

Economic Systems Guided Notes

An Introduction to
Command & Free Market Economics

WELCOME TO GARFIELDOM

Welcome to the greatest
queendom in the history of the
world. In this country, you are
divided into either Controllers,
Factories or Consumers.

Follow my rules...

System #1 - The Controllers

1. Determine what features are absolutely essential for a car.
2. Using that list, come up with 1-2 basic car designs the Factories will have to reproduce. Give the car(s) a name.
3. Place your designs on the board
4. Select a quota for how many cars Garfieldom needs to produce each round.
5. If you have more than one design, select which “factories” are producing which car

System #1 - The Factories

1. Each of you are responsible for producing the quota the Controllers have set for you
2. Use the paper provided to reproduce the designs *exactly as detailed* on the board
3. Since you are a factory, decide what everyone's role will be
4. If you meet your quota, you will get \$2 at the end of each round

**Count your money and record it.
Return money to Queen G.**

System #2 - The Consumers

1. Brainstorm what features you would like to see in a car -- can be as practical or farfetched as you'd like.
2. Place your list on the board
3. At the end of each round, you will be given \$10 to shop for cars and spend your money how you would like

System #2 - The Factories

1. Using the list on the board, you have 3 minutes to decide as a factory what kind of car you would like to produce.
2. Your factory can only produce one type of car. You do not need to incorporate everything listed on the board.
3. Give your car model a name.

System #2 - The Factories

1. You have 2 minutes to “produce” (draw) as many cars as you can.
2. You can only sell as many cars as you produce.
3. When the 2 minutes are up, you are going straight into trying to sell your car to the Consumers
4. If you do not make at least \$3 from the Consumers, you’re out.

- . Factories, you have 3 minutes to sell your cars to the consumers to try and make at least \$3**
- . Consumers, you have \$10 to shop and spend your money as you please.**

What happened in the first system?

What were the pros? What were the cons?

What happened in the second system?

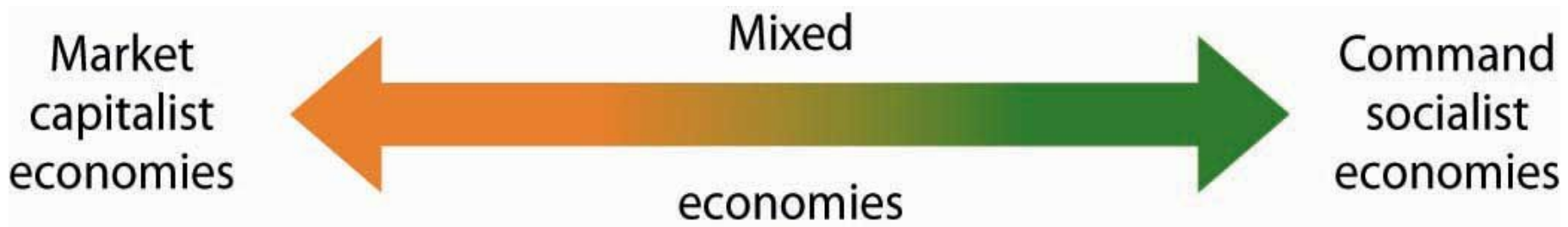
What were the pros? What were the cons?

If you used each of these systems in real life and broadly throughout your economy, what would be the effect of each?

Daily Question

What were the positive and negative features of both systems? Which system do you think worked best? For individuals? For society?

What are the strengths and limitations of command and free market economies?



Economics

The study of the production and consumption of goods and services and the distribution of wealth in a society.

- Production = What businesses make.
- Consumption = Who buys what.
- Distribution = How and whom to goods are distributed

Free Market & Command Economies

Free Market Economy

An economic system in which prices are determined by unrestricted competition between privately owned businesses.

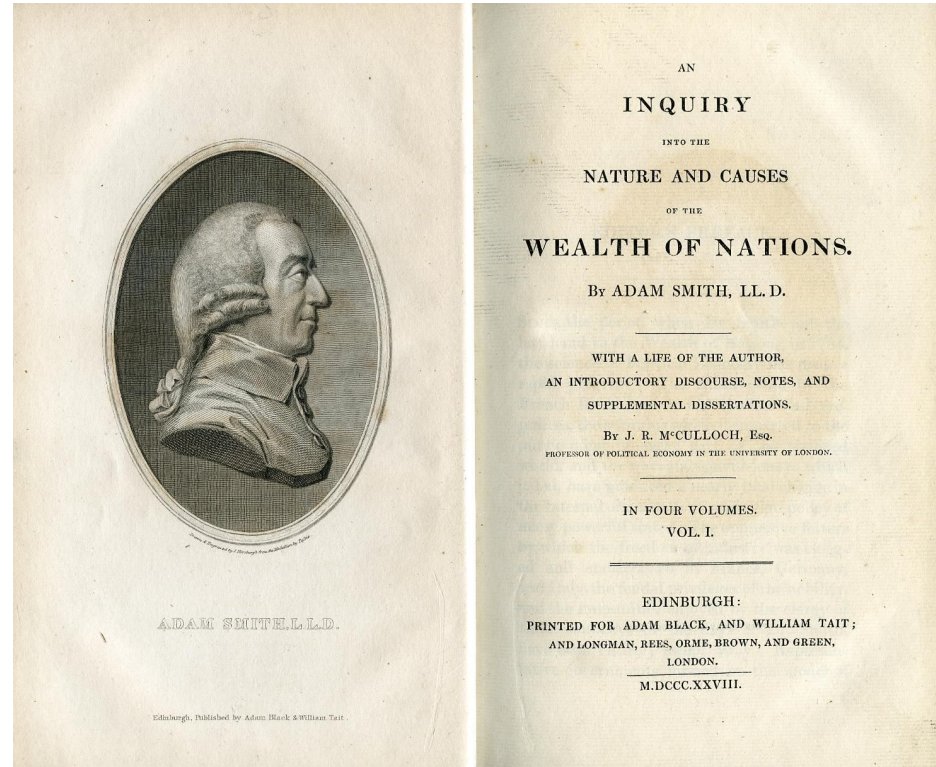
Command Economy

An economic system in which production, investment, prices, and incomes are determined centrally by a government.



Free Market System: Capitalism

- Ideas first proposed by Adam Smith in *The Wealth of Nations* in 1776
- “Economic Individualism”: the pursuit of self-interest and the right to own private property are morally defensible and legally legitimate



Principle 1: Economic Freedom

In a world with limited resources...

- Consumers can decide what to buy.
- Producers can decide what they want to make.
- Workers can decide how they want to work.



Principle 2: Private Property

- Individuals can own land and means of production.
 - Factory Machinery
 - Land
 - Labor
 - Resources
- Individuals can choose how to use their property.
 - Limited Government Control

Principle 3: Self-Interest Drives Society

- People will make decisions that benefit themselves...But that is okay!
- If people make a product that people want, they will make money & people will be happy. Everyone wins!



Principle 4: Competition is Good

- When businesses compete, buyers win!
 - Lower Prices
 - Inventive/New Ideas --> Progress!!!



Principle 5: Prices are Determined by the Market

- Prices of goods & services are determined by what buyers are willing to pay for them.
- “Invisible Hand,” Guides Market → Limited Gov.

\$1,960



\$19.90

Principle 6: Limited Government

- Government makes laws to protect individuals and solve disputes.
- Individuals make economic decisions.
- Does not have influence over the market.
 - “Laissez Faire”: “Let the People do as they Please”

Strengths & Limitations of Free Market/ Capitalism

Strengths

- Lots of choice – creates things people like/want to have
- Lots of incentive to innovate
- More gain for popular products
- When brands compete, consumers save
- Easily adjust how much you sell a product for
- Easy entry into the market

Limitations

- Not everyone succeeds – not an equal distribution of wealth
- Potential problems with inventory – limited inventory
- If things go badly, the situation can get out of hand
- Can behave as if there are unlimited resources

Command Economy: Socialism

- Government or public owned means of production
- Critical of wealth in the hands of a few
 - Redistribution of wealth



Socialism:
the radical
idea of
sharing

Rise of Socialism

- Had roots in the Industrial Revolution...
- Why might this have occurred?



Principle 1: Economic Control

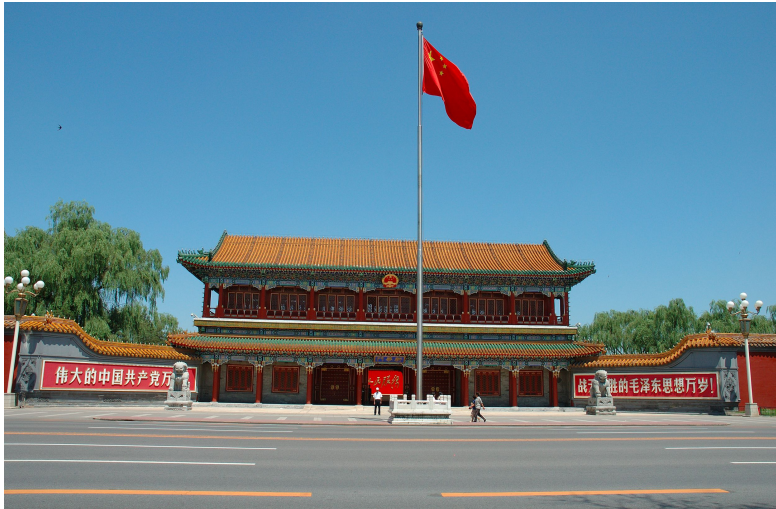
In a world with limited resources...

- The government should control the distribution of resources to ensure that society is fair and resources are used wisely.
- Generally follows a Central Plan for the future.



Principle 2: State Owned Property

- The government may own or influence the property and the means of production and businesses.
- Independent businesses may still exist, but they follow the rules of the government.



Principle 3: Social Needs Drive the Economy

The government determines what its citizens need to live happy & healthy lives and tells businesses what and how much to make.



=

\$10,000

Principle 4: Cooperation is Good

- Progress occurs when community cooperates and limits competition.
- This helps ensure a fair and equal society.

Principle 5: Government Sets Prices

The Government determines the value and worth of products.



Principle 6: Large Government

The government makes laws to help carry out the central plan and to support the needs of citizens.



Strengths & Limitations Command Economy/Socialism

Strengths

- Prevents monopolies
- Everybody makes money
- Full employment – everyone should have a job
- Could be efficient
- Set prices for essential services - medicine
- Respond easily to disasters and emergencies
- Industrial power is boosted

Limitations

- Little incentive for innovation and gains due to lack of competition
- Loss in quality
- People have less of a voice/less influence on the economy
- Explosion of black market
- Coordination can be difficult or impossible

Respond to the following prompt:

Show the difference between a free market economy and a command economy using one of the below examples:

- Education
- Healthcare
- Energy
- Food
- TV Shows
- Cars

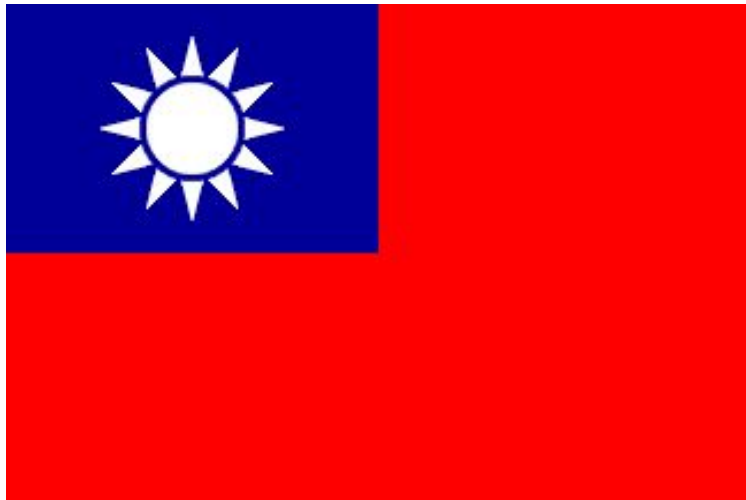
What Happened in China

Nationalists- GMD

The Guomindang (GMD), or Nationalist Party, was formed in 1913 and influenced heavily by the principles of Sun Yatsen.

The GMD ruled China from a base in Nanjing from 1927-1937.

Chiang Kaishek was the head of the GMD from 1928 until his death in 1975



Communists- CCP

The Chinese Communist Party was founded in 1921 in Shanghai.

Based in the ideas of Marx and heavily influenced by agents of the Soviet Union.

The CCP was lead by Mao Zedong, Zhou Enlai and Chen Duxiu



The Nationalists

Ideology

The Nationalists (GMD) party was driven by the 3 People's Principles of Sun Yatsen:

- Nationalism- Create a national identity
- Democracy-China should be a democratic republic
- People's Livelihood- Economic opportunity for the people



The Nationalists Support Base in China

- The Nationalist were supported in the urban centers of China (Guangzhou, Shanghai, Nanjing, Etc...)
- Their supporters were educated, pro-western and capitalist
- Modernizing the military was a top priority and therefore the nationalists put a lot of focus on gaining foreign recognition and support.



The Communists

Ideology

Based in the ideas of Karl Marx, the Chinese Communist Party was heavily influenced and directed by agents of the Soviet Comintern, whose job it was to spread communism around the world.

- They sought to organize the workers of Chinese cities (the proletariat) to take control of the factors of production and the farm workers to redistribute the land to make it more equal.



Support in China

The CCP had very little initial support in Chinese cities but their message caught on amongst intellectuals.

Later (under Mao Zedong) they adapted the ideas of Marx to appeal to Chinese peasants and their message of land reform became very popular.

Rise of Nationalists

- After the collapse of the Qing dynasty in 1911, it was replaced by a military dictator Yuan Shihkai.
- When he died 1916, China fell into chaos, known as the Warlord Era (1916-1928) where no one central power had control.



The Northern Expedition and the Establishment of the Nanjing Government

- During the Warlord Era the GMD's power grew in southern China. In 1922 it joined with the CCP to gain resources to build an army from the Soviet Union.
- In 1925, Sun Yetsen dies and is replaced by Chiang Kaishek. Chiang Kaishek lead a combined army of GMD and CCP members on a Northern Expedition (1927) against the warlords and established a new government in Nanjing from 1928-1937.

CHINA 1926-27

The Northern Expedition



- 7 Kuomintang home territory
- 6 Kwangsi group of warlords
- 5 Faction of Tang Chi-yao
- 4 Chihli faction of Wu Pei-fu
- 3 Chihli faction of Sun Ch'uan-fang
- 2 Kuominchün of Feng Hu-Hsiang
- 1 Feng-tein faction of Chang Tso-lin
- Non aligned or fragmented
- ➔ Advances by Kuomintang
- ➔ Advance by Yen Hsi-shan
- ➔ Kuominchün advance

The White Terror and Jiangxi Soviet

The White Terror

- After successfully uniting China under GMD control, Chiang turned on the Communists and purged them from the Nationalist party.
- Many were killed and imprisoned but those that survived made it to a small rural outpost in Jiangxi (southeast China) that was run by (at this point minor communist) Mao Zedong.
- Under the leadership of Mao, the CCP fought a guerrilla war against the forces of the GMD.

Long March and Japanese Invasion of WWII

- In October 1934, the Communists were forced to flee and began a year long retreat that covered 5,900 miles and reduced the CCP from 100,000 to just over 10,000 members. The future core CCP leadership would be created from the remaining 10,000
- When the Japanese invaded in China in 1937, the CCP and the GMD were forced to pause fighting each other to fight the common enemy.
- When the war ended in 1945, the Chinese Civil War began again.



CHINA 1934-44

The Long March - Japan takes more



	Main Communist base	
	Long March route	
	Pao-an Soviet	
	Hailufeng Soviet	Led by Peng P'ai
	Kiangsi Soviet	Led by Mao and Chu Te 1929-34
	West Hunan Soviet	
	Other Soviet	
	4th	Position of early army group
	10th	Position of early army group
	Occupied by Japan from 1944	
	Jap. controlled 1932/34 til 1945	

Chinese Civil War (Part 2) 1946

- Once Japan had withdrawn from China, the GMD attacked the CCP. They had superior training, equipment and numbers.
- The Communists survived using guerilla tactics and prolonging the conflict as long as possible.



The Chinese Civil War 1947-1949



- In 1947 the GMD army began to weaken and the tide began to turn against the Nationalists.
- In 1948, the CCP army takes Manchuria and destroyed the GMD army of central China.
- Throughout 1949, the GMD forces retreated south until finally evacuating to Taiwan (where they still remain today) and on October 1, 1949, the People's Republic of China was founded.

Respond to the following question at the bottom of your notes:

- 1. What were the causes and key events of the Chinese Civil War?**
- 2. How did the CCP win the Civil War? Use historical details to support your answer.**

Propaganda Techniques

Propaganda: the use of a variety of communication techniques that create an emotional appeal to accept a particular belief or opinion, to adopt a certain behavior or to perform a particular action.









Statue of the Worker and the Kolkhoz Woman
The statue is a symbol of the Soviet Union and the New Woman. It was created by the sculptor Vera Mukhomorova. The man represents the worker and the woman represents the kolkhoz member. The woman is holding a bundle of fabric, symbolizing the textile industry. The statue is located in the city of Moscow, Russia.

用革命和生产的新胜利迎接七十年代！

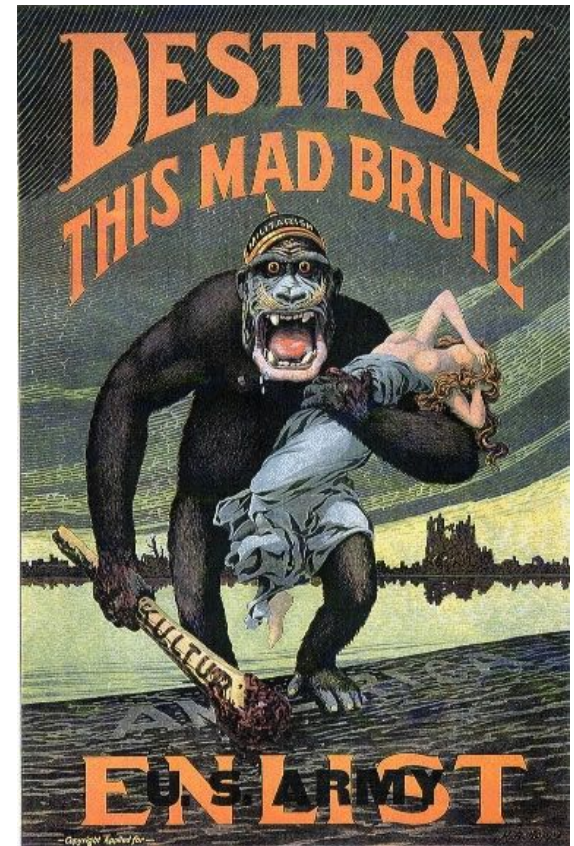




在继续革命的道路上夺取更大胜利

Technique #1: Name Calling

— links a person, or idea, to a negative symbol. Examples: commie, fascist, yuppie



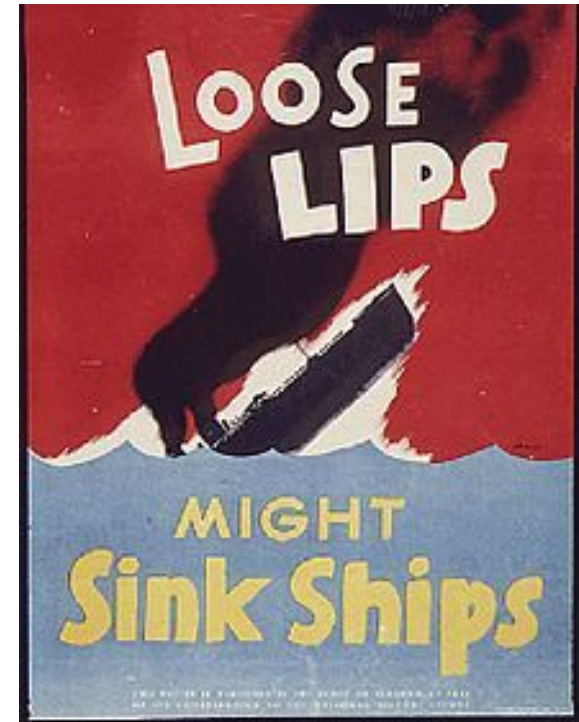
Technique #2: [Glittering Generalities](#) - use of virtue words; the opposite of name calling, i.e., links a person, or idea, to a positive symbol. Examples: democracy, patriotism, family

Technique 3: Transfer - a device by which the propagandist links the authority or prestige of something well respected and revered, such as church or nation, to something he would have us accept. Example: a political activist closes her speech with a prayer

Technique 4: Testimonial - a public figure or a celebrity promotes or endorses a product, a policy, or a political candidate. Examples: an athlete appears on the Wheaties box; an actor speaks at a political rally

Technique 5: Plain Folks - attempt to convince the audience that a prominent person and his ideas are “of the people.” Examples: a prominent politician eats at McDonald’s; an actress is photographed shopping for groceries

Technique 6: Fear - plays on deep-seated fears; warns the audience that disaster will result if they do not follow a particular course of action. Example: an insurance company pamphlet includes pictures of houses destroyed floods, followed up by details about homeowners' insurance.



Technique 7: Bandwagon - makes the appeal

that “everyone else is doing it, and so should you.”

Examples: an ad states that “everyone is rushing down to their Ford dealer”

Technique 8: Bad Logic - an illogical message

is not necessarily propagandistic; it can be just a logical

mistake; it is propaganda if logic is manipulated

deliberately to promote a cause. Example: Senator X wants to regulate the power industry. All Communist

governments regulate their power industries. Senator X is a Communist.

Technique 9: Unwarranted

Extrapolation - making huge predictions about the future on the basis of a few small facts. Example: If the U.S. approves NAFTA, thousands of jobs and factories will move to Mexico.



Mutual aid and mutual love to
produce more actively!



互助互愛積極生產

Propaganda Posters

1. Choose either the Nationalists or Communists to create a propaganda poster.
2. Your poster must use at least two propaganda techniques to sway your audience's opinion.
3. In a few sentences, explain your propaganda techniques on the back.
4. Your poster must have color.
5. Your poster must have words AND pictures.

The Two Ideologies/Groups and their Goals

The Nationalist were driven by the ideas of Sun Yatsen and his

Three People Principles:

1. Democracy
2. Nationalism
3. People's Livelihood

The Communist Party were focused on creating a socialist state in China

1. Redistribute land
2. Empower workers
3. Create an egalitarian (equal society)