Presumably consumers know what they want and will spend their resources for the greatest possible benefit to their own well-being.

The firms in turn are naturally seeking to improve their well-being and are eager to offer, or supply, those goods and services most highly valued by consumers. Thus, it behooves the producer to pay heed to consumer votes. Those who do are rewarded with profits and survival, and those who do not are punished with losses and failure. Accordingly, money flows from the households to the firms in exchange for goods and services flowing in the opposite direction.

The result of these supply and demand activities is a set of prices for the various items

exchanged. These prices are an extemely important feature of the marketplace, for they signal the terms on which exchanges can be made and ration the items among consumers in proportion to their votes. Moreover, changes in prices reflect changes in consumer demand and in relative scarcities of different items. Price changes also provide a signal for future production decisions and for guiding resources into those uses desired by society.

Thus, producers are not absolutely free to produce whatever they want, nor are they able to set any price they wish. Other competing suppliers and consumers "shopping" for the best buy constrain production and pricing decisions. Business survival, then, requires response to consumer choices and effective competition with rivals.

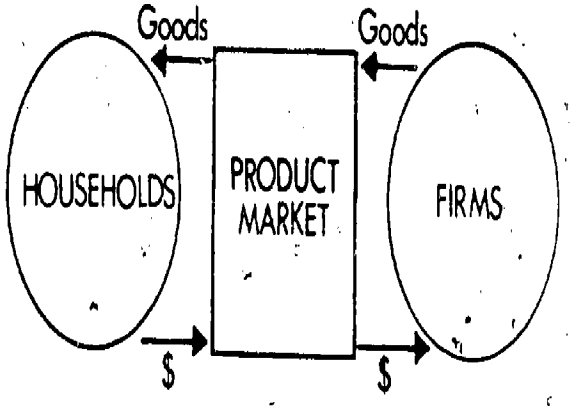


Fig. 3

How to Produce

Businesses (firms) in pursuit of their own self-interests aim for the highest possible profits. In other words, they want the largest possible difference between their income from sales and their costs of production. Not only must they produce a product which will sell, they must also produce it efficiently to minimize production costs. As firms compete with each other for consumer "votes," they often resort to price competition. Thus, efficiency in production is important. From the viewpoint of the firm, this is the essence of the how to produce question.

This question is resolved in the factor, or resource, marketplace. In this market the households and firms once again meet and engage in supply and demand activities which result in prices for the various factors of production. Here the households, owners of the resources, offer to sell or lease (supply) resources to the firms who require (demand) them as inputs to the production process. Thus money flows in exchange from the firms to the households (figure 4) and is the source of income used to purchase goods and services in the product market.

Prices emerging from the factor market are given special names: *rent*, *wages*, *interest*, and *profits*--the prices of land, labor, capital, and entrepreneurship. It is important to recognize that these prices are just as important

to the orderly operations of the economy as product prices, and they serve precisely the same function.

Factor prices reflect relative scarcities of different resources and are a very important signal to the producer in decisions about how to produce. In time these prices change relative to one another and thus tend to guide the producer toward the use of resources which are relatively abundant (cheap) and to conserve on those which are relatively scarce (expensive). Simultaneously these prices help the resource owners in deciding how to use their resources and where to concentrate their efforts in the development of new resources.

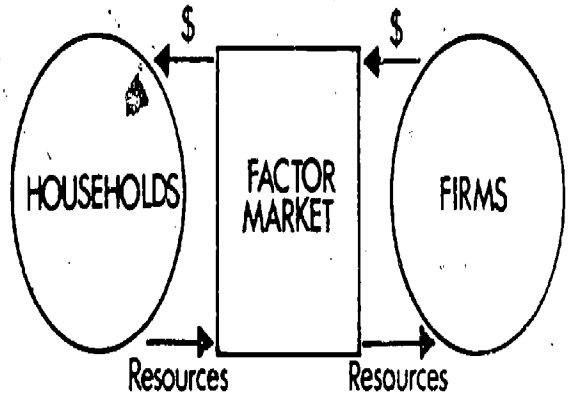


Fig. 4

For Whom

The for whom question is asking who is going to consume the fruits of production and in what quantities. Who consumes what and how much depends on who is both willing and able to offer the going market price. Thus, the resolution of this question depends on consumer tastes, income, and product prices and is determined largely by the price system. Even if all households have the same income, total output will be distributed unevenly among the households because individuals have different tastes and preferences. Therefore, bid prices vary among individuals, and those who bid the right price will have some of the product distributed to them; others will not.

Willingness to pay is only part of the bid process, however. Ability to bid the market price is also an important variable, and is dependent on the size of one's money income. In turn money income depends on the types and quantities of resources (property and human) owned and the prices which they can command in the factor market. Thus, the for whom question is resolved largely in the product market where households strive to receive the best price for their resources and to use them where they are most productive. Moreover, it is expected that efforts to develop and accumulate additional resources will be directed toward those types which are most highly valued in the marketplace. This flow of money income through the factor market is seen in figure 4.

Combining figures 3 and 4 together in figure 5 gives the circular flow diagram.

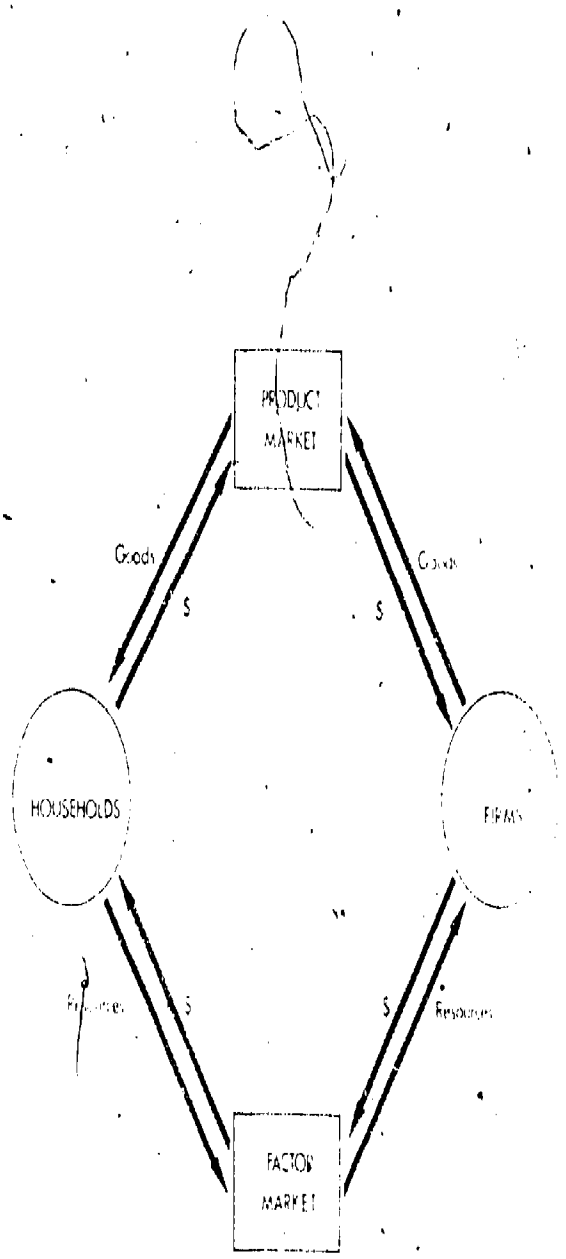


Fig. 5

In summary, households demand goods from firms through the product market. When firms respond by producing these goods, they pay out money through the factor market to the owners of the resources which they buy or hire. This money then becomes the households' income, which in turn provides them with the ability to go to the product market to purchase those goods they want. Thus, figure 5 demonstrates how resources flow from consumers to firms in exchange for money which flows from firms to households. In addition, goods flow from firms to households in exchange for money, which flows in the appropriate direction, thereby completing the circular flow.

AMERICA'S MIXED FREE ENTERPRISE SYSTEM

Though we characterize ours as a free enterprise system, in fact it is a "mixed" system, as are all modern economies. By mixed we mean that the economic problems are answered by the combined use of tradition, market, and command mechanisms rather than by the use of the market mechanism alone. It is the particular blend of these mechanisms which characterizes an economic system.

Although the United States economy is largely a market economy, important differences still exist between the ideal and the actual economic system. In particular, government has assumed a much larger role than simply that of a rule-

maker and umpire. In addition, federal, state, and local governments engage in income and wealth redistribution activities (the for whom question), influencing the composition of national output (the what to produce question), and attempting to stabilize prices while simultaneously promoting full employment and economic growth. Indeed, the extent of governmental involvement in the marketplace has grown substantially since the turn of the century. This is considered contrary to the limited role assigned to government under the ideal free enterprise system. Yet, there is widespread agreement among Americans that these are legitimate functions of government. How do we reconcile society's espousal for free enterprise on one hand and its acceptance of this enlarged role of government on the other?

The explanation rests primarily with the fact that the ideal system is just that--an ideal which serves as a fairly good approximation of how the system should work. However, like all systems it works imperfectly; it has some flaws. But even without flaws it will sometimes resolve the economic problems with results that are unacceptable to society. Accordingly, we have tended to turn to government to modify the system in ways to generate results which are consistent with the goals of society.

When it is proposed that the government modify the free enterprise system, citizens should always ask: What does it cost? Are the projected benefits sufficiently large to warrant these costs? As we pursue the objectives of growth, security, and equity, is it worth the inevitable costs in terms of reduced efficiency and further constraints to individual economic freedoms?

Such judgments are made by Americans daily. In the long run the society and economic system will reflect the wishes of its individual members better if these are informed judgments. The study of economics and of the foundations of alternative economic systems is an important factor in promoting informed decision-making on the part of citizens. Only then can the population understand the essentials and benefits of the free enterprise system.

THE FACTORS OF PRODUCTION

A goal of all economic systems is to utilize the factors of production in the most efficient means possible in order to increase the amount of goods and services available for consumption.

These factors include land (all natural resources), labor (human resources), and capital (created by people to be used to produce capital or consumable goods). By combining these factors of production, economic goods and services are produced. The payments made to these factors are the costs of production as well as the incomes earned in the economy.

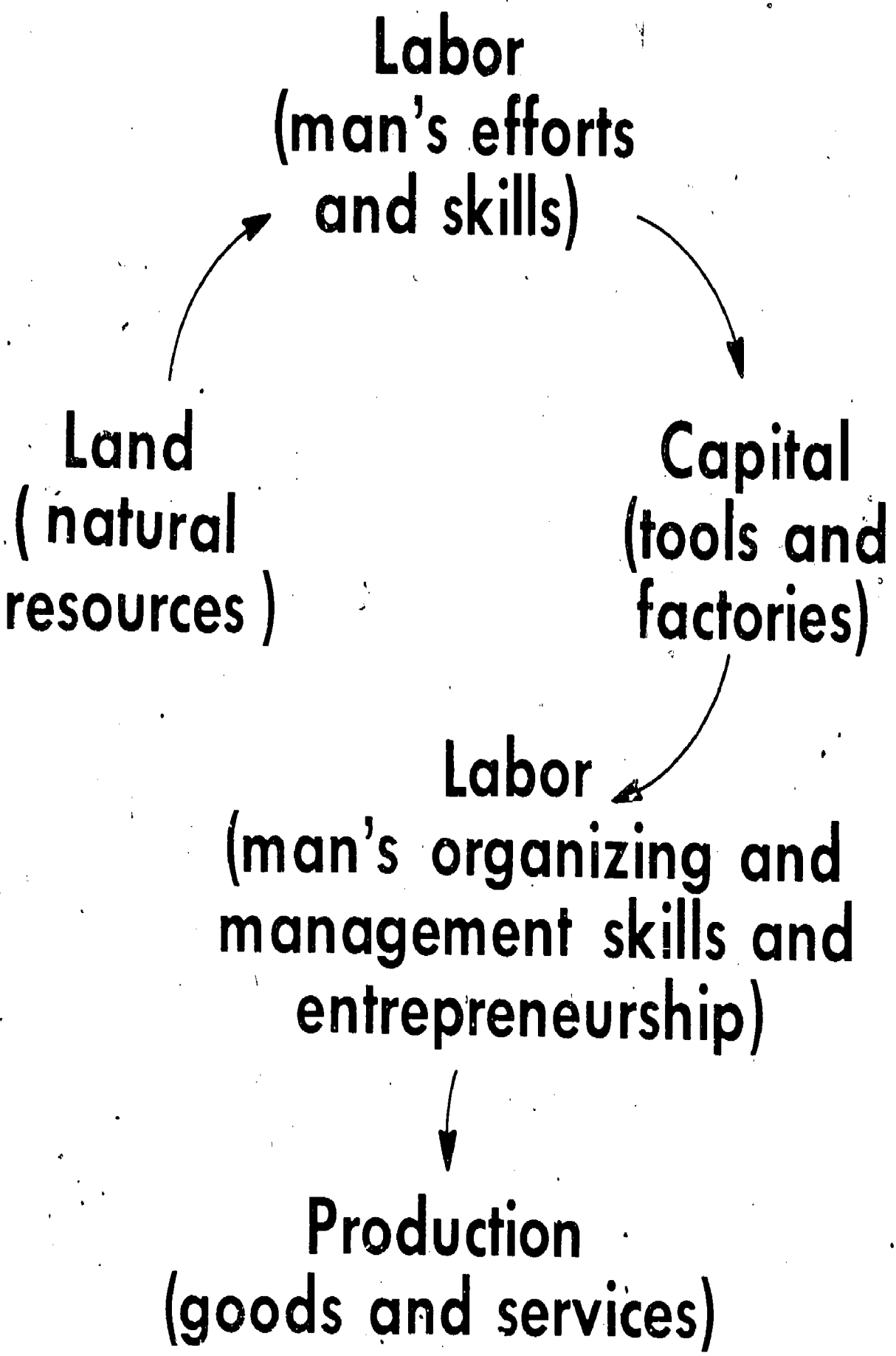
STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
The students will be able to: . Define *factors of production*	1. Write the question, "What were some of the factors that were necessary to produce railroads in America?" Have the students be specific and clarify the meanings of the items that they suggest. List their suggestions on the board. After the students have given a sufficient number of items, ask them which of the items could be grouped because they are alike in some way. Be sure that the students give reasons for grouping these items. When the groups have been made, ask the students to label them. After the groups are labeled, ask the students if groups could be combined. When this activity is completed, there should be basically three groups with labels similar to the labels of the factors of pro-	Transparency #1 †*The Adventures of the American People*, pp. 76-81 †*Challenge and Change, United States History: The Second Century*, pp. 95-96 †*Perspectives in United States History*, pp. 250-261 †*Rise of the American Nation, 1865 to the Present*, pp. 97-98

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
	duction--land/natural resources, labor/entrepreneurship, and capital/tools. Use transparency #1 to demonstrate the concept of the factors of production and their relationship.	
. Identify alternate uses of the factors of production	2. Use transparency #1 to review the factors of production and the items and groups suggested by the students in the previous lesson. Use transparency #2 to show the expansion in railroad mileage and transparency #3 to show the increase in property investments in railroads prior to 1890. Ask the students to consider the tremendous allocation of resources to railroad construction and suggest other items which might have been produced from these resources. Use transparencies #4, 5, and 6 to identify alternate uses of the factors of production. Have the students suggest additional uses.	Transparency #1 Transparency #2 Transparency #3 Transparency #4 Transparency #5 Transparency #6
. Demonstrate the interrelationships among the factors of production	3. Divide the class into three groups--land, labor, and capital. The land group controls all the land and natural resources necessary for railroad construction. The labor group possesses the skills to build the railroads. The capital group controls the tools necessary for railroad construction. Each group should prepare a list of its economic goals. For example, the goals of the labor group may be to receive the highest wages possible and to provide for job security and safety. After each group has identified its goals, the teacher should introduce the following new factors. Each group will then state how these situations will affect it and what the results will be. a. Congress passes a law stopping foreign immigration. b. Foreign cartels, which control the supply of coal, limit the supply in order to raise prices.	Transparency #1

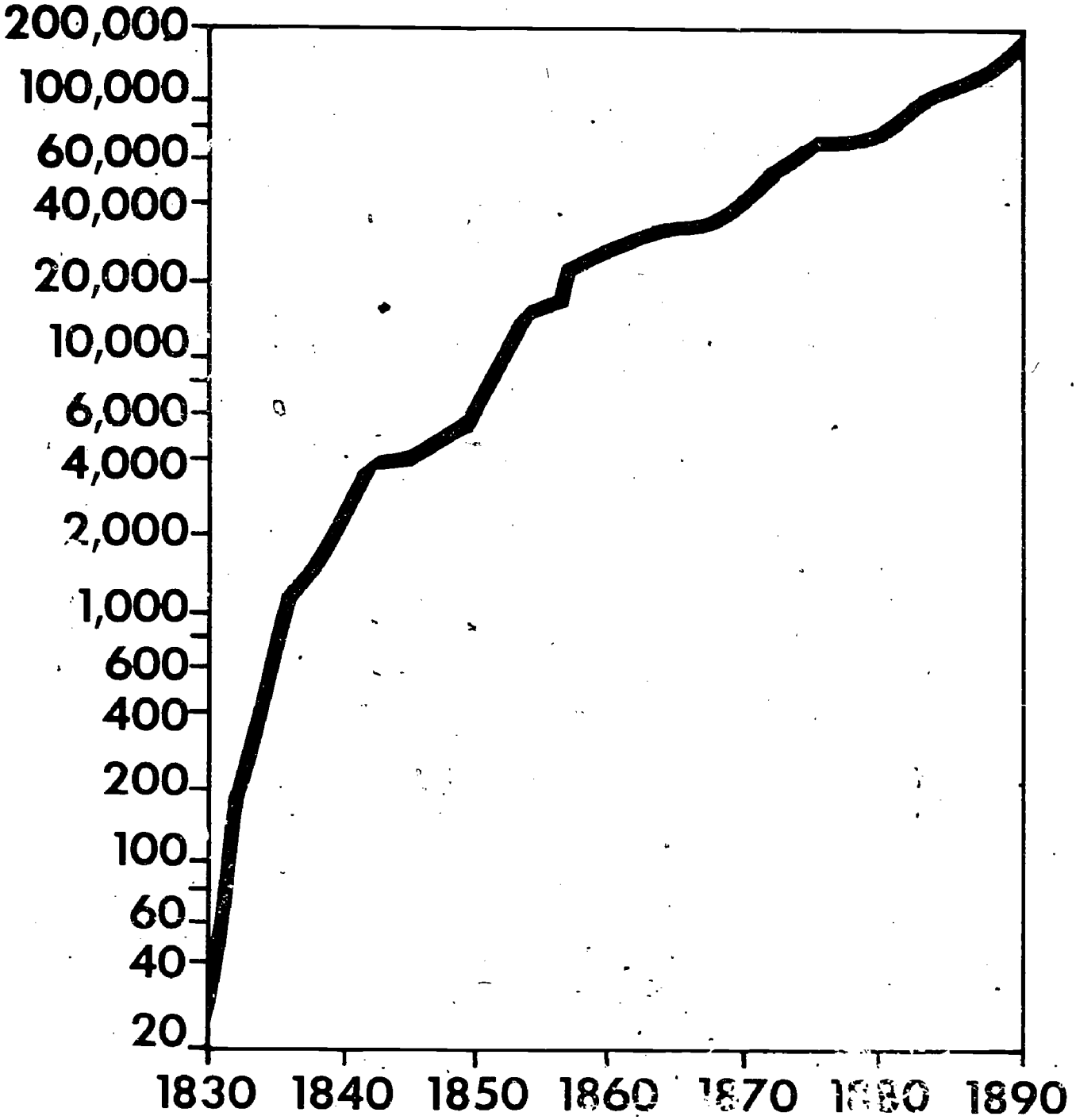
STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
	c. Environmental concerns lead to governmental action to outlaw strip mining and regulate mining for coal and iron ore. d. Indian opposition to encroachment on their territory leads to numerous killings of railroad construction crews. e. Plague epidemics in East Coast cities kill thousands of immigrants and residents. f. Guerilla warfare is launched by the Indians. One Indian tactic is to burn and destroy all forests along the route of the railroad. g. Labor unions organize the construction workers and help the workers receive better wages and improved working conditions. h. The Bessemer process of steel production increases the supply of steel and reduces its price. i. Improved technology and increased educational levels lead to higher worker productivity levels. j. East Coast cities are hit by widespread unemployment. Use transparency #1 to review the factors of production and their interrelationship.	
. Identify the role of technology as an ingredient in production	4. Use transparency #7 with overlays. Ask the students what are some of the things that had to happen in order for the expansion of railroad mileage to occur. Have the students identify the elements necessary for increasing railroad mileage (e.g., more labor, increased capital goods, increased supplies of natural resources, etc.). Use transparency #8. Discuss with the students the fact that resources are limited. Use the transparency to demonstrate what would happen in a hypothetical case. As the transparency shows, all available capital resource units are being used. When this situation exists, what happens to railroad expansion? Have students suggest ways that increased production can occur in this situation (more efficient use of the available capital resources through the application of technology to increase the productivity of the resources).	Transparency #7 Transparency #8

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. Identify the opporutnity costs involved in allocating the scarce factors of production	5. Divide the class into the following economic/sectional groups: a. New England Shippers b. North Carolina Textile Manufacturers c. Alabama Cotton Farmers d. Texas Cattle Ranchers e. Wyoming Sheep Ranchers f. California Gold Miners g. Washington Lumber Workers h. Chicago Meat Packers Review with the students transparencies #2 and 3. Discuss the opportunity costs (defined on p.37) involved in economic decisions. Review transparencies #4, 5, and 6. Tell the class that it is 1879. Each group is to examine its own short- and long-range economic goals and identify alternatives to the investments in railroads. Groups should list in order of preference those things which the resources could have been allocated for. When each group has identified the opportunity costs of railroad construction, compare the lists. Determine if different costs were identified by the various economic/sectional groups. Was there a consensus that railroad construction was of sufficient importance to warrant the cost?	Transparency #2 Transparency #3 Transparency #4 Transparency #5 Transparency #6 *Growth and Welfare in the American Past*, pp. 108-121
. Identify the factors of production and the rewards each receives for contributing to production	6. Use transparencies #1 and 9 to review the factors of production. Stress the fact that capitalism is based on private ownership of the means of production. Ask the students what those who built the railroads expected to receive in return? Why were people willing to work on the construction of the railroads? What did those who owned the natural resources necessary for railroad construction receive in return for the use of their resources? What did those who owned the tools and machines necessary for railroad construction receive for the use of their resources?	Transparency #1 Transparency #9 *The American Economy*, p. 98

FACTORS OF PRODUCTION

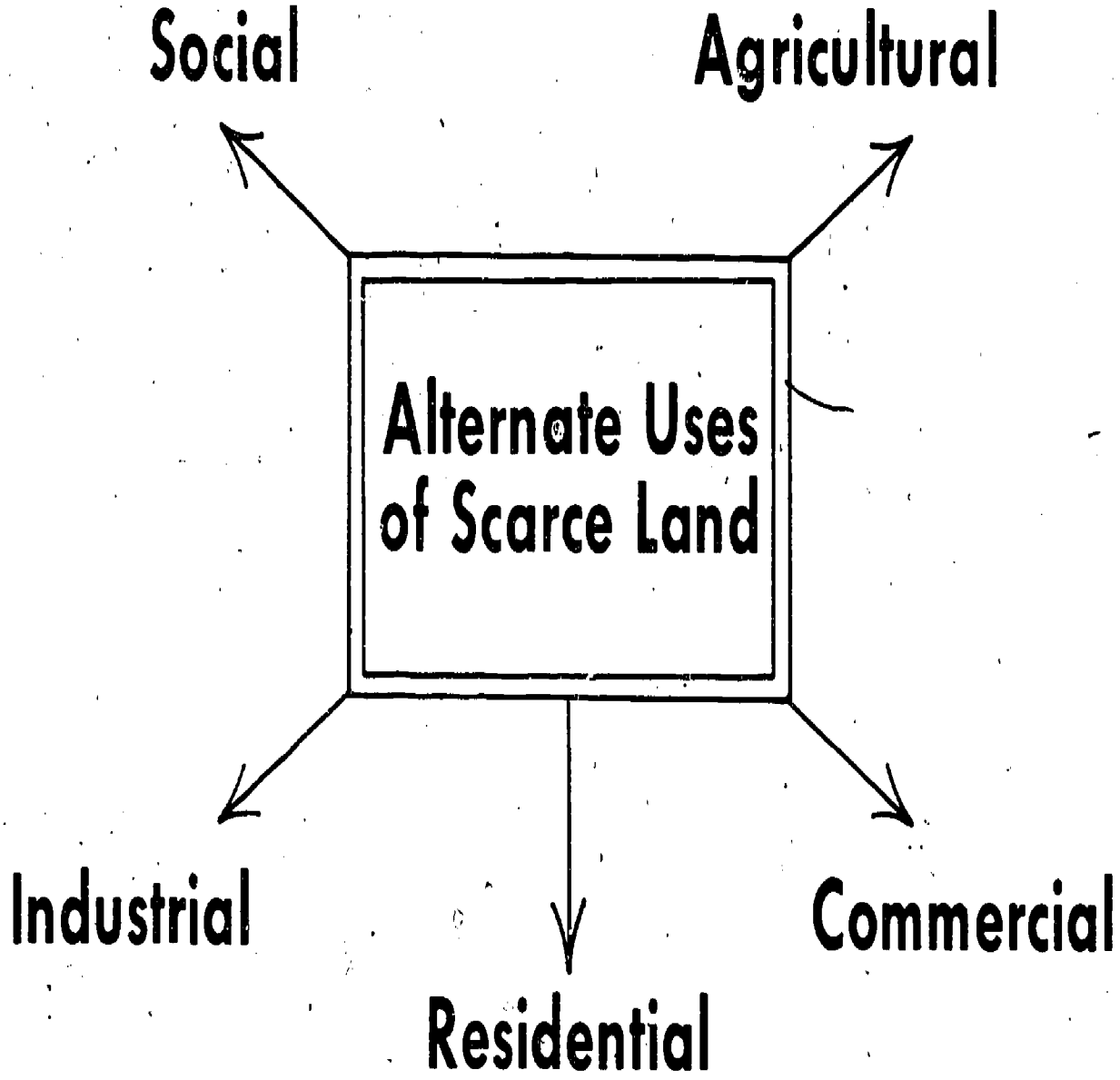


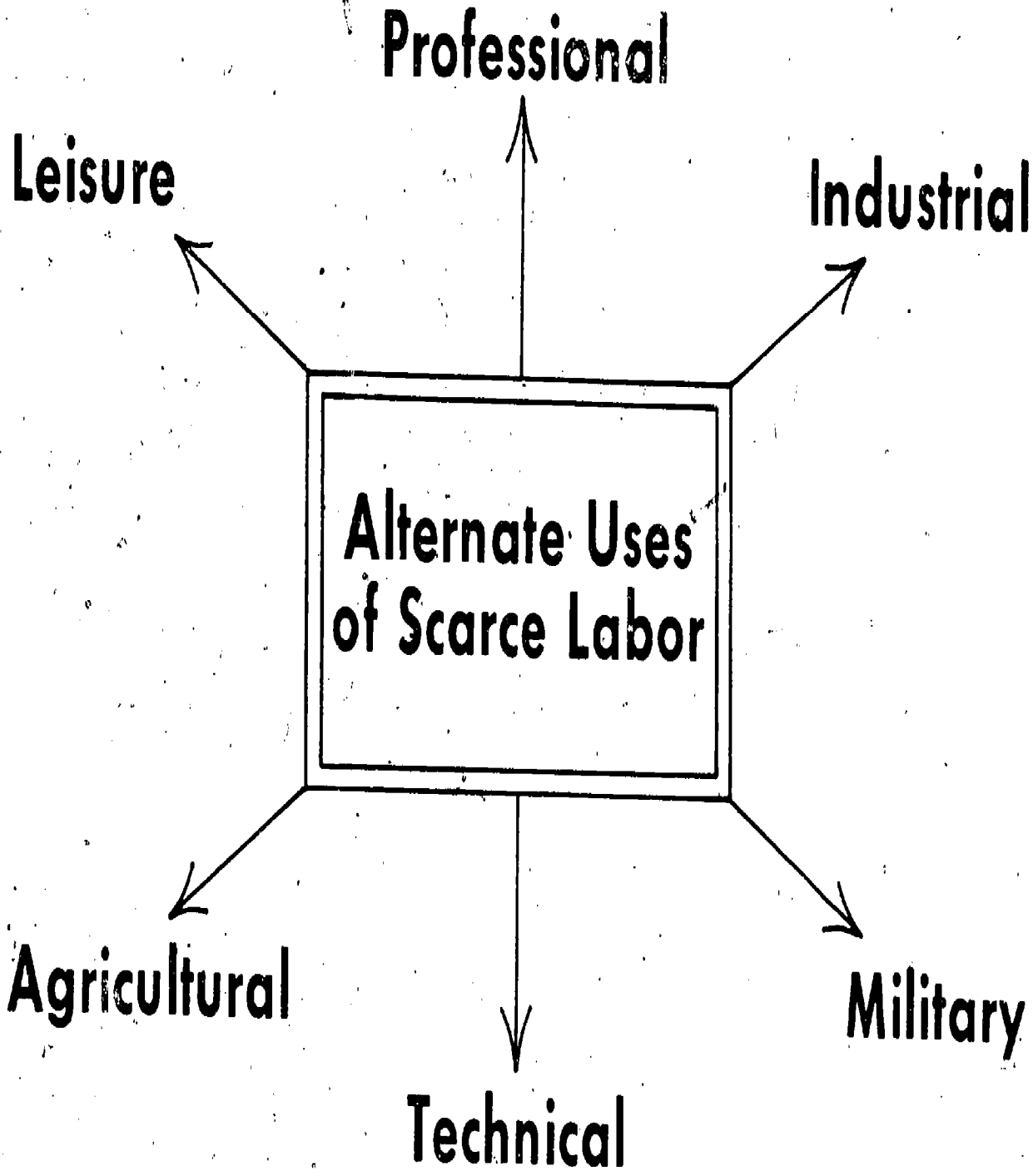
Expansion of Railroad Mileage, 1830-1890

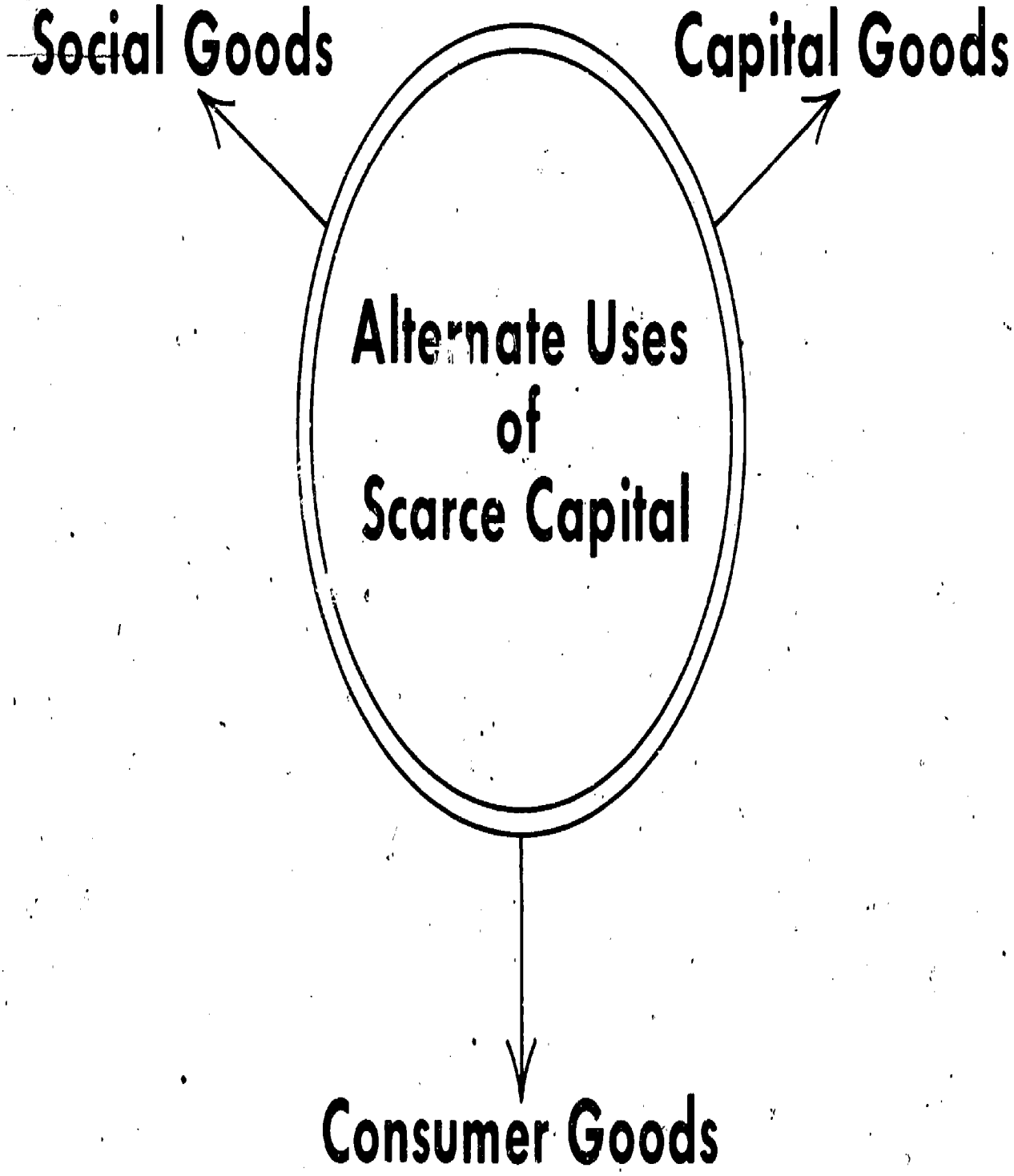


Property Investments in Railroads, 1850-1890

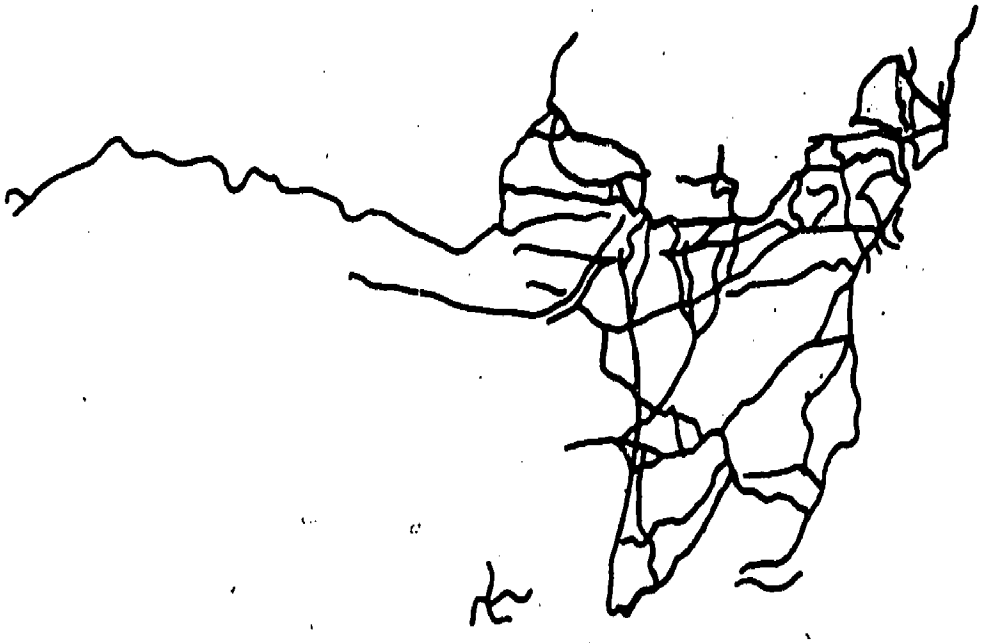
YEAR	TOTAL (in thousands of dollars)
1850	318,126
1860	1,149,481
1870	2,476,893
1875	4,658,209
1880	5,402,038
1885	7,842,533
1890	10,122,636


Social
Agricultural
Alternate Uses of Scarce Land
Industrial
Residential
Commercial

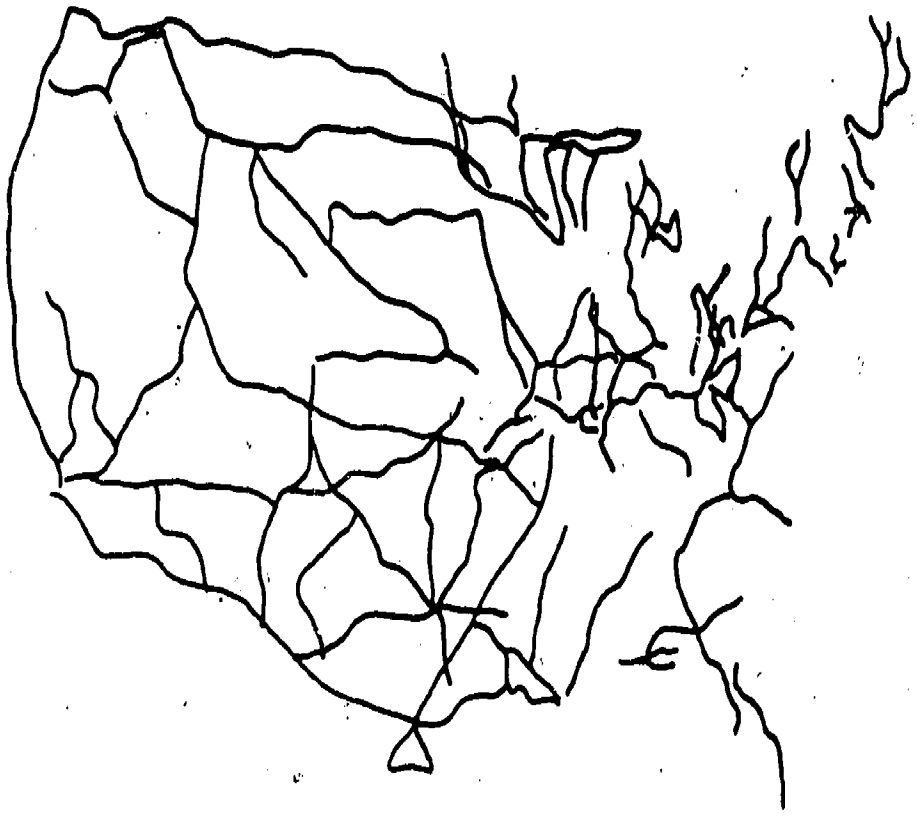


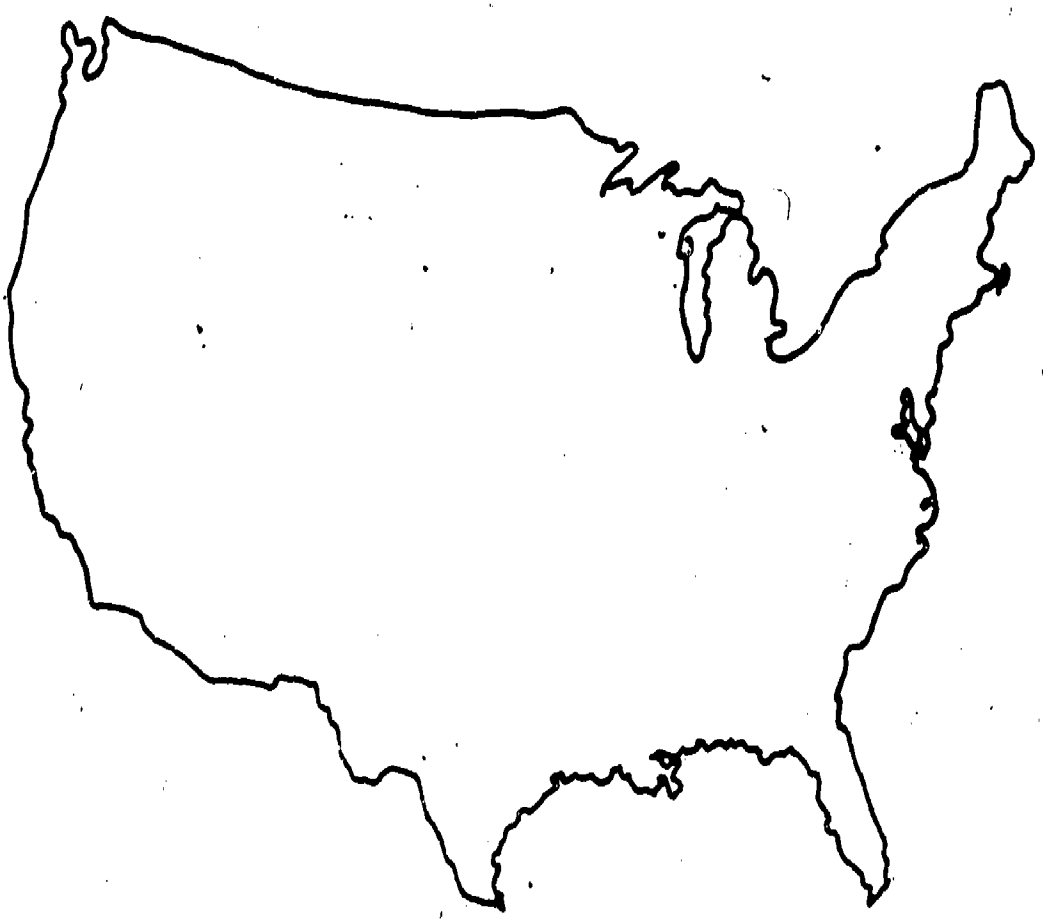

Social Goods
Capital Goods
Alternate Uses
of
Scarce Capital
Consumer Goods

Railroads built before 1870

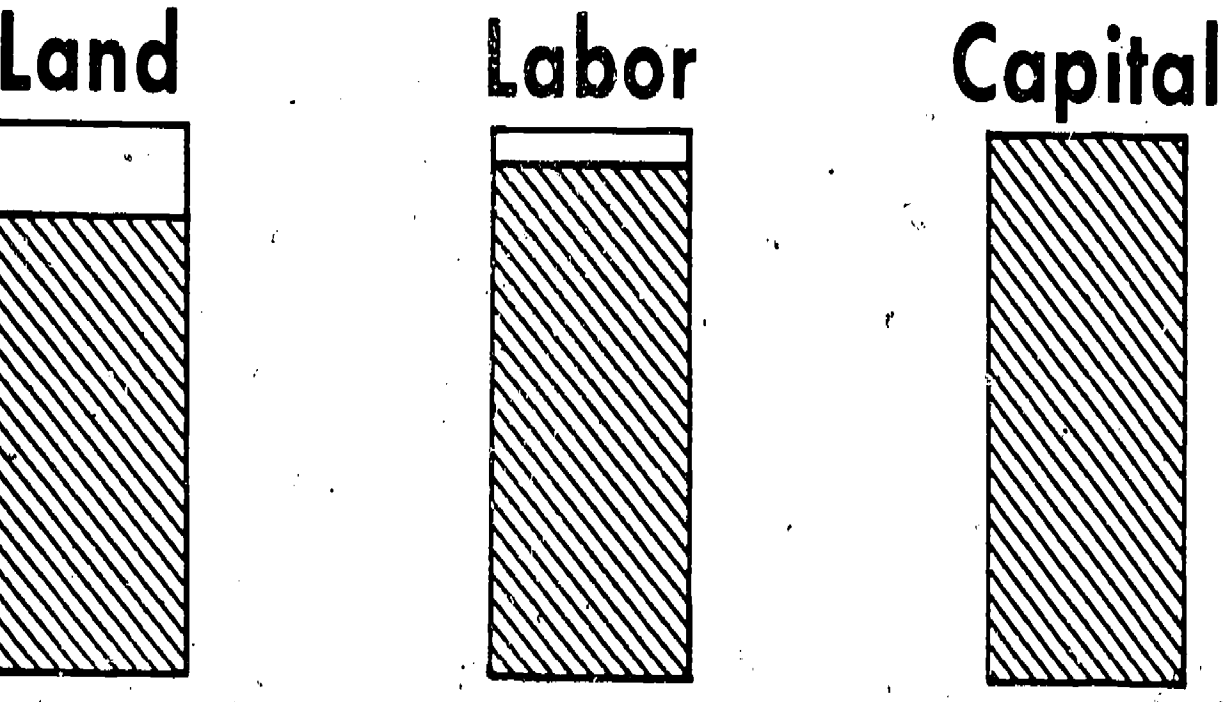


Railroads built between 1870 and 1914





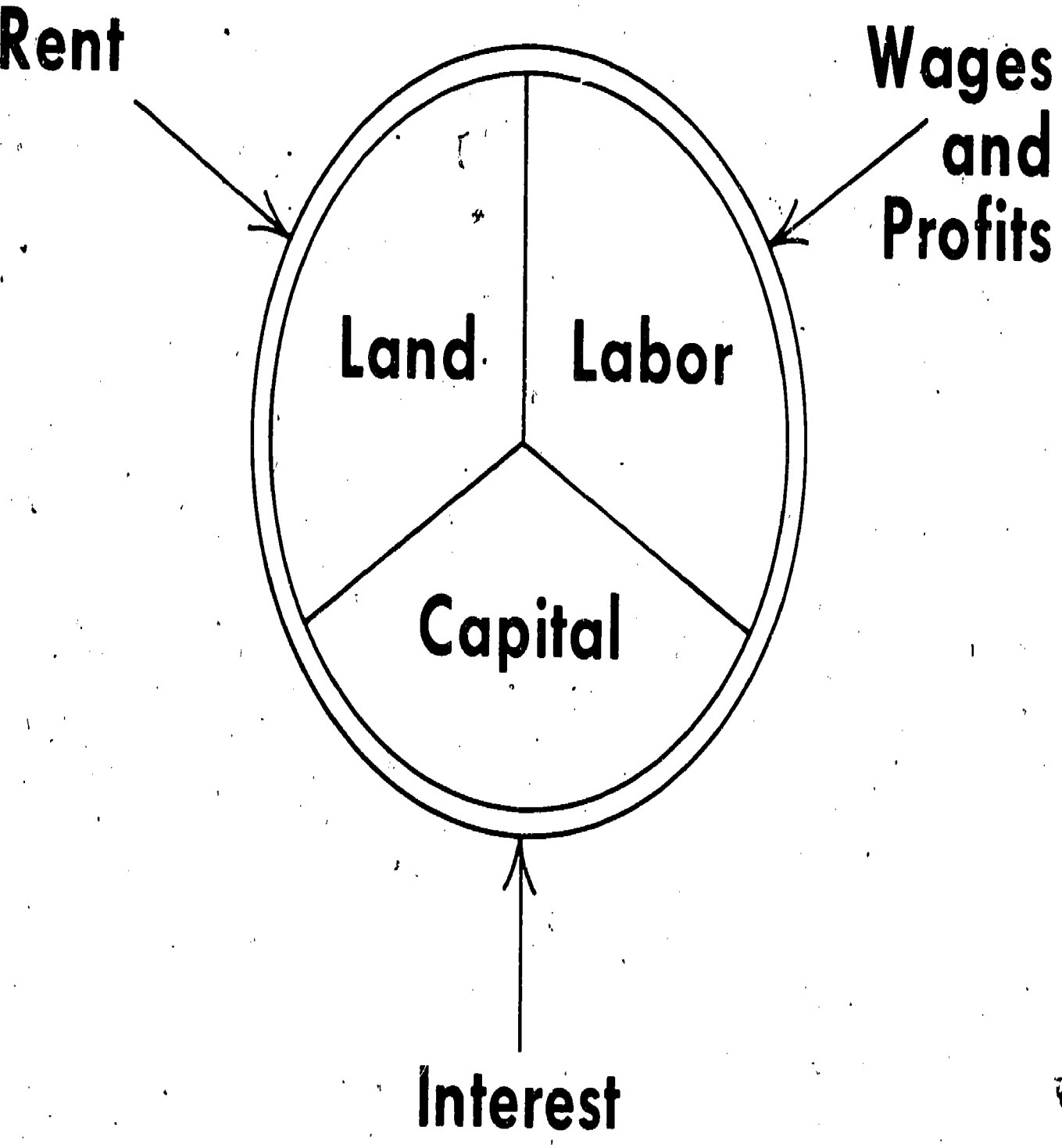
Limited Resources for Railroad Expansion



Resources being used

Resources available for future expansion of railroads

Rewards of the Factors of Production



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UNDERSTANDING PRICE IN A FREE ENTERPRISE SYSTEM

Part 1. Price and Production of Goods and Services

Many factors must be considered by the producer of any good or service before consumer price can be determined.

All producers, large and small, must consider the costs of producing a particular good or service. Costs of production are generally classified into two types; (1) Fixed or overhead, and (2) variable or direct.

The producer knows with a major degree of certainty that some costs will exist whether or not a good or service is produced, sold, or makes a profit. Therefore, the producers classify these as *fixed* or *overhead* costs.

Much less determinable and controllable are those costs directly connected with the production of the good or service. Because these costs vary directly with the level of production, they are called *variable* or *direct* costs.

Producers of a new product give very careful consideration to both potential fixed and variable costs. The producer must determine the margin or markup plus costs, referred to as *retail price*, to guarantee a profit for the owners of the company and still be in favorable competition with other producers.

Price of a producer's good or service is determined by four major factors: fixed costs, variable costs, margin or markup, and competition from other sellers and/or substitute products.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
The student will be able to: . Become familiar with the economic terms used in the unit . Learn about the operation of jobs and skills in the oil industry . Distinguish between fixed and variable costs	1. Introduce the unit with a short lecture stressing what students should know about producers' prices. 2. Have students do research on the oil industry, specializing in its operation and the various jobs and skills required. 3. Divide the class into seminar groups and pose the question, "Why does a gallon of gasoline cost the consumer an average of 48.9¢?" 4. Have students make a list of the jobs performed by an oil company in producing one gallon of gasoline and organize the list in order of occurrence. 5. Have students divide their lists into fixed and variable costs. 6. Reorganize students' lists based upon the following figures as computed in 1973.	†*Economics--Principles and Practices*, pp. 136-157 †*Economics and the American System*, pp. 70-115 †*Consumer Economic Problems*, pp. 315-334 †*Economics for Everyone*, pp. 35-37 *Oil for the World* *Facts About Oil* *Science in the Search for Oil* *Tales from the Derrick Floor* *Energy and Economic Growth* *How a Market Economy Works*

Product and Processing	Costs Per Gallon	% of Total Costs
Crude oil	8.13¢	22.09
Gathering and pipeline	0.88¢	2.39
Processing	3.78¢	10.27
Terminal	1.50¢	4.08
Additives	0.15¢	0.40
Tax at terminal	0.05¢	0.14
Losses in production	0.10¢	0.27
Transportation	0.75¢	2.04
Jobber	3.80¢	10.33
Taxes (federal, state)	10.90¢	29.62
*Producer/retailer	6.75¢	18.35
Totals	36.79¢	99.98

*National Average 34.56¢

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES

7. Have students discuss the distribution of costs for the producer/retailer including costs generated by a serve-yourself station as well as a station offering complete services.

8. Have students review their lists and determine where they think costs have risen most since 1973.

- Compute and realize how prices are affected by changes in various costs of production

9. Provide students with the following data and have them compute adjusted total cost of production for 1975.

Reviewing the previous problems, the student should be able to determine:

- Those items which constitute major costs of production
- Those items which had the greatest percentage of cost increase between 1973 and 1975
- Those items that are more fixed than variable

1975 PRODUCTION COSTS

Product and Processing	Costs Per Gallon 1973		Increase		For teacher's use: Cost Per Gallon 1975	%
Crude oil	8.13¢	+	7.02¢	=	15.15¢	30.98
Gathering and pipeline	0.88¢	+	.05¢	=	0.93¢	1.90
Processing	3.78¢	+	1.62¢	=	5.40¢	11.04
Terminal	1.50¢	+	.07¢	=	1.57¢	3.21
Additives	0.15¢	+	.02¢	=	0.17¢	.35
Tax at terminal	0.05¢	+	.06¢	=	0.11¢	.22
Losses in production	0.10¢	+	.03¢	=	0.13¢	.27
Transportation	0.75¢	+	.44¢	=	1.19¢	2.43
Jobber	3.80¢	+	1.09¢	=	4.89¢	10.00
Taxes (federal, state)	10.90¢	+	.40¢	=	11.30¢	23.11
Producer/retailer	6.75¢	+	1.31¢	=	8.06¢	16.48
	36.79¢*		12.11¢		*48.90¢	99.99

*National Average 49.13¢

Part 2. Supply, Demand, and Price in the Marketplace

The interaction of supply and demand is a major factor in determining the price of a good or service.

Of the basic principles of economics in a free enterprise system there is no single factor more important than a knowledge of supply and demand and how they are interrelated and interact in the marketplace.

Part I pointed out how producers consider and evaluate fixed and variable costs of production in manufacturing a commodity or supply. Supply will vary directly with price; that is, the higher the market price, the more of a good or service will be made available as soon as possible. Conversely, the lower the price, the smaller the number of units that will be offered. At higher prices the profit motive may cause already existing manufacturers to expand costs of production in order to enjoy larger sales volume and profit, and new (possibly less efficient) producers may enter the market.

In a free market there will be many sellers, each offering a certain volume of a good at a certain price based upon cost of production and margin. Competition will tend to force a narrow range of prices from high to low offers. Based upon profit, no seller will want to sell at a price lower than the margin of profit.

To illustrate: using the problem posed in Part I, coupled with data from other producers of gasoline, a table or schedule of supply can be constructed which shows the amount offered for sale at a given price within a range of prices.

Supply Schedule for Gasoline
1973

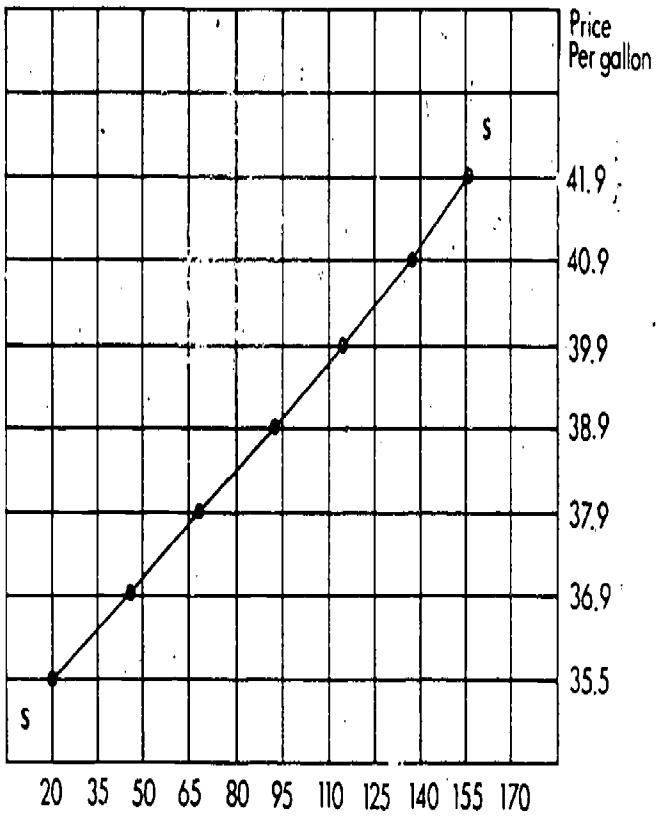
Price Per Gallon	Cost of Prod.	Change in Supply of No. of Gals. Offered*	Number of Suppliers	Total No. of Gals. Suppliers Will Offer*
41.9	37.51	20	7	155
40.9	37.42	22	6	135
39.9	36.98	23	5	113
38.9	36.79	23	4	90
37.9	35.81	24	3	67
36.9	35.42	23	2	43
35.9	35.11	20	1	20

*million gallons

A graphic presentation of the above supply data is much more easily understood. Analysis reveals that at a price of 35.9¢ only one company is willing to offer its product for sale. As the price increases through the price range of 41.9¢, however, other companies will enter the market with their product as their higher cost of production or less efficient production is covered by the higher price. Thus, the supply schedule shows both present and potential sellers at the various prices.

Demand by the consumer can be defined as the desire for a good or service accompanied by the willingness and ability to pay. Consumers will buy a good or service depending upon the amount of *utility* or satisfaction it gives. Succeeding purchases of such goods as candy may not have the same original utility and therefore have only *marginal* or diminishing utility to the consumer because the good gives less satisfaction.

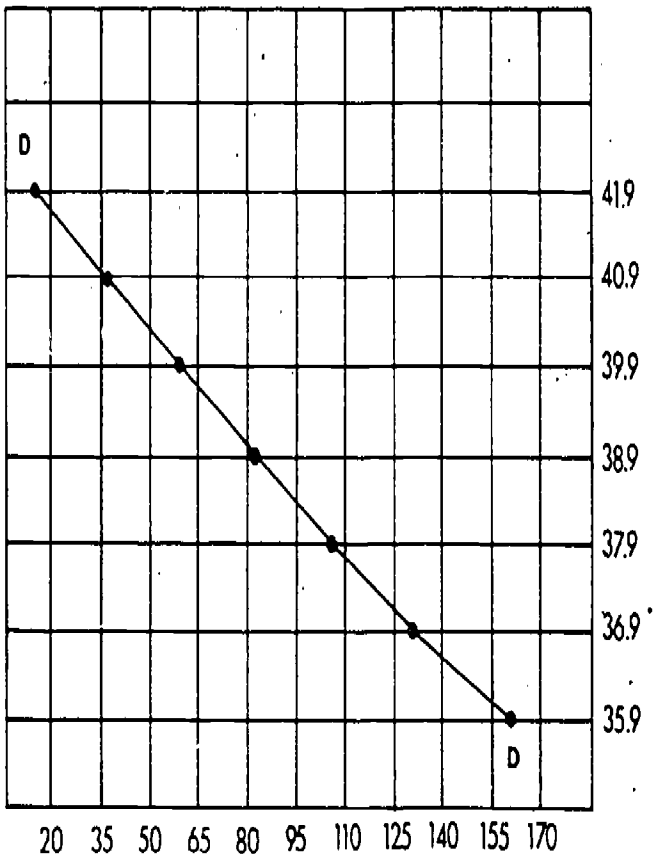
Consumers may have to make a choice between one product and another in order to possess the utility of one or the other. In other words, they give up the opportunity to own one product to gain the other, or what economists call *opportunity cost*.



Demand Schedule for Gasoline 1973

Consumer	Price Per Gallon	Amount Demanded by Each Consumer*	Total Amount Demanded*
1	41.9	16	16
2	40.9	20	36
3	39.9	21.5	57.5
4	38.9	23	80.5
5	37.9	24.5	105
6	36.9	26	131
7	35.9	28	159

*Quantity demanded (in million gallons)

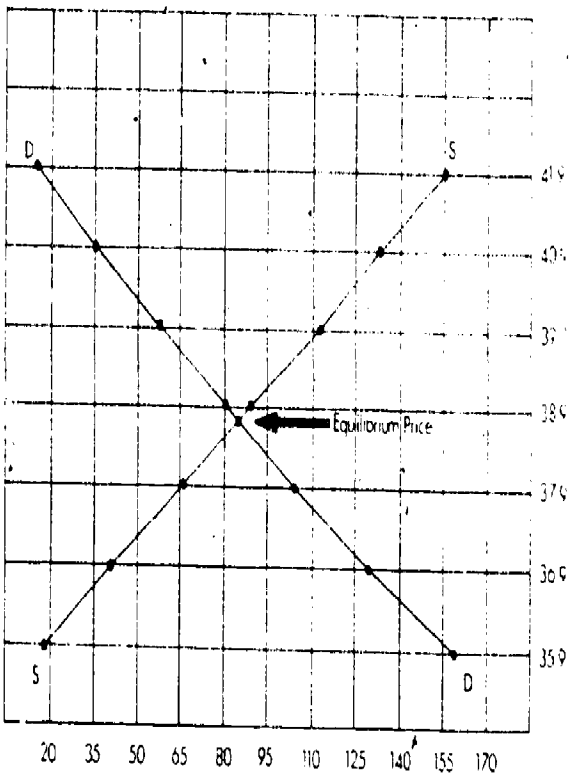


Quantity Supplied (in million gallons)

The law of demand states that the lower the price of a good or service, the more the consumer will be willing to buy; the higher the price, the fewer the consumer will buy. To observe this law in action, refer to the previous problem of gasoline (1973) and apply the law to determine how price is affected. The following data is given in the demand schedule:

Price is established when the supply graph and demand graph are merged and a point determined where the amount demanded is equal to the amount supplied. In the demand and supply schedule for 1973, below, equilibrium price is found to be where the lines cross at 89 million gallons at a price of 38.7¢ per gallon. Analysis of the schedule further

DEMAND AND SUPPLY SCHEDULE FOR GASOLINE
1973



reveals that both buyers and sellers failed to make contracts for gasoline simply because the equilibrium price was below the accepted margin of profit or higher than buyers were willing to pay.

The equilibrium price of 38.7¢ can be considered a relatively stable one (not considering price wars) because both supply and demand are not changed quickly. Gasoline, cigarettes, salt, and liquor are consumed because of necessity or habit; and consumers are reluctant to reduce the use of these products. The term *inelastic* is applied to both supply and demand when considering these products. Goods such as luxuries are highly *elastic* because they are not necessary to the maintenance of life.

Recent times have proved that even a previously inelastic product such as gasoline can be affected by outside pressures. Moral suasion by government to conserve energy may reduce demand. Shortages of available crude may affect supply and force production costs above previously experienced norms.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to: . Determine an equilibrium price . Explain how a change in demand can affect price . Explain how a change in supply can affect price	1. Have students use the following data to compute equilibrium price based upon the reduction of demand brought about by an appeal to conserve energy.	Demand and Supply Schedule for Gasoline 1973

Price Per Gal.	Amount Demanded by Each Consumer*	Total Amount Demanded*
41.9	12.5	12.5
40.9	14.0	26.5
39.9	16.0	42.5
38.9	19.0	61.5
37.9	22.5	84.0
36.9	26.5	110.5
35.9	30.0	140.5

*million gallons

2. Have students determine the new equilibrium price. What will be the reaction of the petroleum industry to a cutback in demand?

3. Have students discuss what the consumer's reaction will be to an increase in price from 38.7¢ (1973) to 48.9¢ (1975).

4. Have students use the following data to compute equilibrium price based upon the increase in supply brought about by an increase in production.

Price Per Gal.	No. of Suppliers	Change in No. of Gals. Offered*	Total No. of Gals. Suppliers Offer*
41.9	7	10	168
40.9	6	15	158
39.9	5	20	143
38.9	4	28	123
37.9	3	30	95
36.9	2	45	65
35.9	1	20	20

*million gallons

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
• Determine and analyze equilibrium price when given a supply and demand problem.	5. Lead students in a discussion: What is the new equilibrium price? What will be the reaction of the consumer to the new price? What may result from consumers' desire to conserve energy? 6. Have students prepare a supply and demand schedule for the data given below.	

SUPPLY AND DEMAND FOR LUMBER

Price per 1000 B.F.	Supply in Mil. B.F.	Demand in Mil. B.F. Jan. 1970	Demand in Mil. B.F. Jan. 1971
$42.50	10.0	2.0	3.[illegible]
42.45	9.6	2.3	
42.40	9.2	2.8	
42.35	8.475	3.5	5.5
42.30	7.8	4.2	6.4
42.25	6.85	5.1	7.5
42.20	5.9	6.075	8.785
42.15	4.8	7.25	10.2
42.10	3.6	8.5	11.95
42.05	2.0	10.0	14.0

7. Have students determine the equilibrium price for January 1970 and for January 1971. What were the possible causes for the change in price?

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THE EMERGENCE OF ECONOMIC SYSTEMS

All societies are based upon some type of economic system.

Prior to the industrial revolution the predominant economic system was a traditional type based upon local custom, religious taboos, or primitive methods. With the coming of the industrial revolution, events emerged that would produce new systems based upon two factors: private ownership with production on a mass scale and government ownership with planned production.

To better understand these concepts it is necessary to examine them in the light of their philosophy, their adaptability, and the effects on the life of the people who have adopted them.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to: . Describe the structure of each economic system studied and distinguish the characteristics of each	1. Using handout No. 1, have students study the structure of each economic system, giving emphasis to the role of the individual in each. Show filmstrips to further interpret the meaning of the chart. 2. Have students, using resource materials, study a country or group of people who used the traditional economy before the industrial revolution and one that uses it today. Have them compare the two as to who produces and how much they are able to produce. How much advancement can be noted?	*A Scriptographic Booklet: About the Nature of Economics* *Our Changing World*, pp. 460-472 *Basic Economic Concepts* *Comparative Economic Systems* †*Man's Cultural Heritage*, pp. 394-410

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. List factors that would encourage the change in the economic picture of the world during the Industrial Revolution . Recognize that nations that adopt and adapt these systems will probably follow a particular pattern in their economic life . Predict a number of factors that result when certain economic elements are involved (such as role of consumer, government, and worker participation) . Examine the governmental structure of countries that use the market system as to what role the government plays in the economic process. The same should be done for traditional and planned economies	3. Divide the class into three groups. Have one group complete the above assignment. Assign the second group one of the industrial nations of the world and trace its growth and development from the time of the industrial revolution to the present. The third group should do the same for a nation with a command economic system. When the groups have completed the research, have them report their findings and invite interaction of the three. 4. Have students use the *Statesman's Yearbook* or *World Almanac* to write a factual report giving the amount of industrial, agricultural, and consumer goods produced by countries (these will be listed on a sheet of paper to be given each student). Show the GNP for each and the type of government. Analyze these facts to see what they might reveal as to the question of what the consumer gets from the economic system today and where most emphasis is placed as to production. Would the type of government be a factor? Have open dialog on this topic.	*A Global History of Man* China, pp. 432 India, pp. 502 Africa, pp. 557 "Socialism," p. 157 *Readings in World History* "First Factories in England," pp. 126-127 "Beginnings of the Industrial Revolution," pp. 127-129 *Man's Cultural Heritage* "The Rise of Socialism," p. 138 "Europe's Economic Influence," p. 198 "An Appraisal of the Soviet Economy," p. 241 *The Statesman's Yearbook, 1974-75* *World Almanac* "Competition, Monopoly, and Government Regulation," p. 225 "Agriculture in a Changing Environment," p. 225

ECONOMIC SYSTEMS

TRADITIONAL (Subsistence)

Production determined by

- Tribal Customs
- Religious Taboos
- Primitive Methods

MARKET (Free Enterprise)

Production determined by demand of consumer

COMMAND (Planned)

Production determined by government leadership

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Basic Economic Concepts
Economics, The Science of Choice
Markets in a Free Economy
Comparative Economic Systems

THE EVOLUTION OF ECONOMIC SYSTEMS

Part 1. Economic Decision-Making and Specialization

Specialization makes the most efficient uses of resources and increases production to meet the wants and needs of people.

In the New Stone Age, humans found new ways of getting food. In addition to hunting and gathering, they learned to tame animals so that they would be near for meat. People also found that seeds planted in the earth would grow and produce other seeds, thus, they became farmers. The development of new tools and weapons and the shift from food gathering to food production led to specialization as larger groups could now survive in a given area.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to: . Understand the different ways labor became specialized . See the relationship in people's use of resources as new discoveries helped them shift from food gatherers to food producers	1. Have students read the specified sections from their texts. From their reading, have them list three ways specialization helped the New Stone Age humans satisfy wants and needs. 2. Compare the Old and New Stone Ages as to the use of their resources. Example:	†*Living World History*, pp. 25-37 †*Exploring World History*, pp. 2-8 †*Man's Cultural Heritage*, pp. 1-6 †*A Global History of Man*, pp. 39-53

Resources	Old Stone Age	New Stone Age
Wood		
Bone		
Fish	Caught by hand	Used spear
Plants	Gathered wild berries	Grew berries near home
Animals		

Part 2. The Dawn of Civilization–River Civilizations

In order for civilization to develop, humans must specialize.

Practically all known ancient civilizations developed originally around rivers. There were economic advantages to be gained by settling in a river valley.

The development of river civilizations was a response to the increase in people's wants. As they began to live in a particular area, the production of goods and services became more specialized. As civilizations progressed, the building of temples and pyramids required the specialization of labor.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to:		*Living World History*, pp. 22-57 *Exploring World History*, pp. 2-49 *Man's Cultural Heritage*, pp. 152-171 *A Global History of Man*, pp. 54-70
. Understand the impact of people's transition from hunters to farmers	1. Have students compare the problem of a hunter society to that of the life of a settled farmer society.	
. Understand that the physical and geographic environment made possible the development of river civilizations	2. Have students list the economic advantages of living in the river valleys. (Examples: papyrus, fertile soil, transportation) Have students compare the river civilizations of Egypt and Mesopotamia as to economic resources.	

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. See that, as humans specialized and became more efficient, a decision had to be made about how resources would be allocated	3. Have the students explain why rulers chose to build temples and pyramids instead of irrigation systems. List the resources and show how skills were utilized.	
. See how the concept of interdependence developed	4. Have students trace the trade routes on an outline map.	

Part 3. The Classical World--The Greeks

The goals of a society determine the allocation of resources and the types of goods produced.

Greek society tended to devote a major part of their surpluses for projects involving war, religion, and politics. Wealth followed power and therefore major rewards went to persons engaged in essentially noneconomic enterprises. Moreover, Athenian thought on "pure democracy" which could have fostered a market system was not in practice democratic. The limits to equality existed in that women, foreigners, and slaves were not granted citizenship, and these groups far outnumbered the citizens.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to:		
. Identify the economic value system of the Greeks	1. Have students identify the strata of Greek society and show how goods were allocated to each group. (Example: slaves and artisans) What does this show about the Greek value system?	*Living World History*, pp. 62-82 *Exploring World History*, pp. 58-83 *Man's Cultural Heritage*, pp. 234-263 *A Global History of Man*, pp. 71-94
. Understand that the allocation of resources reflects the economic goals of a nation	2. Have students list the noneconomic projects of the Greeks. (Example: war) What values of Greek society did these areas seem to reflect?	

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Recognize that the use of slaves presented a problem in the equity of distribution Understand that the allocation of resources reflects the economic goal of a nation	3. Hold a class discussion on "What class distinctions and economic differences prevented the common people from enjoying the inventions of the Hellenic Age?" 4. On a wall map of the Mediterranean area, have a student point out the physical features of Greece, the mountainous terrain, the many islands, and the coastline. Then ask: "What effect might these geographic features have on the economic development of Greece? What other factors might influence the occupations of the Greeks?"	*The Shaping of Western Society: Tradition and Change in Four Societies*, pp. 38-40

Part 4. The Classical World–The Romans

How a society organizes to reach economic decisions determines the type of system it will have.

The economic system of the Roman Empire was a centralized one (command). Economic decisions were made by the government. Basically, people were bound to their economic station in life by birth, for there was no economic freedom in the sense of being able to make choices. Choices were made for them, for the benefit of the empire.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to: . Identify some desirable economic choices . Determine how much economic freedom existed in the Roman Empire (27 B.C. to 180 A.D.)	1. On an outline map of the Mediterranean world, have students shade in the area conquered by Rome. Have students study the geography of the countries and identify the productive resources. Did the people have economic choices? 2. Have students read about the economic freedom which existed under *Pax Romana* and answer the following questions: . Why did trade flourish in the empire? . Did the extent of the empire encourage economic growth? If not, why not? . Was it difficult to maintain economic and political control over such a large territory?	*Living World History*, pp. 91-104 *Exploring World History*, pp. 89-114 *Man's Cultural Heritage*, pp. 265-306. *A Global History of Man*, pp. 71-94 *The Shaping of Western Society: Tradition and Change in Four Societies*, pp. 47-48 *Living World History*, pp. 91-112

Part 5: The Middle Ages

Specialization is worthwhile only when producers can exchange their specialized products for goods others produce.

A number of important economic changes took place during the medieval period. In the decentralized society, the church made the decisions; on the manor it was the lord; and, as craft workers increased and organized, it was the guild. Specialization grew in the trades and crafts. Moreover, the Crusades gave impetus to trade and the interchange of ideas. Gradually, the growth of the market demands influenced the behavior of the landlord, the tenant, the merchant, and the city dweller.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to: . Relate how medieval society lacked certain market characteristics . Understand that economic change came slowly during this period	1. Have students role-play the operation of supply and demand on a manor. Background information should include: . The lack of monetary rewards for labor . The limited resources of a manor . The interference of the class system on a manor. 2. Have students describe the dismal existence of manor life. Have them fill in the following chart showing how economic changes took place.	*Living World History*, pp. 135-167 *Man's Cultural Heritage*, pp. 308-331 *A Global History of Man*, pp. 95-119 *The Shaping of Western Society: Tradition and Change in Four Societies*, pp. 58-74

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. See the impact of economic change with the increased demand for goods and services.	Example:	

Change	Related Historical Event	Change in Political Power
Interchange of ideas by trade (1000 A.D.)	Crusades (1100 A.D.)	From religious leaders to guilds (1500 A.D.)

3. Have students indicate on an outline map of the world the routes of the Crusades and cities and seaports which grew as a result of increased trade. They should also indicate what goods were in demand (spices, silks, etc.).

Part 6. Early Civilizations in Asia, Africa, and America

Economic decisions in all ancient societies sought traditional solutions to problems.

The goal of economic growth conflicted with the Buddhist ideas of wealth, material comfort, and security. In fact, attempts to relieve the undesirable economic conditions of life were often considered a greater evil than the condition itself.

Although the economy was a controlled one, trade with both the East and West flourished. Islam, unlike Buddhism, sought material wealth; thus, economic growth was fostered in conquered lands. The combination of Confucian and Buddhist beliefs and values hindered the profit motive; merchants were held in low esteem and were under constant surveillance by the government.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to: . Examine the controlling ideas of Asiatic cultures and understand why tradition hindered economic growth	1. Have students research the religions of India, China, Africa, and Japan and react to the following economic concepts: the profit motive — economic growth welfare projects — economic justice health care — population explosion	*Living World History*, pp. 206-264 *Man's Cultural Heritage*, pp. 198-207 *A Global History of Man*, pp. 55-94.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. See how the ideas of tradition applied to the Indian civilizations of the Americas as well as to Africa and Asia . Understand that economic systems change over a period of time	2. Discuss in class how change came to China both from within and without. Have students prepare for the discussion by reading about the Open Door Policy and the Boxer Rebellion. Have them evaluate this statement: "All nations should have growth as an economic goal." 3. Have students examine the ideas and beliefs of the Buddhists in relation to the following: Economics improved production (machinery, tools, fertilizer, insecticides) higher standards of living the "profit motive" birth control Behavior people's treatment of other people humanity's place in the universe individual responsibility and value	

Part 7. Medieval Europe in Transition

Economic growth can come through increases in effective demands for goods and services plus the ability of society to increase productivity.

Economic growth characterized the period from the 14th to the 17th centuries. During this period, towns grew, trade expanded, and political units increased in size. As the Renaissance awakened the desire for learning and rediscovering the individual, the Reformation served to influence economic behavior, codes of conduct, and laws governing economic life.

Economic growth was accompanied by economic problems: unequal distribution of goods and services, inflation, and unemployment.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
s will be able ze that, as the h of population ases, the demand oods and ser- increases.	1. Use the transparency in this unit to show how the market system developed. Explain the role of the producer in supplying goods and services during the period of economic growth (14th to the 17th centuries). Furthermore, labor is paid for producing so that goods can be bought. As consumers demand more goods, the signals go to the producer to produce more. Have the students make a circular flow chart showing how today's market system operates. Have them explain how an increase in population increases the demand for goods and services.	Transparency #10 *Living World History*, pp. 273-343 *Man's Cultural Heritage*, pp. 231-241 *Exploring World History*, pp. 122-172 *A Global History of Man*, pp. 128-144

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. Recognize and relate how the ideas of the Reformation affected the distribution of income	2. Have students read "Europe's Drive to Expand Overseas" in *Readings in World History* (pp. 118-119) and identify the economic terms which relate directly to economic growth.	*The Shaping of Western Society: Tradition and Change in Four Societies*, pp. 188-221
. Understand that one of the complex problems of growth during the 17th century was inflation	3. Have students illustrate the economic problems of growth--inflation and the unequal distribution of goods and services--during this period. Offer them the choice of presenting a skit, a dramatization, or a "person on the street" interview. A series of topics to choose from might include: . middle class burgher discussing wages and prices . results of a sudden increase of money supply (gold from the Aztecs and Incas and silver from the mines of Potosi) . growth of population . Queen Elizabeth's wage and price policy which aimed to control inflation.	

Part 8. Early Modern Times

The extension of markets enabled greater specialization and thus increased production.

The outstanding economic characteristic of this period was the rapid expansion of trade. The development of money and credit, national currencies, and banking also encouraged trade. In addition, all trade was to serve the political goals of mercantilism.

The growth of cities resulted in more production of goods and services for market. The farmer had to use his resources to produce enough food for his own use and for the market in order to feed the city popular).

Increased trade resulted in an increase in the division of labor (specialization). Less skilled labor could be used; so women and children entered the labor market, thus keeping prices low. Hence the domestic system was started from the extension of the market and the demand for increased production.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
Students will be able to: . Understand that the extension of trade increases production	1. The growth of cities resulted in a demand for more food. Thus, the farmer had to find new and better ways to increase food production. Have students research agriculture (16th and 17th centuries) noting changes in the following: . land use (rotation, use of fertilizer, etc.) . tools . kinds of crops grown . production,	*Living World History*, pp. 357-498 *Exploring World History*, pp. 182-231 *Man's Cultural Heritage*, pp. 356-400

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. Recognize that specialization is necessary for more efficient production of goods and services	2. Ask students to illustrate the Commercial Revolution with regard to the practice of "putting out" goods (raw materials) to be manufactured in the home. Answer the question: "How was this practice to provide a transition to the Industrial Revolution?"	*The Shaping of Western Society: Tradition and Change in Four Societies*, pp. 145-156

PRODUCERS

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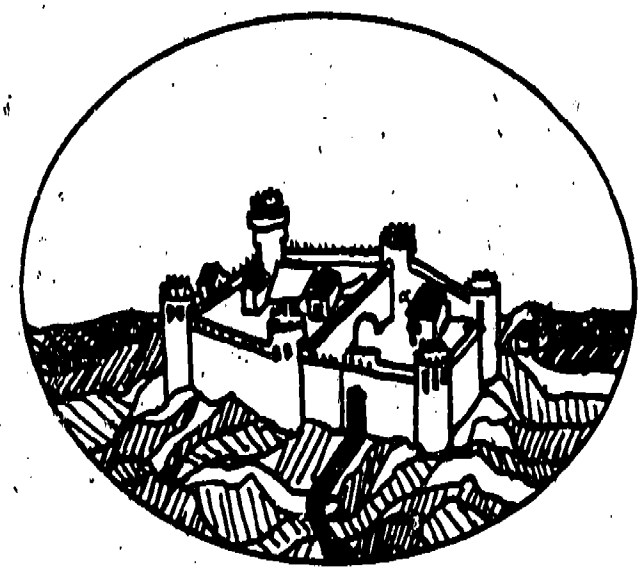
DEMAND



CONSUMERS

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ECONOMIC SYSTEMS AND DECISION-MAKING

All societies face the problem of allocation of relatively scarce resources.

Resource allocation is decided by determining what and how much shall be produced, how it shall be produced, and for whom it shall be produced. Societies make these economic decisions in three basic ways: by tradition, by command, and by the market. All societies are mixed economies since no society relies exclusively on any one approach.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
The student will be able to: . State the characteristics of tradition, command, and market economic systems . Examine various economies and determine their basic method of making economic decisions	1. Establish that economies can be classified by answering: . What shall be produced? . How shall it be produced? . How much shall be produced? . For whom shall it be produced? 2. Define for the students *traditional*, *command*, and *market* economies.	*Economics for Everybody*, pp. 294-298 †*Economics: Principles and Practices*, pp. 28-29 *Tradition and Change in African Tribal Life*, pp. 53-67

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. Assess the effectiveness of the economy of an individual country	3. Assign two groups of students to examine the economic systems of primitive societies with traditional economies. Group I will present the Mbuti Pygmy Tribe of the Congo. Group II will present the Tasaday Tribe of Mindanao. Each group will: . Briefly describe the geographic location, climate, government, and needs of its tribe. . Demonstrate that the tribe has a traditional economy by answering: .. What shall be produced? .. How shall it be produced? .. How much shall be produced? .. For whom shall it be produced? . Answer the following questions: .. How has the tribe maintained its traditional economy? .. What effect have outside influences had on their economy? .. Are there any characteristics of a command or market economic system in this society?	
	4. Assign countries using command or partially command economies to groups of two to four students. In an oral presentation they should answer these questions: . How are economic decisions concerning agriculture made and how successful have the policies been? . How are economic decisions concerning industry made and how successful have they been?	Table #1 Table #2 Table #3

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
	. What elements of traditional or market economy are present? Suggested countries: Great Britain, Venezuela, Yugoslavia, Russia, China, Denmark (or Sweden) . Freedom: Is there freedom of enterprise? Do consumers have freedom of individual choice? Do employees have freedom to choose jobs? . Economic sovereignty: Who decides what is produced by the economy?	Great Britain: *Economics: Principles and Practices*, pp. 464-469 *Economics*, pp. 482-483 †*The Wide World*, pp. 299-304 Venezuela: *Encyclopedia Britannica*, Vol. 22, pp. 961-964 *Encyclopedia Americana*, Vol. 27, pp. 947-949 Yugoslavia: *Economics: Principles and Practices*, p. 457 *Encyclopedia Britannica*, Vol. 23, pp. 925-927 *Encyclopedia Americana*, Vol. 29, pp. 713-715 Russia: †*The American Economy*, pp. 404-409 *Our American Economy*, pp. 448-454 *Economics: Principles and Practices*, pp. 456-464

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
		Economics, pp. 475-481 *Economics for Everybody*, pp. 311-313 China: *Economics for Everybody*, pp. 314-317 *The American Economy*, pp. 410-411 *Encyclopedia Britannica*, Vol. 5, pp. 608-612 Denmark: *The American Economy*, pp. 398-399 *Encyclopedia Britannica*, Vol. 7, pp. 251-253 Sweden: *Economics for Everybody*, pp. 306-307 *Encyclopedia Britannica*, Vol. 21, pp. 500-502 *U. S. News and World Report* (May 5, 1975), pp. 56-57 United States: *Economics for Everybody*, pp. 6-15 *Economics: Principles and Practices*, pp. 90-102
	5. Assign countries that basically have a market economy to groups of two to four students. Use the questions in No. 4. Suggested countries: United States, Japan, West Germany	

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. Recognize that most countries have mixed economies	6. Have each student rate each of the countries studied on the following rating scale. One stands for all decisions made by a free market. Ten stands for all decisions made by force command. 1 2 3 4 5 6 7 8 9 10 Free Market — Tradition — Command	*Our American Economy*, pp. 11-51 *The American Economy*, pp. 394-396 Japan: *Economics for Everybody*, pp. 302-303 *Encyclopedia Britannica*, Vol. 12, pp. 934-944 West Germany: *Encyclopedia Americana*, Vol. 8, pp. 11-16 *Encyclopedia Britannica*, Vol. 10, pp. 352-359 *Our American Economy*, p. 440
. Assess the quality of life provided by an economic system	7. Have the students assess the quality of life of a command economy (Russia) and a market economy (the United States) by using the performance criteria in the Introduction, page 3. Using information from the reading and tables, draw conclusions on as many of the following as possible: . Economic growth: Is the per capita output of the economy increasing? . Stability: Are prices and employment stable? . Security: Is the individual reasonably well protected against economic insecurity? . Efficiency: Is there maximum output per man-hour? . Equity: How is wealth distributed?	Tables 1, 2, 3, 4, & 5

TABLE 1. PER CAPITA GROSS DOMESTIC PRODUCT, BY COUNTRY: 1960, 1963, AND 1970

[In dollars. For most countries, estimates prepared by converting official figures at prevailing dollar exchange rates with minimum of adjustment. Estimates are in terms of current market prices and current exchange rates and thus reflect slight depreciation of U.S. dollar during period shown. Year-to-year comparisons of per capita product in real terms should, therefore, not be made on basis of these estimates. They should be considered as indicators of per capita production of goods and services of countries shown and not as measures of standard of living of their inhabitants. Small differences between any 2 countries may be due to margin of error inherent in method of estimation. Population figures used are generally mid-year estimates. See text, p. 800, for general comments concerning the data; for exchange rates used and notes on quality of estimates, see source]

COUNTRY	1960	1963	1970
United States	2,817	3,148	[1] 4,734
Algeria	(NA)	230	(NA)
Argentina	606	621	[2] 974
Australia [3]	1,594	1,830	[12] 2,708
Austria	991	1,112	1,937
Belgium	1,232	1,488	2,533
Bolivia	99	117	[2] 194
Brazil	208	269	362
Burma [4]	66	70	[2] 78
Cameroon	(NA)	127	[1] 175
Canada [1]	2,196	2,245	3,676
Ceylon	142	143	[2] 161
Chad	(NA)	66	(NA)
Chile	294	330	681
China (Taiwan)	147	187	389
Colombia	253	278	401
Costa Rica	370	376	543
Denmark	1,299	1,691	[1] 3,141
Dominican Republic	238	298	[4] 295
Ecuador	216	189	270
El Salvador	231	249	288
Ethiopia	(NA)	47	[2] 65
Finland	1,116	1,413	2,180
France	1,336	1,743	2,901
Germany, Federal Republic of	1,300	1,670	3,034
Ghana	198	231	[2] 265
Greece	415	543	[2] 933
Guatemala	274	302	363
Guinea	(NA)	98	(NA)
Haiti [4]	76	78	[6] 91
Honduras	203	214	[2] 266
India [5]	74	90	[2] 94
Indonesia	81	82	116
Iran [7]	203	225	392
Iraq	244	262	[2] 339
Ireland	635	790	1,292
Israel	939	1,064	1,836
Italy	701	984	1,727
Ivory Coast	176	217	242
Japan	462	711	1,911
Jordan	162	202	[2] 273
Kenya	(NA)	104	[1] 140
Khmer Rep. (Cambodia)	(NA)	124	(NA)
Korea, Republic of	153	139	256
Libyan Arab Republic	(NA)	454	[2] 1,768
Madagascar	101	103	132
Malawi	[6] 38	[2] 40	[2] 64
Malaysia [8]	278	279	[2] 347
Mali	68	75	(NA)
Mauritania	79	110	[2] 170
Mexico	334	391	668
Morocco	154	185	215
Nepal [10]	53	60	(NA)
Netherlands	971	1,206	[1] 2,353
New Zealand [4]	1,559	1,780	2,188
Nicaragua	266	307	434
Niger	69	[2] 80	(NA)
Nigeria	64	75	(NA)
Norway	1,277	1,586	[1] 2,944
Pakistan [5]	83	94	[7] 149
Panama	392	479	(NA)
Paraguay	169	201	249
Peru	206	242	398
Philippines	215	267	377
Portugal	285	341	[1] 653
Rhodesia, Southern	219	222	276
Sierra Leone [3]	(NA)	132	[6] 157
South Africa [1 11]	449	522	864
Spain	341	517	984
Sudan [3]	94	103	[1 3] 112
Sweden [1]	1,851	2,321	4,055
Switzerland	1,559	1,974	3,135
Syrian Arab Republic	(NA)	210	[4] 253
Thailand	97	113	[2] 181
Togo	80	86	(NA)
Tunisia	205	229	[2] 236
Turkey	207	239	[2] 412
Uganda	67	72	(NA)
United Republic of Tanzania [12]	56	66	[1] 97
United Kingdom [1]	1,357	1,571	2,128
Uruguay	620	614	816
Venezuela	1,043	871	[2] 972
Vietnam, Republic of	108	99	[2] 233
Zaire	(NA)	[7] 178	94
Zambia	183	168	[2] 417

NA Not available.
[1] In terms of present System of National Accounts (see *Yearbook of National Accounts Statistics*, 1969).
[2] For 1969.
[3] For years beginning July 1. [4] For years ending Sept. 30.
[5] For 1968. [6] For years beginning Apr. 1.
[7] For years beginning Mar. 21. [8] Data not strictly comparable with those for following years.
[9] West Malaysia only. [10] For years ending July 15.
[11] Includes Namibia. [12] Tanganyika only.

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TABLE 2. AVERAGE ANNUAL RATES OF GROWTH OF GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY

[In percent. Based on gross domestic product at constant prices. Methods used to obtain estimates of gross domestic product at constant prices and the years to which these prices relate vary widely among countries. In general, "Agriculture" includes forestry, hunting, and fishing; "Industrial activity" covers mining, manufacturing, electricity, gas, and water; and "Other" comprises financing insurance, real estate, and business services; community, social and personal services and public administration and defense. Unless otherwise stated, data are calculated on the former System of National Accounts (see *Yearbook of National Accounts Statistics*, 1969)]

COUNTRY	Period	GROSS DOMESTIC PRODUCT		Agriculture	INDUSTRIAL ACTIVITY		Construction	Transport and communications	Wholesale and retail trade	Other
		Total	Per capita		Total	Manufacturing				
United States	1965–70	3.3	2.3	3.9	3.1	2.9	−0.4	5.4	4.4	3.7
Argentina	1965–69	3.8	2.2	0.1	5.2	4.8	11.9	3.0	3.9	3.0
Austria	1965–69	4.4	4.0	4.5	5.0	(NA)	3.9	4.0	4.0	3.7
Belgium	1965–69	4.1	3.6	4.2	5.1	5.3	0.9	4.9	4.7	3.6
Bolivia	1965–69	6.4	3.7	2.3	9.6	7.0	3.2	6.3	7.7	
Burma	1965–67	−2.2	−4.2	−4.0	−2.2	−2.7	13.7	2.4	−4.4	1.0
Canada	1965–70	[1] 4.4	[2] 2.6	−0.2	4.9	4.3	2.3	6.0	4.1	4.9
Ceylon	1965–69	6.0	3.6	3.6	9.4	9.7	10.2	6.6	6.4	2.5
Chile	1965–70	3.5	1.1	1.8	3.6	3.1	1.4	3.9	3.8	4.1
China (Taiwan)	1966–70	9.7	6.9	2.8	13.8	14.2	13.0	13.3	11.5	8.1
Colombia	1965–69	5.4	2.1	5.0	5.8	5.7	14.6	5.2	5.3	5.1
Denmark	1965–70	4.7	4.1	−0.7	6.3	5.3	3.9	4.9	3.6	5.0
Dominican Republic	1965–68	5.9	2.2	2.3	8.0	7.6	18.6	8.6	11.7	2.4
Ethiopia	1965–69	4.6	2.5	1.8	12.9	13.2	6.4	6.7	7.4	7.1
Finland	1965–69	3.8	3.3	0.6	6.0	5.9	1.3	3.7	2.8	4.4
France	1965–70	5.7	4.9	1.9	6.2	6.4	5.8	6.0	5.4	3.9
Germany, Fed. Rep. of	1965–70	4.7	4.0	2.9	5.8	6.1	2.9	5.0	2.7	4.6
Greece	1965–69	6.6	5.7	0.3	7.6	6.9	10.8	10.2	6.4	5.2
Guatemala	1965–70	4.4	1.2	4.1	9.0	9.1	2.7	5.8	6.3	5.7
Honduras	1965–69	6.2	2.7	3.2	10.1	10.2	15.6	6.0	5.2	7.3
India	1965–70	4.9	2.1	5.6	4.3	3.8	4.4	4.8	4.0	4.6
Indonesia	1965–70	5.1	2.6	2.4	6.8	5.3	–	–	9.4	7.9
Iran	1965–69	10.6	7.3	5.9	15.6	15.1	7.6	9.5	7.9	11.2
Iraq	1965–68	4.1	0.6	3.5	4.0	9.3	4.5	3.8	4.3	5.0
Ireland	1965–69	4.9	4.5	1.9	[3] 7.2	(NA)	(5)	6.1		3.4
Italy	1965–69	6.0	5.2	2.5	8.1	8.3	6.1	6.5	6.8	4.4
Kenya	1965–70	[1] 7.4	[3] 4.3	6.8	8.1	8.1	12.7	7.8	6.4	8.3
Khmer Rep. (Cambodia)	1965–68	2.2	–	−2.2	5.7	3.1	30.8	–	–	10.0
Korea, Republic of	1965–70	12.2	9.7	3.0	21.4	22.5	24.9	19.7	16.7	6.9
Mexico	1965–70	7.1	3.6	2.7	8.9	8.9	9.7	7.9	7.4	6.2
Morocco	1965–69	5.3	2.1	6.8	3.8	4.5	7.2	[4] 4.3	5.0	(6)
Nicaragua	1965–68	4.4	0.8	0.4	11.5	12.2	1.9	3.6	5.1	7.5
Nigeria	1965–66	2.6	0.1	−0.2	19.0	1.5	1.6	−3.2	−0.9	6.5
Norway	1965–70	4.6	3.7	−0.6	4.9	4.6	4.3	6.2	4.6	5.0
Pakistan	1965–69	[5] 6.6	[3] 4.4	5.5	7.3	7.2	11.8	6.4	5.7	5.6
Panama	1965–69	7.9	4.5	5.1	10.8	11.1	10.3	10.2	7.1	7.2
Paraguay	1965–70	4.8	1.5	2.0	6.2	6.0	6.7	3.8	6.2	6
Philippines	1965–70	4.8	1.2	5.9	[6] 6.8	6.0	−2.4	[4] 4.8	5.1	5.1
Portugal	1965–69	6.2	5.2	1.3	8.3	8.3	3.1	7.3	9.6	4.2
Puerto Rico	1965–69	6.6	5.4	−4.6	9.7	9.5	5.0	9.7	6.4	10.0
Saudi Arabia	1965–68	7.9	6.1	2.0	8.9	12.3	4.5	10.8	10.5	6.0
Spain	1965–69	6.2	5.1	3.8	7.3	7.5	6.9	8.3	5.7	5.6
Sweden	1965–70	[1] 3.9	[3] 3.2	1.0	5.2	5.2	1.6	4.2	3.2	4.3
Syria	1965–69	5.3	2.3	1.7	8.1	(NA)	9.0	9.5	5.0	5.4
Tanzania	1965–70	[1] 5.5	[2] 2.4	3.6	6.9	10.0	11.1	11.9	7.3	4.4
Thailand	1965–69	8.7	5.4	4.9	11.3	10.4	13.4	7.8	10.1	10.2
Tunisia	1965–69	3.6	0.3	−3.7	10.4	4.3	−0.4	0.7	1.2	7.1
Turkey	1965–69	7.1	4.5	3.1	10.5	10.2	9.5	7.3	8.1	8.7
Uganda	1965–70	4.7	2.1	4.6	6.1	6.7	6.8	8.6	2.6	4.0
United Kingdom	1965–69	2.4	1.9	1.1	(NA)	2.9	1.3	2.4	1.5	(NA)
Uruguay	1965–70	1.6	0.4	−0.3	2.5	2.1	0.9	0.1	2.6	1.9
Venezuela	1965–69	4.0	0.4	4.6	2.9	4.3	7.3	4.1	4.7	4.2
Zaire	1966–68	3.3	1.0	7.3	0.2	−0.5	10.2	9.9	0.6	2.9

– Represents zero. NA Not available. [1] System of National Accounts.
[2] For 1960–69. [3] "Construction" included in "Industrial activity".
[4] All services included in "Transport and communications". [5] Growth rates refer to 1965–67.
[6] Electricity, gas, and water included in "Transport and communications".

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TABLE 3. INDEXES OF PRODUCTION, EMPLOYMENT, PRICES, AND RETAIL TRADE, BY COUNTRY: 1970

[1963 = 100, except as noted. See text, p. 500, for general comments concerning the data. For additional qualifications of the data for individual countries, see source]

COUNTRY	PRODUCTION					PRICES			
	Agriculture [1]		Mining [2]	Manufacturing industries [3]	Employment in manufacturing [3]	Consumer prices [4]	Wholesale prices [4] [5]	Market prices of industrial shares [6]	Retail trade [4]
	All commodities	Food							
United States	105	110	123	139	114	127	117	148	152
Argentina	99	100	163	159	(NA)	380	313	(NA)	396
Australia	117	120	(NA)	[7] 140	119	124	[8] [9] 114	[10] 112	[11] 159
Austria	100	100	91	154	[12] 101	128	[13] 116	[14] 91	148
Belgium	[15] 117	[16] 120	63	144	[15] 107	129	118	101	164
Bolivia	116	112	(NA)	[17] 139	(NA)	151	(NA)	(NA)	(NA)
Brazil	127	140	[18] 149	[19] 132	(NA)	1,047	902	(NA)	(NA)
Burma	113	113	(NA)	(NA)	(NA)	[20] [21] 102	[18] [22] 134	(NA)	(NA)
Canada	98	95	156	146	116	126	117	147	153
Ceylon	116	123	[17] 170	[17] 115	(NA)	127	(NA)	(NA)	(NA)
Chile	107	107	[8] 113	121	[18] [23] 99	598	665	[21] 231	(NA)
China (Taiwan)	139	140	118	342	[24] 121	124	107	(NA)	(NA–283)
Colombia	134	134	[8] 129	[8] 140	[8] 105	197	195	[24] [26] 141	
Costa Rica	158	163	(NA)	[18] 154	(NA)	116	118	(NA)	(NA)
Cuba	178	183	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)
Cyprus	176	178	106	183	[8] 116	[27] 109	(NA)	(NA)	(NA)
Czechoslovakia	(NA)	(NA)	121	155	[12] 110	[28] 102	(NA)	(NA)	157
Denmark	100	100	(NA)	157	110	[13] 145	127	103	191
Dominican Republic	115	121	(NA)	[19] 99	[13] [19] 95	105	109	(NA)	(NA)
Ecuador	137	131	(NA)	[19] 180	[8] 108	[24] 126	[8] 116	(NA)	(NA)
Egypt	122	124	[8] 290	[8] 123	[8] [11] [12] [29] 123	[30] 112	[31] 115	(NA)	(NA)
El Salvador	(NA)	(NA)	(NA)	212	[32] 121	108	114	(NA)	(NA)
Finland	115	115	126	161	[8] [12] [33] 107	[27] 115	142	[19] 170	184
France	120	121	116	170	100	131	[8] 115	94	147
German Dem. Rep.	(NA)	(NA)	[19] 107	[19] 129	[12] 105	99	(NA)	(NA)	135
Germany, Fed. Rep. of	111	111	98	156	107	121	107	124	162
Ghana	(NA)	(NA)	88	170	[8] [19] 163	172	175	(NA)	(NA)
Greece	130	139	158	186	117	118	117	(NA)	176
Guatemala	116	117	(NA)	130	[22] [23] 114	107	112	(NA)	(NA)
Honduras	136	142	(NA)	217	[27] 152	[34] 103	(NA)	(NA)	(NA)
Hungary	(NA)	(NA)	113	156	123	[27] 102	[8] 103	(NA)	177
Iceland	(NA)	(NA)	(NA)	(NA)	(NA)	234	(NA)	(NA)	(NA)
India	117	120	121	135	[8] 110	[35] 184	166	107	(NA)
Indonesia	123	127	(NA)	(NA)	(NA)	68,807	(NA)	(NA)	(NA)
Iran	130	130	[36] 275	[36] 218	(NA)	114	113	(NA)	(NA)
Iraq	140	137	(NA)	(NA)	(NA)	117	113	(NA)	(NA)
Ireland	113	113	237	152	[19] [37] 116	145	139	[14] 152	165
Israel	156	149	222	[8] 184	[8] 125	138	124	[19] [38] 64	275
Italy	123	124	135	151	107	128	119	[19] 67	164
Japan	125	128	100	264	120	144	112	[19] 176	229
Korea, Republic of	143	137	136	390	216	[23] 178	216	(NA)	[23] 280
Lebanon	(NA)	(NA)	(NA)	(NA)	(NA)	108	(NA)	(NA)	(NA)
Libyan Arab Rep	152	155	(NA)	(NA)	(NA)	[39] 100	(NA)	(NA)	(NA)
Luxembourg	[13]	[13]	86	131	[8] 108	124	(NA)	(NA)	(NA)
Mexico	124	135	136	188	(NA)	126	122	92	[8] [39] 156
Morocco	129	130	118	135	(NA)	111	116	(NA)	(NA)
Netherlands	125	127	228	169	[8] 93	141	124	117	155
New Zealand	122	123	[40] 122	[40] 157	[21] 123	136	127	133	[40] 163
Nicaragua	(NA)	(NA)	(NA)	[41] 119	(NA)	[19] 113	(NA)	(NA)	(NA)
Norway	108	108	175	143	110	140	123	156	179
Pakistan	128	128	[7] [8] 141	[7] [8] 168	[19] [33] 122	137	[42] 134	(NA)	(NA)
Panama	139	142	(NA)	178	[8] [19] 166	113	(NA)	(NA)	(NA)
Paraguay	128	135	(NA)	140	(NA)	[13] 110	(NA)	(NA)	(NA)
Peru	119	130	(NA)	[8] 148	[8] 120	[24] 148	[22] 177	90	(NA)
Philippines	119	129	196	[8] 142	109	132	115	(NA)	(NA)
Poland	(NA)	(NA)	130	150	[12] [43] 126	109	(NA)	(NA)	163

See footnotes at end of table.

TABLE 3. (CONTINUED)

[1963=100, except as noted. See text, p. 800, for general comments concerning the data. For additional qualifications of the data for individual countries, see source]

COUNTRY	PRODUCTION					PRICES			
	Agriculture [1]		Mining [2]	Manufacturing industries [2]	Employment in manufacturing [3]	Consumer prices [4]	Wholesale prices [4 5]	Market prices of industrial shares [6]	Retail trade [4]
	All commodities	Food							
Portugal	101	100	104	173	(NA)	146	128	178	(NA)
Romania	(NA)	(NA)	155	230	[13] 135	103	(NA)	(NA)	170
South Africa	118	124	132	[44] 159	155	125	[38] 100	155	[41] 116
Spain	110	113	104	210	125	155	125	[6 45] 196	(NA)
Sweden	109	109	134	158	[12 23] 99	135	126	[14] 127	[42] 111
Switzerland	115	115	(NA)	147	[23] 95	126	112	98	150
Syrian Arab Rep	86	79	339	[10] 172	[9 12 16] 104	121	125	(NA)	(NA)
Thailand	126	122	(NA)	(NA)	(NA)	117	[21] 110	(NA)	(NA)
Tunisia	94	93	[34] 97	[34] 126	(NA)	128	138	(NA)	(NA)
Turkey	122	119	[17] 134	[17] 176	[16] 173	156	146	(NA)	(NA)
U.S.S.R	(NA)	(NA)	150	178	[47] 128	98	108	(NA)	169
United Kingdom	117	118	78	127	[16] 100	135	[6] 126	172	142
Uruguay	107	115	(NA)	120	(NA)	2,321	(NA)	(NA)	(NA)
Venezuela	148	153	122	145	116	112	116	144	211
Vietnam, Republic of	(NA)	(NA)	[48]	211	(NA)	500	311	(NA)	(NA)
Yugoslavia	112	114	128	174	[13 21] 119	248	156	(NA)	39
Zambia	(NA)	(NA)	121	[8] 220	[21 34] 128	[28] 103	[34] 117	(NA)	(NA)

NA Not available.

[1] Refers to calendar year in which all or most of the harvest took place, generally 1970. All commodities index relates to food, fibers, tobacco, industrial oilseeds, rubber, tea, and coffee; food index relates to crops and livestock products for human consumption. Deduction made for feed and seed used in production process.

[2] Components of these indexes vary considerably among countries; for details, see source.

[3] Refers, in general, to salaried employees and wage earners in manufacturing. Includes workers on holiday or vacation; excludes employers, self-employed, and workers on strike, on temporary military leave, or temporarily laid off.

[4] In many instances, represents index only for principal city (or cities) of particular country.

[5] General wholesale price index numbers usually weighted by gross value of sales on wholesale markets.

[6] As of 3d quarter of 1971, except as noted. Indexes based primarily on common shares traded on leading exchange. In some cases, where an index of industrial shares is not available, a general index, including shares of companies in transportation, distribution, and finance fields, is reported.

[7] For year beginning July 1. [8] Basic materials.

[9] For 1969. [10] 2d quarter. [11] For year ending June 30.

[12] Includes mining and quarrying; for German Dem. Republic, mining only. [13] 1964=100.

[14] General index. [15] Luxembourg included with Belgium. [16] Data for 1 month. [17] For 1966.

[18] For 1967. [19] For 1968. [20] For 1964. [21] Average of less than 12 months.

[22] Farm products only. [23] Wage earners only. [24] 4th quarter 1970. [25] 1965=100.

[26] 2d quarter 1970. [27] 1967=100. [28] 1969=100. [29] Civilian labor force employed.

[30] July 1966-June 1967=100. [31] July 1965-June 1966=100. [32] Area of San Salvador.

[33] Guatemala City only. [34] 1966=100. [35] 1960=100. [36] For year beginning Mar. 21.

[37] Includes working proprietors. [38] 1970=100.

[39] Covers commercial retail and wholesale establishments.

[40] For year beginning Apr. 1. [41] For 1965. [42] July 1962-June 1963=100.

[43] Includes sea fishing. [44] For year ending before July 1, 1970.

[45] 1958=100. [46] 1st quarter.

[47] Excludes printing and publishing [48] None or negligible quantity.

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TABLE 4. APPROXIMATE WORKTIME REQUIRED TO BUY SELECTED COMMODITIES AT STATE-FIXED PRICES IN MOSCOW AND AT RETAIL STORES IN NEW YORK CITY, JULY 1, 1970*

COMMODITY	NEW YORK CITY	MOSCOW
White bread (1 pound)	5 minutes	17 minutes
Potatoes (1 pound)	2 minutes	4 minutes
Beef, rib roast (1 pound)	41 minutes	137 minutes
Butter, salted (1 pound)	16 minutes	140 minutes
Sugar (1 pound)	3 minutes	45 minutes
Milk, fresh (1 quart)	6 minutes	24 minutes
Eggs, 2nd grade (1 dozen)	12 minutes	93 minutes
Men's shirt, cotton	1.7 hours	11.4 hours
Men's suit, wool, single-breasted, medium price range	26.3 hours	157.0 hours
Men's shoes, leather oxfords (pair)	6.0 hours	35.0 hours
Women's dress, street, man-made fibers	5.6 hours	42.0 hours
Women's shoes, leather oxfords, medium price range	5.3 hours	33.0 hours
Women's stockings, nylon (pair)	17.5 minutes	2.9 hours
Soap, toilet (3½ ounce cake)	2.0 minutes	16.3 minutes
Cigarettes, non-filter, regular size, package of 20	8.5 minutes	15.1 minutes
Vodka (fifth)	1.2 hours	4.4 hours

*National Federation of Independent Business, 150 W. 20th Avenue, San Mateo, CA 94403

TABLE 5. GROSS NATIONAL PRODUCT—PER CAPITA*

	U.S.A.	U.S.S.R.
Value of total goods and services produced per person (1970)	$4,756	$2,000
POPULATION/AREA		
Population (1969)	203,213,000	240,567,000
Area (square miles)	3,615,123	8,649,489
LABOR FORCE, ENERGY, MANUFACTURING (1969)		
Economically active population	82,272,000	115,493,000
Production of electric energy (millions of KWH)	1,552,298	689,050
Consumption of sources of energy (coal equivalent):		
Total (1,000 short tons)	2,413,431	1,113,543
Per capita (pounds)	23,752	9,257
Manufacturing establishments	311,140	40,709
Manufacturing persons engaged	19,095,000	26,659,000
Imports ($1,000s)	$35,863,000	$10,327,000
Exports ($1,000s)	$37,462,000	$11,655,000
FOODSTUFF PRODUCTION (1969)		
Wheat (1,000 short tons)	43,766	88,093
Rice	4,565	1,220
Corn	128,178	13,177
Potatoes	15,601	101,168
Meat	18,052	11,584
Sugar	5,480	11,110
Cotton	2,403	2,149
HOUSING AND HEALTH		
HOUSING		
Dwellings per 1,000 population (1960)	261	211
Average number of rooms per dwelling (1963)	4.7	3.3
Average number of persons per room (1963)	0.7	1.5
HEALTH		
Number of hospitals	7,137	26,429
Number of hospital beds	1,663,000	2,567,000
Number of physicians	305,453	555,400
Persons per physician	700	400
Dentists	98,670	87,100
EDUCATION AND BOOK PRODUCTION		
PRIMARY SCHOOLS (1968)		
Teachers	1,244,000	1,782,000
Students enrolled	32,018,000	40,310,000
SECONDARY SCHOOLS (1968)		
Teachers	955,000	N.R.
Students enrolled	19,053,000	8,702,000
PUBLIC EXPENDITURE FOR EDUCATION (1967)		
Total ($1,000s)	$45,300,000	$17,962,000
% of national income so spent	5.6%	7.2%
BOOK TITLES PRODUCED (1969)	62,083	74,611

*Source: National Federation of Independent Business, 150 W. 20th Avenue, San Mateo CA 94403

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ECONOMIC FREEDOM AND SELF-INTEREST

Government plays a limited but necessary role in the American free enterprise system.

Within the free enterprise system, economic freedom is a goal of individuals and groups because it allows them to pursue their own self-interests. The freedom to seek one's self-interest, like any other system, is relative and not absolute. As people compete, conflicts arise as to whose interests are to be served. Reconciling these conflicts is one role of government, which, within its limited role, acts as a promoter and regulator of economic freedom.

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
The student will be able to:		*Cost of Freedom*, pp. 19, 21-34, 69-73 *Capitalism and Freedom*, pp. 7-36 *Economics and Freedom*, Chapter 1
. Define *economic freedom*	1. The teacher should define and introduce the concept of *economic freedom* to the students. (Economic freedom is an individual's right to choose an occupation, to contract, to own property, and to produce and consume according to self-interest.)	
. Recognize that economic freedoms, similar to political freedoms, are relative and not absolute	2. Ask the students, "Do any of these basic economic freedoms ever conflict?" Why? Discuss possible conflicts with students. Compare conflict of economic freedoms to conflict of political freedoms. (Both are relative and not absolute.)	

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
. Describe government's role of reconciling individual and group economic conflicts . Analyze a major governmental policy . Formulate an opinion on whether a law or policy is the best solution to a conflict	3. Ask students, "Who resolves these conflicts if you as an individual are unable to resolve them?" (Government.) "How are they resolved?" (By laws and regulations.) 4. Divide the class into groups of five to six students. Each group should take one of the following governmental (federal, state, or local) policies and identify the economic conflicts involved. Using role-playing, visual materials, panel discussion, or debates, each group should inform the rest of the class of the attitudes of the conflicting parties and government. Students will need time for research and preparation. (Example: Views of business and industry, conservationists, and government on antipollution laws.) . Antipollution laws (federal, state, or local) . The Equal Rights Amendment to the U. S. Constitution . Local zoning laws . The welfare system . Federal minimum wage laws . Civil service workers' right to strike . National health programs . Housing legislation Each group should decide whether this law or policy is the best solution to the conflict. Some may suggest an alternative and explain it. Guest speakers from the community could be invited to debate or discuss any of the above issues.	†*The American Economy*, p. 58 (Case study on pollution) †*American Political Behavior*, pp. 422-423; 432-450 *Controversy Over the Equal Rights Amendment* *The American Economy*, p. 85 (Case study) *The ERA: Bringing Home Equality* *The Welfare Dilemma* (filmstrip) *The American Economy*, p. 135 (Case study) "Controversy Over Minimum Wage." *American Political Behavior*, p. 227 *National Health Problems* (film) *Fair Housing: What It Means to You* (pamphlet)

STUDENT OBJECTIVES	CLASSROOM ACTIVITIES	INSTRUCTIONAL RESOURCES
	Have them explain how each example affects individuals and/or their families. (Example: In the regulatory role, the FDIC insures the bank deposits of the student and/or parents.) Upon conclusion of the assignment discuss the students' specific examples.	*The Constitution of the United States* *American Economy*, Chapter 10 *An Introduction to Economic Reasoning*, Chapter 10
. Realize that the economic role of government is limited and defined by federal and state constitutions; judicial decisions; and federal, state, and local legislation	9. Write on the board the following statement: "The economic role of government is limited and defined." Ask students to list some ways the government is limited and where its economic role is defined. (Some of their answers might be federal and state constitutions, judicial decisions, laws.) Choose one of their answers and ask students to give specific examples. Example: Ask students to turn to the U. S. Constitution in their texts and find at least seven economic powers granted or forbidden the federal government, such as the right to coin money, the right to regulate interstate and international commerce, the right to regulate sale of securities, the right to lay and collect taxes, and the prohibition to tax any articles exported from any state.	
. Formulate an opinion on the question of too much government control of the economy and be able to defend an affirmative or negative opinion	10. Have students engage in debates or group discussions or prepare opinion papers on the following statement: . "Too many people expect government to solve all economic problems. The result is too much government interference in the economy."	

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