

Economic Issues in Germany

Lesson: What changes have occurred in the former East Germany as the economic system has transitioned from a command to a market economy?

Note: The following lessons are for students studying economics at the introductory level, such as the 6th grade. Lessons will give continual review of the topic. Depending on the entry level knowledge of the class and/ or its ability level to grasp a concept, lessons may be omitted without the objective being compromised.

Lesson Objective

The students will be able to compare and contrast the command and market economic systems and explain the effects on the former East Germans as they have transitioned from the command to the market economy.

Materials and Resources

Worksheets

- Worksheet 1: “Economic Vocabulary Terms”
- Worksheet 2: “Economic Vocabulary Terms Crossword”
- Worksheet 3: “Economic Comparison Essay”
- Worksheet 4a-4i: “DBQ: Transition from a Command to Market Economy”

Transparency

- Transparency 1: “Economic Vocabulary Terms Crossword Answers”
- Transparency 2: “NYS Generic Rubric”

Teacher Resources

- TR 1: “Economic Simulation Game”
- TR 2: “Definitions of Economic Vocabulary Terms”
- TR 3: “Command Versus Market Advantages and Disadvantages”
- TR 4: “Possible effects of transitioning from the command to the market system”
- TR 5: “DBQ Pt. A Short Answers Rubric”
- TR 6: “DBQ Pt. B Data & Inferences”
- TR 7: “DBQ Pt. B Rubric Chart”

Manipulatives

- 100-150 stickers
- 3 packages each of red and green 3x5 index cards to be used as currency

Computer Usage

- SMARTboard

- Internet access

Strategies

During the years of Soviet occupation and political and economical control (1945-1989), the economic system of the former East Germany was the command economy. Under direction from Moscow leadership, East Germany was instructed to follow the basic principles of such a system. When the Berlin Wall fell in 1989 and Germany was officially reunited as one country in 1990, politically as well as economically, the economic system of the last 50 years was disbanded, and the market economy was made the official system for all of Germany. What changes have occurred? How do the Germans feel about the transition from one economy to another?

Day 1

This lesson requires students to have a basic understanding of 2 major economic systems, command and market. Begin with a simulation of a market and command economy. Read over Teacher Resource 1 (“Economic Simulation Game”) prior to engaging the students.

Upon completion of the simulation game and the reflection activity, students will use this knowledge as well as pertinent background knowledge to discuss the principles of economic decision making of both systems and the potential positive and negative effects. Tell students that former East Germany will be their case study. Give a brief historical overview of the division of Germany and post WWII era, from 1945 until the fall of the Berlin Wall.

Day 2

The teacher will distribute Worksheet 1 (“Economic Vocabulary Terms”). To help the students review the concepts, the teacher may guide the students in a whole class discussion as the terms are defined. Students will fill in Worksheet 1. The teacher may refer to Teacher Resource 2 (“Definitions of Economic Vocabulary Terms”). For further practice distribute Worksheet 2 (“Economic Vocabulary Terms Crossword”). The teacher may use Transparency 1 (“Economic Vocabulary Terms Crossword Answers”) to review student answers.

Day 3

Place students in groups of three to four. Distribute Worksheet 3 (“Command Versus Market Advantages/Disadvantages”). Based on previous lessons, students will fill in the blanks using the word choices located at the bottom. Teachers may refer to Teacher Resource 3 (“Command Versus Market Advantages/Disadvantages Answers”).

Day 4

Continue the case study of the former East Germany from the fall of the Berlin Wall in 1989, to its reunification and creation of a contemporary Germany. Based on the knowledge gained from class activities, students will predict the positive and negative effects a former East German faced and continues to face as the transition from the command to market economic system occurs.

Students may take notes as the teacher uses the *SMARTboard* or chalkboard to list student predictions. See Teacher Resource 4 (“Possible effects of transitioning from the command to the market system”).

Day 5

To assess student learning, a DBQ (Document-Based Question) should be distributed to students. See Worksheet 4a (“DBQ, Transition from a Command to a Market Economy”). Depending on student ability and experience with working with documents in the DBQ format, the scaffolding questions may be completed in groups or as a class. See Teacher Resource 5 (“DBQ Pt. A Short Answers Rubric”). The essay should be completed independently as an assessment tool. Students should be shown the generic rubric prior to the activity. See Transparency 2 (“NYS Generic Rubric”). See Teacher Resource 6 (“DBQ Pt. B Data & Inferences”) and Teacher Resource 7 (“DBQ Essay Rubric”) for evaluation purposes.

Economic Vocabulary Terms

Worksheet 1

1. Economics _____

2. Consumer _____

3. Producer _____

4. Supply _____

5. Demand _____

6. Price _____

7. Consumer goods _____

8. Services _____

9. Imports _____

10. Exports _____

11. Scarcity _____

12. Abundance _____

13. Gross Domestic Product (GDP) _____

14. European Union (EU) _____

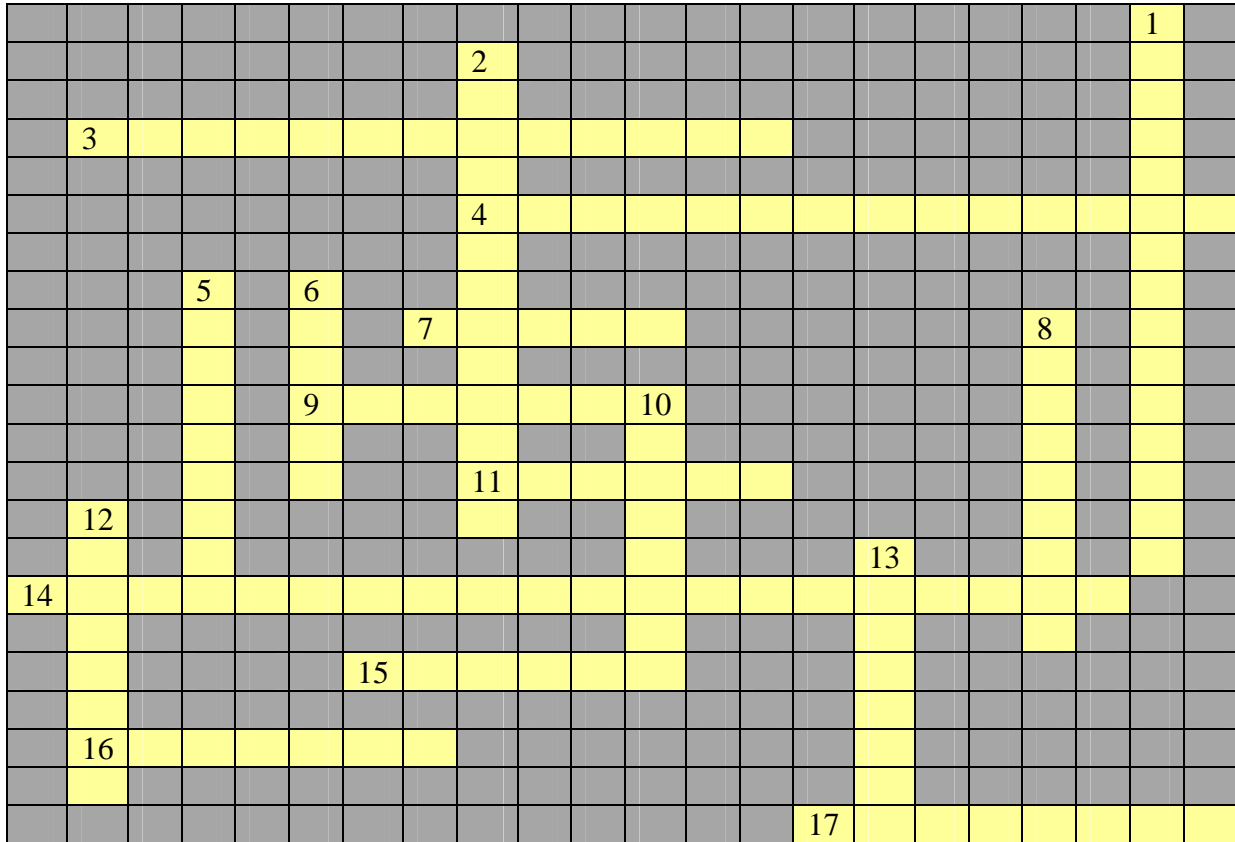
15. Opportunity cost _____

16. Unlimited wants _____

17. Choice _____

Economic Vocabulary Crossword

Worksheet 2



ACROSS	DOWN
3. Group of European member nations organized for economic cooperation.	1. What was not gotten because something else was chosen.
4. A desire to have it all.	2. Goods that satisfy human wants.
7. Cost of an item.	5. Study of how goods and services are obtained, produced, distributed, and used.
9. Goods brought into a country.	6. Choosing something over another.
11. Goods people want.	8. More than enough.
14. An estimate of the total money value of all the final goods and services produced in a given one-year period using the factors of production located within a particular country's borders.	10. Shortage of goods.
15. Goods available to buy.	12. Tasks performed.
16. Goods sold in another country.	13. People who buy goods.
17. One who manufactures goods.	

Command vs. Market Advantages and Disadvantages

Worksheet 3

Directions: Complete the outline during the class discussion.

Economic System	Advantages	Disadvantages
<p style="text-align: center;">Market</p>	1. Allows for _____ production to meet consumer demand.	1. Possible periods of _____.
	2. _____ regulations protect the consumer.	2. Private industry can _____ the supply of goods to bring about a higher price.
	3. _____ production affects prices.	
	4. Collective _____ procedures allow workers to have a say in their working conditions.	
	5. There may be _____ ownership.	
<p style="text-align: center;">Command</p>	1. _____ employment	
	2. Production goals can be set and _____	2. Workers have little say in their _____.
	3. No disruption of production due to _____ disputes.	3. Very little _____ either in choosing or changing jobs.
	4. _____ placement and use of workers.	4. Goods continue to be produced even if they are defective or not in _____.
	5. _____ industries such as transportation, communication, and utilities are under _____ control therefore allowing them to be available on a relatively timely basis.	5. _____ use of workers and materials.
<p>Choices for Market</p>	Workers, creative, shared, bargaining, government, competitive	Withhold, unemployment
<p>Choices for Command</p>	Efficient, government, labor, major, all, full	Working, mobility, consumer, inefficient, demand

Document-Based Question
“Transition from a Command to a Market Economy”
Worksheet 4a

Name _____

Social Studies

Date _____

Economics

This task is based on the accompanying documents (1-8). Some of these documents may have been edited for the purpose of this task. The essay will test your ability to work with documents. As you analyze these documents, take into account both the source of the document and the author’s point of view.

Directions:

Read the documents in Part A and answer the questions after each document. Then read the directions for Part B and write your essay.

Historical Context:

Following the aftermath of WWII, Germany was divided into East and West. East Germany, from 1945 to 1989, was controlled by the Soviet Union politically and economically. The command economy was the system the East Germans followed for over four decades. After the fall of the Berlin Wall, East and West Germany became one country politically and economically. Under the reunification plan, the former East Germany had to transition from a command to market economy.

Task:

By using information from the documents, as well as your knowledge of the topic, write an expository essay that discusses the changes which occurred as the former East German citizens transitioned from the command to the market economy. Discuss the positive and/ or negative effect these changes have had on the lives of the people.

- Explain 3 changes in the life of a former East German as the command economic system transitioned to the market system
- Discuss whether these changes had a positive and/or negative effect on the people

Include an introduction, conclusion and supporting paragraph(s). Be sure to cite the documents as you include specific details. You must also include additional information from your knowledge of social studies.

Part A
Short Answer
Worksheet 4b

The documents give example of the effects that the market system policies have had on the lives and attitudes of the former East Germans who have dealt with the changes. Examine the documents carefully and then answer the question(s) that follow each document.

Document 1: Graffiti



Translation: "Capitalism has no problems – it is the problem!" - For the Communists
Source: http://www.graffitiint.com/images/communist_jpg.jpg
(Not provided by Kim O'Neil)

This sign was found painted on a building along a street in Erfurt, a city in the former East Germany.

1. Which economic system is being targeted?
2. Is the graffiti writer for or against the change to market economy?
3. Based on your answer to #2, find 2 words which prove your answer correct.
4. Does the picture make one think there is a organized group with these feelings?
5. What is the use of the hammer & cycle as a symbol conveying?

Document 2: Hotels

Worksheet 4c
(Photos not provided by Kim O'Neil)



Left photo: [http:// puffbohne.fkpress.de/fotos/Ansichten/neues_erfurt_001.sized.jpg](http://puffbohne.fkpress.de/fotos/Ansichten/neues_erfurt_001.sized.jpg)

Right photo: http://www.accommodationow.com/images/hotels/pic_5_5703_7_F.jpg

Under the command economy, businesses were owned by the government. These 2 hotels are located near each other in Erfurt, a city in the former East Germany.

1. How can we tell little attention was given to the government-run hotel?
2. How can we tell that the consumer's needs are now being addressed?
3. How can one assume that tourism is important to the economy?

Document 3: Candy Company Owner

Worksheet 4d

(Photos not provided by Kim O'Neil)



Outside the Hoinkis Factory
Source: <http://www.hoinkis.de>



Hoinkis Candy Products
Source: <http://www.hoinkis.de>

Only a small river separates the east German city of Görlitz from Poland. In 1896 a small nonpareils candy company was founded there by the Rudolf Hoinkis family. Today it is still a family run business with Mr. Bernd-Christian Hoinkis as the general manager, but for much of the 20th century this candy company was not always run nor owned by the family. The following is a synopsis of the company's history as told to me by Mr. Hoinkis in July of 2003:

In 1945 when East Germany was under the command economy, the government took control of the business, however, family members were allowed to remain employed since they knew how to make the candies. The government was the only customer so there was no need to improve technologically or deal with advertising. In 189 the command economy fell. One reason for this was because the system at the time didn't work economically. This was a very chaotic time for the country and for Mr. Hoinkis because he didn't know the market economy. He also had to buy the company back from the government although he claims it was not much, and he has 20 years to pay them. However, under the command economy, the company had lost 40-50 years in the modern manufacturing world. They didn't know how to package or advertise the product so it was hard to export to the West. The result was the company was going to close, but Mr. Hoinkis went to a sweets fair in Cologne, Germany. There he met a Belgian who was interested in packaging the sweets so they could compete in the Western markets. Things moved fast and in 1994 the company received an award for the sweets and in 1996 a new factory was built. The candy products are now exported to 22 countries and the factory now has 3 working shifts of employees.

Under the command economy, salaries were low, but there was no unemployment in the area. All the candy prices were fixed. There was no need for the consumer to compare prices so they mode of life was easier. Under the market economy, there was an 800% increase in efficiency. One machine took the place of 40 people. 98% of the people like the new system. Mr. Hoinkis is now looking at the eastern markets in Poland and the Czech Republic.

Worksheet 4d: Continued
Retold by Kim O'Neil

Questions:

1. Who owned the company between 1945 and 1989?
2. Name one reason why company almost closed in 1990s?
3. Explain why the company was able to exist under the command economy, yet had difficulty after 1989?
4. What percent of the people does Mr. Hoinkis feel are unhappy with the market economy?
5. Give one negative effect of the transition to the market economy?
6. Give one positive effect of the transition to the market economy?
7. How do we know that Mr. Hoinkis is determined to make his company successful in the market economy?

Document 4: Car Industry

Worksheet 4e



Source: <http://trabant.shocauto.com/images/Trabant-s.jpg>

Along a city street in Erfurt, in the former East Germany, it is not difficult to spot a new BMW, but it is rare to still find an old Trabant.

In the former East Germany, the Trabant became the symbol of Eastern transportation. Built of plastic, wood, and fiberglass, the last Trabant made in 1991 differed relatively little from its 1957 model. Because of Moscow's insistence on having a monopoly on powerful motors, the Trabant's top speed was between 40 – 50 mph with a motor sounding like a loud motorcycle. The Horch factory which manufactured the cars was nationalized after WWII. After the collapse of the command economy in 1989, there were efforts to mount a larger engine in the car to make it competitive in the new market state. However, people who were only able to purchase a Trabant over the past 40 – 50 years really wanted to choose among the large variety of options now available.

The Trabant, however, is not forgotten. As a reminder of the past, there is a gathering of international Trabant drivers held in Zwickau, the town of the former factory. Many East Germans are determined not to let the Trabant disappear. Although with the cease of production, the city of Zwickau witnessed the exodus of many residents to the West. High unemployment continues to be a problem.

Worksheet 4e: Continued

Questions:

1. Why would the Trabant have difficulty competing in the 21st century automobile market?
2. In the command economy there is little focus on consumer goods. How does the article above prove this concept true?
3. How do we know that there are many people who look at the Trabant with positive feelings of nostalgia?
4. Name one positive and one negative effect the market economy has made on the town of Zwickau?

Document 5: City Buildings

Worksheet 4f



Source: <http://mks.antville.org/static/mks/images/grltz.jpg>

Görlitz, a city in the former East Germany, sits along the Polish border. Here it is common to find a newly refurbished building alongside one of disrepair. Since the German reunification, over half of the town's buildings have been restored. Prior to 1989 little was done by the government to maintain these landmarks. Since 1989 over half of the structures in the old town have been restored.

Questions:

1. Why would one look at the city of Görlitz prior to 1989 give one an indication that the command economy was not doing well?
2. Why didn't the Görlitz citizens use their money to fix buildings?
3. Based on the document, why might a resident of Görlitz have positive feelings toward the market economy?

Document 7: Art Director

Worksheet 4h

The following is a secondary source document by Kim O'Neil:

During the summer of 2003 I was fortunate to travel to city of Erfurt located in the former East Germany and speak with Dr. Jutta Lindemann, a college art teacher for over 25 years and presently the director of fine arts and projects in Erfurt, a woman who had lived her entire life under the command economic system. Over lunch she shared her thoughts and personal experiences living under both economic systems. I was anxious to hear how thrilled she was with the market society and how she must enjoy the variety of consumer goods now available to purchase. I was in for a shock.

Dr. Lindemann felt that the biggest change for her under the market system was that now she was responsible for herself. Basic costs for food and housing were now much more expensive since the government did not control the prices. Under the command society she had been a college teacher and would have had that job for life, but under the market system she was let go because student enrollment had dropped. Many families left the area because the local factories were so far behind technologically that they could not compete with the products from the West. She felt badly that many families were split since one parent would leave the area in search of employment. She had had to search for a job and felt she was one of the fortunate to have found one in Erfurt so that she did not have to move and leave her friends.

To her capitalism was not removing her from a life of drudgery from lack of consumer goods. She asked, "What is the excitement of choosing from many washing machines when one is enough choice? Life which had been easy has now become complicated." People thought that life prior to 1989 had been repressed, but "this was not true for the average person." She did not feel it was best to have changed completely from the command to the market economy. "They should have kept the best of our previous system. To throw it all away they are saying that we have lived our lives incorrectly for all of these years. I disagree," she said.

Many people have gone into great debt to purchase these new consumer goods. Since they had no training or basic concepts of credit, they bought far more than they could afford and many may never be out of debt.

I left the restaurant realizing that all of my life I had lived under the market system as she had lived under the command system. That day I learned how important it is to hear the viewpoints of those who have the experience rather than to rely on what I think they must feel.

Questions:

1. Why are the prices for housing and food higher now than before 1989?
2. Why did the factories close under the market system?
3. How have individual families been affected by the market system?
4. What became available under the market economy to help people make purchases?
5. How does Dr. Lindemann feel about the greater choice of consumer goods?

Document 8: Consumer Goods (Internet Site)

Worksheet 4i

Allow students to access the Internet site or print the following article:

<http://www.iht.com/articles/89488.htm>

East Germans Hanker After Bygone Things

Nora FitzGerald IHT

Freelance journalist, Berlin

Wednesday, March 12, 2003

BERLIN More than 12 years after the fall of the Wall, East Germans are seeking out the cosmetics, creams and spirits and sweets of their youth, in their own quest to rediscover their past - in this case a past that nearly disappeared without a trace.

By 1990, very little routine was left for the East German, and suddenly nothing was familiar. Eastern products were left to languish and then perish when luxury goods from the likes of Yves Saint Laurent, Clinique and Estee Lauder entered the Eastern marketplace after 1990. But by the mid-1990s, a general ennui had struck many East Germans regarding the West's forbidden luxuries.

"Women's faces were breaking out from the cosmetics and they didn't like the extra cologne in the creams," said Marianne Koos, whose inconspicuous shop tucked in Berlin's Alexanderplatz train station specializes in Eastern products.

More often, many East Germans simply missed the smells, the textures and the memories that went along with the products they knew.

"East Germans had such a longing for products from the West they couldn't buy before," said Bernd Niemann, marketing director for Berlin Cosmetics in Berlin. "Then something strange happened. They realized the products were not better and a lot of advertising promises could not be kept - at the same time that Chancellor Helmut Kohl's promises could not be kept. That was when they returned to the things they knew."

The feeling was coined *ostalgie*, a union of the word *Ossie*, or Easterner, and the German word for nostalgia. In recent years a trade fair of Eastern products has emerged in Dusseldorf, Germany's fashion capital.

In 1990, Alexander Buschner recalls walking into his local shop in East Berlin to find only one product, a box of matchsticks. The store was preparing for the influx of goods from the West. "It was a shock for me," he said. "But we had also wanted it. Finally we could shop in the West that had been forbidden to us."

Today, the 54-year-old archivist and collector shops in Koos's store, as well as other Eastern specialty shops. "I am buying this shampoo, Wutapoon, because it is a classic and the best

dandruff shampoo on the market," he said. Since Buschner is very nearly bald, one wonders if this isn't an emotional purchase.

"I know them all," he said, looking at the unadorned, straightforward packaging around him. "And I remember them fondly."

Sabina Voigt, 40, is buying Florena face cream, a favorite of East Germans, and chocolate. "The Western creams have too much fat in them," she said. "My son is a typical boy from the West. But I like to buy him the chocolate and the sweets we were eating, and I prepare things for him. The flavor brings back the feeling of my own childhood."

Several popular Eastern products, many of them beauty aids, have survived against all odds because of this deep loyalty. Berlin Cosmetics is a firm from the former times that has not changed its labeling and looks antiquated, even cheap, to the outsider. The state-owned enterprise was the only provider of lipstick to East German women 12 years ago. After a difficult transition, the company regained market share with its cult-like following until it had 10 percent of the market by the late 1990s.

Florena skin creams, long the staple cream for East German women, has been bought by the giant Nivea over the past four years, yet it has maintained its management and identity for their East German customers.

Rotkaeppchen Sekt, the sparkling wine, is also thriving - and famous as one of a handful of East German brands to buy a West German brand - in this case the sparkling wine, Mum. The acquisition last year increased its cachet with the average East German.

After state-owned enterprises were privatized in the early 1990s, loyal customers kept these products afloat, remembering them as a little indulgence because cosmetics, creams and spirits could be hard to find under the old system.

"Socialist countries could never keep supply up with demand, and luxury goods were rare," said Peter Claussen, marketing director for Rotkaeppchen Sekt-Mum. "These products were relatively expensive and you couldn't get them everywhere. And with Rotkaeppchen, you only had it when there was something to celebrate."

These old products can warm the East German heart, a fact that the new German film "Goodbye Lenin" parodies. In the movie, a good socialist mother falls into a coma and wakes up after the Wall has come down. Fearing she will revert into a coma, her son haunts the shops of Berlin searching for the products she craved in the German Democratic Republic. The movie has captured the imagination of German filmgoers West and East.

Yet there are lingering differences. According to Alexander Mackat, who runs an advertising boutique targeting Eastern consumers, "East German women prefer a more natural look and don't buy as many cosmetics. Yet they color their hair more often than women from the West, who tend toward highlighting."

"You have to understand, it was like a big takeover for East Germans," said Mackat, referring to the unification of Germany. "We were told our biography is horrible and has no meaning. We had to cocoon ourselves for self-protection, and this was the beginning of ostalgie. Today we have what we call 'ostimism.'"

"East Germans Hanker After Bygone Things" Questions

1. Why did so many East German goods seem to disappear?

2. When did the people return to their old products?

3. What has the reunification of Germany, with its transition from one economic system to another, felt like for some East Germans?

Document-Based Question
“Transition from a Command to a Market Economy”
GENERIC SCORING RUBRIC
Part B — Essay

Score: 5

- Thoroughly answers all aspects of the task by using the documents and may bring in relevant outside information related to the documents
- Consistently uses and interprets accurate data from the documents as well as relevant outside information
- Accurately analyses, interprets, and develops ideas fully, using such supporting evidence as examples, reasons, details, explanations, and generalizations that are relevant and appropriate
- Consistently demonstrates a logical plan of organization and coherence in the development of ideas
- Consistently expresses ideas clearly within a logical plan

Score: 4

- Answers all aspects of the task by using the documents and may bring in relevant outside information related to the documents
- Consistently uses accurate data
- Develops ideas fully, using such supporting evidence as examples, reasons, details, explanations, and generalizations that are relevant and appropriate
- Demonstrates a logical plan of organization and coherence in the development of ideas
- Consistently expresses ideas clearly

Score: 3

- Answers most aspects of the task by using the documents
- Generally uses accurate data
- Develops ideas satisfactorily with adequate supporting evidence
- Develops an answer, using a general plan of organization
- Generally expresses ideas clearly

Score: 2

- Answers some aspects of the tasks by using some of the documents
- Uses some accurate data
- Demonstrates weakness in development of ideas with little supporting evidence
- Attempts to organize an answer but is weak and goes off the topic
- Attempts to express ideas clearly

Score: 1

- Shows limited understanding of the task
- Does not use information to support ideas or uses information which is not relevant
- Fails to use documents or only vaguely refers to the documents
- Lacks a plan of organization

- Does not express ideas clearly

Score: 0

- Fails to answer question or response is totally unrelated to topic
- Uses no accurate data
- Illegible or so many words cannot be read that no sense can be made of the response
- Blank paper
- Is incoherent; i.e., words are legible but syntax is so garbled that no sense can be made of the response

Adapted from the NYS Generic Rubric

Economic Simulation Game

Command Versus Market

Teacher Resource 1

Teacher directions:

The students will be divided into 3 groups. One group will be the command economy, one group will be the market economy, and one group will be the consumers. Let the students “play” the game without any prior instruction or review of economics. Do not let the other groups hear the “rules” of the other group.

Let the game begin!

Group 1: Command

The command economy consists of 4 students. Each student receives 10 stickers only. They must sell the stickers at a given price set by the government (teacher). One sticker should be sold for 1 **red** index card only.

Group 2: Market

The market economy will consist of 6 producers (students). Each student will be given an equal amount of the remaining sticker collection. The goal of each producer will be to make as much money as they can. They can change the price of the stickers as they see fit. When the teacher notices that the supply of stickers is running low, the game should be stopped.

Group 3: Consumers

The consumers will consist of the remaining students in the class. They will each be given 10 red index cards and 10 green index cards which represent paper currency. Their goal will be to buy as many stickers as possible.

Conclusion:

Once the buying has ended, the students return to their seats. The consumers are to count their stickers and both economic systems are to count their money. The command system group are to only have red index cards and most probably 10 of them. Technically there is no winner. All should have the same amount. (If they have any green index cards or more than 10 red index cards, we discuss their “arrest” by me, the government. Generate these answers from the students!) This then leads to the discussion of a black market. Ask the market economy group to share their earnings. The terms, profit, supply and demand, etc are discussed. The one with the most “money” is determined the winner. The consumer with the most stickers is also the winner.

REFLECTION:

As a group create a chart of the characteristics of the market and the command economy.

EXAMPLE: These are sample answers from a 6th grade class.

As the teacher asks students to compare and contrast these 2 economic systems, the students will generate the answers from their background knowledge, the simulation game, and teacher discussion.

<u>Market</u>	<u>Command</u>
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1. Since economics is the study of how goods and services are obtained, produced, distributed, and used, tell how these occur in each system.

<ul style="list-style-type: none"> • Goods are produced by the producer 	<ul style="list-style-type: none"> • Goods are produced by the government
<ul style="list-style-type: none"> • Goods are produced for as long as there is consumer demand 	<ul style="list-style-type: none"> • Goods are produced for as long as the government will produce them; consumer goods receive little attention.
<ul style="list-style-type: none"> • Goods are distributed where they will be sold for the highest price and make the greatest profit 	<ul style="list-style-type: none"> • Goods are sold wherever the government decides is best for the system; consumer input is not requested; making a profit is not required; a black market system may develop because of consume demand
<ul style="list-style-type: none"> • Products are used under government safety rules 	

2. How is price determined?

<ul style="list-style-type: none"> • By the producer based on the supply and demand and on the competition 	<ul style="list-style-type: none"> • By the government
<ul style="list-style-type: none"> • As the supply dwindled, the price increased 	<ul style="list-style-type: none"> •
<ul style="list-style-type: none"> • Greater demand meant higher prices 	<ul style="list-style-type: none"> •
<ul style="list-style-type: none"> • The producer could negotiate with the consumer: seller reacted to the buyer 	<ul style="list-style-type: none"> • The seller won't make deals with the consumer

3. How does the consumer feel?

<ul style="list-style-type: none"> • Feeling of freedom 	<ul style="list-style-type: none"> • The consumers were not satisfied
<ul style="list-style-type: none"> • Feeling of competition as the consumer 	<ul style="list-style-type: none"> • Supply did not meet demand: supply was limited
<ul style="list-style-type: none"> • Keeps looking for a better deal 	<ul style="list-style-type: none"> • Few consumer goods
<ul style="list-style-type: none"> • Feeling that the system was based on greed 	
<ul style="list-style-type: none"> • Feeling of unlimited wants with producers trying to comply with abundance of goods 	
<ul style="list-style-type: none"> • Feeling protection from irresponsible producers because the government set regulations to protect the consumer 	

Definitions of Economic Vocabulary Terms

Teacher Resource 2

Directions: Use any available resource to define the following economic terms.

1. *economics*: study of how goods and services are obtained, produced, distributed, and used
2. *consumer*: people who buy goods
3. *producer*: one who manufactures goods
4. *supply*: goods available to buy
5. *demand*: goods people want
6. *price*: cost of an item
7. *consumer goods*: goods that satisfy human wants
8. *services*: tasks performed
9. *imports*: goods brought into a country
10. *exports*: goods sold to another country
11. *scarcity*: shortage of goods
12. *abundance*: more than enough
13. *Gross Domestic Product (GDP)*: an estimate of the total money value of all the final goods and services produced in a given one-year period using the factors of production located within a particular country's borders
14. *European Union (EU)*: group of European member nations organized for economic cooperation
15. *opportunity cost*: what was not gotten because something else was chosen
16. *unlimited wants*: a desire to have it all
17. *choice*: choosing something over another

Command Versus Market

Advantages and Disadvantages

Teacher Resource 3

Directions: Complete the outline during the class discussion.

Economic System	Advantages	Disadvantages
Market	<ol style="list-style-type: none"> 1. Allows for creative production to meet consumer demand. 2. Government regulations protect the consumer. 3. Competitive production affects prices. 4. Collective bargaining procedures allow workers to have a say in their working conditions. 5. There may be shared ownership. 	<ol style="list-style-type: none"> 1. Possible periods of unemployment. 2. Private industry can withhold the supply of goods to bring about a higher price.
Command	<ol style="list-style-type: none"> 1. Full employment 2. Production goals can be set and all the nation's energies may be directed to reach these goals. 3. No disruption of production due to labor disputes. 4. Efficient placement and use of workers. 5. Major industries such as transportation, communication, and utilities are under government control therefore allowing them to be available on a relatively timely basis. 	<ol style="list-style-type: none"> 1. Production does not respond to the consumer. 2. Workers have little say in their working. 3. Very little mobility either in choosing or changing jobs. 4. Goods continue to be produced even if they are defective or not in demand. 5. Inefficient use of workers and materials.
Choices for Market	Creative, shared, bargaining, government, competitive	Withhold, unemployment
Choices for Command	Efficient, government, labor, major, all, full	Working, mobility, consumer, inefficient, demand

Possible effects of transitioning from the command to the market system

Teacher Resource 4

Based on their background knowledge have students predict the possible effects the former East Germany has faced and continues to face as it transitions from the command to the market system. The following are possible examples.

Positive

- More consumer products
- More private ownership of housing and business may occur
- Credit will become available
- Long lines for consumer goods will disappear
- Workers may demand higher wages
- Greater possibility of purchasing luxury and high tech goods
- Standard of living may increase if consumer has the money

Negative

- Loss of jobs
- Prices will no longer be controlled by the government, therefore prices may rise
- Housing will no longer be controlled by the government so rent may rise
- Citizens are unfamiliar with consumer economics and may overspend on credit
- Bankruptcy and homelessness may occur
- Unskilled workers will be unemployed
- Greed may develop
- Strikes may occur
- Products may not be able to compete with the advertising of products from the market system
- A feeling of fear of the unknown
- Discovery that more goods does not necessarily mean more happiness
- Because of unemployment families may have to move or be separated during job search

Document-based Question

Part A: Short Answers Rubric Teacher Resource 5

Document 1: Graffiti

- Question 1* market or capitalism
Question 2 against
Question 3 crush, protest, resistance, fight (any 2)
Question 4 stencil or top left picture
Question 5 saying that capitalism is invasive, a pest to society

Document 2: Hotels

- Question 1* in disrepair, does not appear to have been maintained in years
Question 2 the building is more eye appealing to the consumer
Question 3 businessman decided to finance the building of a new hotel

Document 3: Candy Company Owner

- Question 1* the government
Question 2 they were lacking in technology or they did not know how to market their product
Question 3 there was no competition for their product under the command economy
Question 4 2%
Question 5 unemployment or higher price for candy
Question 6 Mr. Hoinkis has the ownership of his family's company OR Mr. Hoinkis is able to make a greater profit by raising the price if he choses. The efficiency of producing the candy improved and the packaging of the candy became more pleasing to the consumer
Question 7 he attended a sweets fair for ideas
he is looking to the East for more markets

Document 4: Cars

- Question 1* did not meet the consumer's standards or desires
Question 2 the Trabant differed little for many decades
Question 3 there is an international club
Question 4 positive: more choice, faster and nicer looking cars
negative: loss of jobs, people must move from their homes to new locations

Document 5: City Buildings

- Question 1* there appears to have been little or no money spent on building maintenance

- Question 2* the buildings were not privately owned but government owned
Question 3 their city is being restored

Document 6: Private home

- Question 1* he owns the home and private ownership of homes was not permitted under the command economy which was pre-1989
Question 2 private citizens may now own their own home or private citizens may borrow money to fix their homes

Document 7: Art Director

- Question 1* the government does not control them
Question 2 they were lacking in technology or the product could not compete against the Western markets
Question 3 many families are divided as the parents search for jobs
Question 4 credit
Question 5 more choice does not necessarily mean better

Document 8: Consumer Goods Internet Site

- Question 1* people did not buy them once they could buy the luxury good of the West
Question 2 when they realized the advertising did not hold true or the products helped them remember the past and this made them feel more comfortable
Question 3 likes a takeover; their past has no meaning

Document-Based Question

Part B: Inferences drawn from documents which may be used in the essay

Teacher Resource 6

“Command to Market Transition”

Part B: Information taken from documents as well as background knowledge to be used in essay

- Explain changes in the life of a former East German as the command economic system transitioned to the market system
- Discuss whether these changes had a positive and/or negative effect on the people

Document 1: Graffiti

- Graffiti writer believes that the market, capitalist, system is not good. There is a very negative feeling with the use of such words crush, protest, resistance, and fight.
- Also the stencil graffiti lends one to think there is an organized group which is anti-market economy.
- The depiction a capitalism as a bug is further indicating that the market society is not a positive change

Document 2: Hotels

- Under the command economy little attention to consumer interests such as hotels was given. Under the market system, new hotels that are eye-appealing are being built. The other hotel does not look like any attention was given to it in years. Travel is becoming an important part of the market economy for this city.

Document 3: Candy Company Owner

Positive effects

- An individual may now own a company whereas before on the government could own it
- Improved technology so more efficiency in production
- Greater market opportunity
- Now an opportunity to make a profit
- Consumer enjoys nice packaging

Negative effects

- Unemployment
- Higher prices for the product

Feelings

- An opinion from the owner that 2% of the people do not like the market system

- Owner of the company enjoys the success of his efforts to create a competitive candy company

Document 4: Car Industry

- Consumers now have a greater choice of cars
- There is unemployment now
- People have had to move from their homes in search of jobs
- A car rally of Trabant's indicates there is a feeling of nostalgia for the past

Document 5: City Buildings

- While under government ownership little money was spent to maintain city buildings
- Citizens would be pleased to see that buildings in their city would be restored

Document 6: Private Home

- Now citizens can privately own their own home
- Citizens can borrow money to improve their living conditions

Document 7: Art Director

- Families are divided as parents search for jobs
- Life is more complicated than before
- There is a feeling that their life before 1989 was worthless
- Not understanding credit has caused hardship for some
- More choice does not necessarily mean better
- Without government controlling prices costs are higher

Document 8: Consumer Goods Internet Site

- Consumer goods often have emotional connotations so regardless of packaging and promises of the product, people want products that make them remember happy times; therefore the market economy with all of its variety of consumer goods was enticing, but having a feeling of comfort is more important for many people