

## Roles in Mixed and Market Economies CARC Social Studies

<b>Grade Level</b>	9	<b>General Outcome</b>	9.2 Students will demonstrate an understanding and appreciation of how economic decision making in Canada and the United States impacts quality of life, citizenship and identity.
<b>Time Frame</b>	2 - 3 classes	<b>Enduring Understanding (purpose of the lesson)</b>	Students analyse the role of the consumer and government intervention in the economies of Canada and the United.
<b>Developed By</b>	John Ferguson, Allan Whitehead and Gord Holland		
<b>Critical Challenge/Big Idea</b>	<b>Rate the Effectiveness of the Canadian and American Economic Systems</b>		
<b>Value and Attitude Outcomes</b>	<b>Knowledge and Understanding Outcomes</b>		<b>Skills and Process Outcomes</b>
9.2.1 appreciate the values underlying economic decision making in Canada and the United States (C, ER) 9.2.3 appreciate the impact of government decision making on quality of life (C,CC,PADM)	<b>9.2.4 compare and contrast the principles and practices of market and mixed economies</b> 9.2.4.1 What are the principles of a market economy? (ER) 9.2.4.2 Why do governments intervene in a market economy? (ER, PADM) 9.2.4.3 Why is Canada viewed as having a mixed economy? (ER, PADM) 9.2.4.7 What are some similarities and respective differences in the way governments in Canada and the United States intervene in the market economies? (ER, PADM, GC) 9.2.4.8 How do the economic systems of Canada and the United States differ in answering the		<b>develop skills of critical thinking and creative thinking</b> 9.S.1.2 critically evaluate ideas, information and positions from multiple perspectives  <b>demonstrate skills of decision making and problem solving</b> 9.S.4.4 propose and apply new ideas and strategies, supported with facts and reasons, to contribute to problem solving and decision making  <b>demonstrate skills of cooperation, conflict resolution and consensus building</b>

	<p>basic economic question of scarcity? (ER, PADM, GC)</p> <p><b>9.2.5 critically assess the relationship between consumerism and quality of life in Canada and the United States</b></p> <p>9.2.5.7 What societal values underlie social programs in Canada and the United States? (PADM, ER, GC, I)</p>	<p>9.S.5.1 demonstrate leadership in groups, where appropriate, to achieve consensus and resolve conflicts peacefully and equitably</p> <p>9.S.5.2 demonstrate a positive attitude regarding the needs and perspectives of others</p> <p><b>apply the research process</b></p> <p>9.S.7.1 reflect on changes of perspective or opinion based on information gathered and research conducted</p> <p>9.S.7.2 integrate and synthesize concepts to provide an informed point of view on a research question or an issue</p> <p>9.S.7.4 draw conclusions based upon research and evidence</p> <p>9.S.7.6 organize and synthesize researched information</p> <p><b>demonstrate skills of oral, written and visual literacy</b></p> <p>9.S.8.3 elicit, clarify and respond appropriately to questions, ideas and diverse points of view presented in discussions</p> <p>9.S.8.4 make reasoned comments relating to the topic of discussion</p> <p>9.S.8.5 listen to others in order to understand their perspectives</p>
--	---	--

<b>Summative Assessment Strategies</b>	<b>This activity is designed as instructional only and is therefore not summatively assessed.</b>
--	---

<b>Introductory Activity/ The Hook</b>	<p><b>Activity 1: Jungle or Zoo</b></p> <p>1. Have students complete the jungle/zoo activity. This is an introduction to market and command/planned economies and can be downloaded from <a href="http://www.learnalberta.ca/content/ssoc9/html/ratingtheeffectiveness_cc_related.html">http://www.learnalberta.ca/content/ssoc9/html/ratingtheeffectiveness_cc_related.html</a>. Simply click on the Word file at the bottom of the page.</p>
--	--

	<b>Activity 2: Providing Background</b>
--	---

**Teaching/  
Learning  
Strategies and  
Activities**

2. Students need a general understanding of Command and Market economies. Teachers may wish to provide background information about these economies and discuss key elements of each.

**Activity 3: Making Decisions**

3. Introduce the slide "Role of Government" from the SMART notebook file. Also give students a paper copy to place Market and Command economies on the continuum as the class goes through the next step.
4. Relate the information from the readings and apply the knowledge of Command and Market economies to gauge the level of government control in determining supply of consumer goods and services, demand, price and supply of key services (education, health care, etc.). Students place an "M" on each continuum for Market economies and a "C" on each continuum for Command economies. This can be done individually, in a think-pair-share situation or as an entire class.
5. In discussing their responses as a class, students can drag the words "market" and "command" to where they should to be on the 4 different continuums.

**Activity 3: Information Gathering**

6. Introduce the "Role of Consumer" slide from the SMART notebook file, giving students a paper copy as well. Using their textbook and any notes they have, students do the ratings in table groups on the paper version of the slide.
7. When the groups are finished, have a person from each group come to the interactive white board to show their group's rating of the choice by dragging the appropriate icon to its place on the continuum.
8. Have students research the US and Canadian economies to the criteria from the previous slides. This requires internet lab time using the links given from the Learn Alberta critical challenge (see resources).
9. Groups bring their research together and outline where the United States and Canada fall within the continuum explaining why they made the decisions they did.
10. To close, reconnect with students through discussion/debate to look at their personal preferences toward the economic system they prefer and why.

OR

Complete the extension activity from the Learn Alberta introductory activity.

**Resources**

Learn Alberta. (2008). *Rating the effectiveness of the Canadian and American economic systems*. Retrieved May 29, 2011 from [http://www.learnalberta.ca/content/ssoc9/html/ratingtheeffectiveness\\_cc\\_related.html](http://www.learnalberta.ca/content/ssoc9/html/ratingtheeffectiveness_cc_related.html)

Lychak, P., D. Gerrits, A. Nogue, J. Parsons. (2008). *Issues for Canadians*. Nelson Education Ltd., Toronto, Ont.

Adapted from: Wiggins, Grant and J. Mc Tighe. (1998). *Understanding by Design*, Association for Supervision and Curriculum Development

ISBN # 0-87120-313-8 (ppk)

## Chapter 6: Economic Systems

**Economics:** how people choose to use scarce resources in order to produce and buy the goods they want.

3 Concepts of Economics:

- **Goods** (the something you want to buy)
- **Capital** (the money needed to buy goods you want)
- **Scarcity** (limited supply of resources)

Economic systems are formed around 3 questions:

- ✓ **What** goods should be produced?
- ✓ **How** should these goods be produced?
- ✓ **For whom** should these goods be produced?

**Law of Supply and Demand** (basic economic principle):

**As the price of a product increases, demand decreases. As the price of a product decreases, demand increases.**

**Equilibrium:** market prices are derived from where the curves of supply and demand intersect.



### **Economic Systems:**

#### **Market Economy:**

- Based on capitalism
- Producers and consumers control the creation, production, and distribution of goods
- Consumers create a demand for a product, producers supply it
- Consumers “vote” by spending their dollars

#### **American Economy:**

- market (buyers and sellers meet) regulates most economic decision-making
- production is as efficient as possible to create the maximum amount of profit
- goods are produced only if there is a market

#### **Free Enterprise:** (Adam Smith)

- ✓ mercantilism wrong
- ✓ allow colonies to be equal trading partners
- ✓ free marketplace stimulates production
- ✓ as production increases. Interests of all would be better served
- ✓ freedom of choice
- ✓ open trade and self-regulating economy would result in a strong society

**Self-interest:** people look out for themselves

- leads to order and progress

#### **Private Ownership**

- based on the idea of individualism
- companies are owned by individuals or groups who created them
- Entrepreneurs take on certain risks by operating them: they benefit if the company does well, or they lose money if the company fails.
- Responsibility and ownership belong almost exclusive to the entrepreneur

**Competition:**

- Desire of consumers to purchase must match their **ability** to purchase
- Consumers look for the best quality product at the lowest price
- The more companies making a type of product, the keener the competition
- This leads to better quality and less expensive products

**Ideally, the company that makes the best product at the lowest price sells the most.**

**Self-Regulating Market:** Producers are free to make products (as long as there are consumers willing to buy them) and consumers are free to purchase what they want.

- Smith: The “Invisible Hand”
- There is little need for rules and regulations as long as producers and consumers are free to choose

**Monopoly:** A market dominated by a single seller (ie, \_\_\_\_\_ )

- Consumers are at the mercy of the firm, as it is the only company producing a certain good.

**Antitrust Laws:** where monopolies are necessary, the government attempts to regulate prices to protect consumers.

**Corporations**

- They are privately owned
- Corporations have their own legal status
- Have created potentially harmful products, such as alcohol, cigarettes, and aerosol sprays
- These areas are regulated by the government for the sake of public interest

**Advertising** has become an important part of the market economy

**Business Cycle:**

- Describes the changes in a market economy, ranging from period of “boom” to “bust” (recovery, prosperity, recession, depression)

American government:

- does not have a major decision-making role in economic affairs
- regulates, rather than controls

## **Mixed Economy**

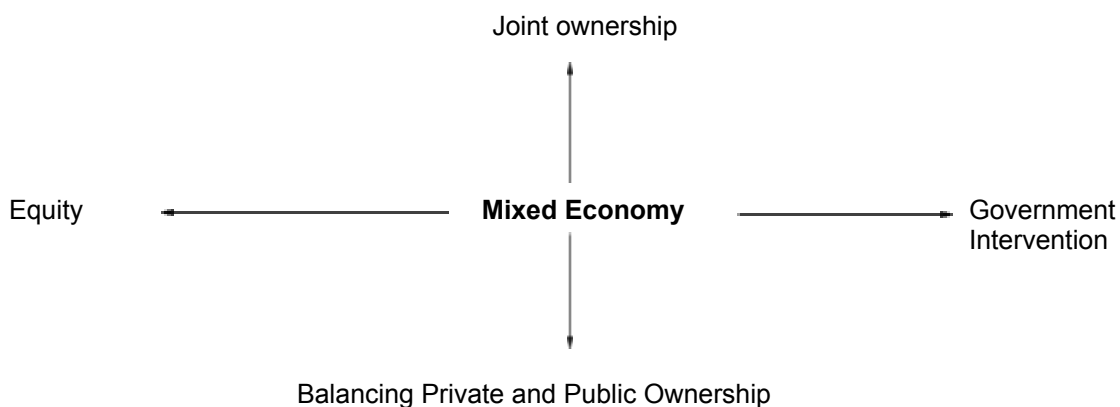
- uses ideas from market and command economies
- **command choices**: communication, health care, transportation
- lies on the economic spectrum **between a command economy on the left and a capitalist (free market) economy on the right**. In mixed economies, the basic questions
  - What to produce?
  - How to produce? and
  - For whom to produce?
- answered by both individual buyers and sellers using a free market system and by governments in certain areas **regulating** what goods and services are to be produced and who is to have control.
- government plays a more important and greater role in the economy
- Adam Smith acknowledges the role of government.

The **essential features of the mixed economy** are

- the incentive of equality for all people,
- public and private ownership of property, and
- government controls by intervention
- ownership is **shared between public and private ownership**
- control of what to produce is shared by government and individuals (not at the same extent as the command economy but more than one would find in a free enterprise system)

The mixed economy is an attempt to provide its citizens with freedom and equity (fairness).  
Equality is elusive.

The mixed economy is illustrated as follows:



## How Mixed Economies evolved

- mixed economy is an attempt to take advantage of the best features of both command and market economies.
- father of the mixed economy is John Maynard Keynes
- realized the dangers that capitalism was facing because of the flaws and imperfections of the capitalist system such as
  - trade cycles
  - unemployment
  - inequitable distribution of income
- **Great Depression** caused many to lend support to communism or fascism (*făsh-ism*) as alternatives to capitalism.
- Failure to solve unemployment would doom the world to either of the two evils of 1930s communism and fascism
- John Maynard Keynes viewed fascism as the embodiment of evil but he recognized how government intervention in Hitler's Germany had solved the unemployment problem.

### Keynes:

- new policies and new interests to adapt and control the working of economic forces: which will not interfere with workings of the market system while at the same time ensuring social stability (a harmonious society) and social justice (fairness)
- Observers at the time were aware of the frustrations of the working class at their economic lot
- A new economic system which would address the problem of unemployment while at the same time retain the best features of capitalism was preached

**Keynesian economic system:** market forces would play a very important part in determining what to produce, how to produce, and for whom to produce with one big difference: there **was to be far more government involvement in the economy; and in some spheres of the economy, there were to be state monopolies.**

- unemployment could create disruptions and excesses as was happening in Europe. Frustration on part of the workers was explosive and dangerous for democracy.
- answer to these problems was to allow **both public and private enterprises** and, if possible, **a more active role as an employer**
- great challenge was to reach the point where both collectivism and individualism were satisfied
- differed from Adam Smith: **Smith favoured minimum involvement** in the economy, **Keynes advocated more government involvement.**

### **The Growth of Government Intervention in the Economy**

- Mixed economies grew as governments saw the need to accommodate changing economic and social circumstances.
- Keynes: wanted a system which combined economic efficiency, social justice, and individual liberty.
- **In Canada:** laws aimed at giving its citizens a minimum standard of living, individual liberty, and social justice.
- Benefits such as pension plans, universal health care, unemployment insurance, assistance for the physically and mentally challenged and other welfare benefits are provided with public assistance.

### **The Essentials of a Mixed Economy**

### **Incentive: Equality for All**

- work on the principle that all people should have equal opportunity to all public services
- regardless of social or financial state of a citizen, all are entitled to equal treatment
- government tries to ensure that all citizens have their **basic needs** supplied
- below the poverty line: provided with publicly subsidized housing
- **goal of a mixed economy is to allow people a basic standard of living by providing people with social programs (minimum pay, health care, pensions, unemployment insurance, etc.)**

### **Progressive Tax System**

- way a government attempt to redistribute wealth: progressive tax system (the more you make, the more taxes you pay)
- Taxes are higher in Canada than in the United States because social programs cost a lot of money to maintain
- Workers pay into a pension plan, in Canada called the Canada Pension Plan (CPP), and from this, pensions are provided.

### **Balancing Private and Public (State / Government) Ownership**

- In a mixed economy, a balance exists between public and private ownership although more heavily weighted on the side of private ownership
- The split in Canada is 75% private and 25% public.
- Until the late 1970s, public ownership used to be limited to industries of national importance such as utilities, resources, and banks (Treasury Branches)
- Since the 1980s and -90s, many publicly owned industries have been privatized for ideological industries
- Public enterprises may be used to safeguard employment
- in the private domain, governments in a mixed economy have intervened with financial support to keep the business afloat and thus avoid unemployment
- Financial bailouts of private businesses are not uncommon in Canada
- Public enterprises are used to create jobs by developing resources in less desirable regions that are given a wide berth by private investors whose major interest is profit, and not necessarily the social consequences of unemployment

### **Joint Ownership**

- it is not uncommon to have both government and private industry working together on a project (In Alberta, we have **P3 (Public-Private Partnerships)** Agreements); e.g., Tar Sands project in Fort McMurray; building of new schools/community recreation centres

### **Government Intervention**

- government, if it sees fit, will intervene directly with the economy by **regulating the market by wage and price controls**
- legislating how businesses will be run
- Examples of intervention in Canada are: the government marketing boards such as the Canada Wheat Board, Hog Marketing Board, and the National Energy Board of the Trudeau era (early 1980s)

Many sectors of the economy operate under strict controls. Other examples of government intervention of the economy are:

- The GST (Goods and Services Tax)
- Control of interest rates
- Excise taxes on tobacco and alcohol
- Setting production standards
- Tax incentives
- Hospitals, etc.
- Pollution controls