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Mit diesem Arbeitsblatt entdecken Ihre Schülerinnen und Schüler Länder, Märkte und Wirtschaftssysteme – auf Englisch.

In Zusammenarbeit mit:



Flossbach von Storch  
STIFTUNG



Europe, trade and economy

## TOWARDS A FREE-MARKET ECONOMY: ECONOMIC TRANSITION IN EUROPE

For learners of English as a foreign language: (B1/B2), *Gymnasiale Oberstufe, Realschule, Jahrgangsstufe 10-13*, or learners at bilingual schools (21st-century skills education, economics, social sciences, geography) as well as learners at German schools in English-speaking countries (*Deutsche Auslandsschule*).

### TABLE OF CONTENTS

- 2 Introduction
- 3 Mindmap: free-market economy
- 7 Poster presentation: international trade
- 8 Discussion: Adam Smith's views on the economy
- 9 Key terms in economics
- 10 Creating a role-play
- 11 Webquest: presenting a country
- 12 For the teacher

#### **Schülerwettbewerb**

„In welcher Wirtschaftswelt wollen wir leben?“ – Anmelden und Mitmachen!

[www.econo-me.de](http://www.econo-me.de)

## INTRODUCTION: CONTENT, GOALS AND COMPETITION

Europe's history of political change in the early 1990s and the expansion of the European Union in 2005 provide students with some great examples of economic transition. One of the countries that went through some great transition following the collapse of communism is the Czech Republic. Help your students to understand central European economics a little better, while also exposing them to the ideas of pioneering Scottish economist Adam Smith.

A mindmap task introduces the topic to your students. Take a moment to assess how much pre-existing knowledge there is in terms of economics and the English language. Let your students translate terms they only know in German. Afterwards, two reading passages give insight into the economy in the Czech Republic and the ideas of Adam Smith. In a group poster, students can demonstrate their understanding of what they have read in a visual format. Eventually, they will come up with a role-play based on Smith's ideas in a modern Czech context, once again sharing their views on the content in a creative manner. One of the role-plays might even qualify for the *econo=me* contest 2021/2022 (see below)! If not, a webquest provides students with another opportunity to conduct good research, transfer their knowledge and showcase their presentation skills. They'll learn more about economies in transition, gather information online and present another country in an interesting way.

"What kind of economic world do we want to live in?". *econo=me* is inviting students across the country to share their thoughts on economic systems, the social market economy, economic transition and future challenges. In this competition, groups of students from the 7. Jahrgangsstufe onwards from all types of schools can take part. The deadline is 28 February 2022.

How to set this up as a school project: Whether or not you would like your students to take part in the competition, you can assist them as a group of teachers from various subjects, e.g. economics, English, social sciences or geography. If you shift the focus from language-teaching to a more content-oriented approach, you can even have your colleagues from other departments take over some of the tasks presented in this material. Constant supervision by an English teacher is not necessary for all of the tasks, as the students will already know how to do group work in English and use dictionaries for support. The overview on page 12 can help you to distribute the content among the various teachers involved.

ZEIT Sprachen publishes digital and print language-learning material for the following languages: English (Spotlight and Business Spotlight), German (Deutsch perfekt), Spanish (ECOS), Italian (Adesso) and French (Écoute). The article used here is taken from Business Spotlight magazine and is written in UK English.

## MINDMAP

### 1. What you know so far

What is a free-market economy? Collect your first ideas on the topic and group key words around the term "free-market economy". You can add details, other (broader) concepts, conclusions and contrasting terms to the mindmap, using logical connections, arrows and contrast markers.



## EUROPE'S CENTRE GROUND

Formerly part of Czechoslovakia, the Czech Republic's political, economic and social journey has clearly been successful. PAUL WHEATLEY describes the country's transition from a centrally planned economy to a free-market economy, from a dictatorship to a democracy.

### 2. Dividing the work: ABCD

Work in groups of four. First, read the paragraph on this page. Then, divide the text. Choose text A, B, C or D. Read your text individually. Then, join the other people who have also read the same text as you. Discuss the content together. Has everyone understood the main points of the text? Afterwards, return to your original group. Tell your group members what your text is about.

- “Czechoslovakia,” wrote British historian Timothy Garton Ash in 1990, “had a real chance of making the larger transition from dictatorship to democracy, and from a planned to market economy, with relatively less economic pain than its neighbours.” Garton Ash had good reason to be confident about the country's imminent transition. “Czechoslovakia,” he noted, “was much the most democratic state in the region before the [Second World] War.” And as a simple look at a map tells us about its capital: “Geographically,” he wrote in his book *We the People*, “Prague lies west of Vienna. Culturally, it is the Central European city.” Written just months after the country had overturned four decades of communism, this assessment has stood the test of time.
- 10 Nevertheless, with its economy in need of rapid modernization, will tomorrow's Czech Republic still be the model post-communist country that it once appeared to be?

#### transition

- Übergang, Wandel

#### imminent

- bevorstehend

#### overturn sth.

- etw. umstoßen, aufheben

#### stand sth.

- hier: etw. bestehen

### A) Economic competence

- 15 Since its transition from communism, the Czech Republic has gained a reputation for economic competence. Bernard Bauer is head of the German–Czech Chamber of Industry and Commerce (DTIHK), which has around 700 members, including companies such as Siemens, Bosch and Volkswagen-owned Škoda Auto. Bauer sees such German investment as a sign
- 20 of confidence in the skills available in the Czech Republic and its healthy economy. He also points to the number of German SMEs (small and medium-sized enterprises) firmly established in the Czech Republic: “The German Mittelstand is very active in producing here, and they are a real success story.”
- 25 According to World Bank figures, research and development (R&D) in the Czech Republic rose from around 1.24 per cent of GDP in 2008 to 1.97 per cent of GDP in 2014. Similarly, in 2015, the OECD published a report stating that “within the last seven years the number of R&D staff in companies and universities has grown by 50 per cent and R&D funding has exceeded two
- 30 per cent of GDP, with a growing share of that going to small and medium-sized domestic firms”. The conclusion, claimed the report, was that “the Czech Republic is an ideal environment for launching a new industrial revolution”.

### 35 B) Strong industrial heritage

- Part of the multinational and multi-ethnic Habsburg and Austrian empires for centuries, the “Czech lands” industrialized sooner and more rapidly than many other countries in Central and Eastern Europe. The industrial tradition of the Czech lands has fed into the modern Czech economy. Today, around
- 40 one-third of all employment is in manufacturing, representing the largest proportion in the European Union. Investors like the fact that the Czech Republic has relatively low wages compared to the average across the EU. The country excels in the auto industry: Volkswagen bought Škoda in 2000 and has invested heavily in the plant, equipment and skills. Škoda announced in
- 45 January 2019 that it had produced a record 886,100 vehicles in the Czech Republic in 2018, up 3.3 per cent from 2017. Škoda says it is investing €2 billion in “electromobility and new mobility services”. The automotive sector makes up to nine per cent of Czech GDP and around 25 per cent of exports. “Roughly 400,000 people work in this branch,” says Bauer.

#### chamber of industry and commerce

- Industrie- und Handelskammer

#### SMEs (small and medium enterprises)

- kleine und mittelständische Unternehmen

#### GDP (gross domestic product)

- BIP (Bruttoinlandsprodukt)

#### conclusion

- Schlussfolgerung

#### heritage

- Erbe, Geschichte

#### feed into sth.

- in etw. einfließen

#### excel in sth.

- sich in etw. hervortun

#### plant

- (Produktions-)Anlage

#### branch

- hier: Industriezweig

### C) The importance of the European Union

The Czech Republic's European Union membership has been central to the success of the Czech economy. Created in the aftermath of the First World War, Czechoslovakia was a construct principally between Czechs and Slovaks, with a significant ethnic German population. Czechoslovakia had a well-educated and skilled civil service. Until the German occupation of Bohemia and Moravia in March 1939, Czechoslovakia had been the only democracy to survive from the states created out of the Austro-Hungarian Empire. The memory of German occupation, followed by four decades of communist rule, looms large in Czech history. But from 1989 onwards, freedom, democracy and capitalism became a reality, and in 2004, the country joined the EU. Today, foreign investment partners from Germany and elsewhere, along with access to European markets, are central to Czech prosperity: intra-EU trade makes up 84 per cent of Czech trade. Germany is its biggest export partner (32 per cent), followed by Slovakia (eight per cent) and Poland (six per cent). Germany, Poland and Slovakia are also its main source of imports.

### D) Transforming the Czech economy

Maybe there is little to worry about. In its annual business survey for 2018, the DTIHK reported that the mood of German investors in the Czech Republic was at its most optimistic since the annual survey began, in 1992. However, for the third year in a row, investors also mentioned the "availability of skilled workers" and "full employment in the country" as major challenges. Producing home-grown, highly skilled Czechs is key to continued economic success. But the education system appears to be failing the economy. Bernard Bauer praises current skills in Czech manufacturing and industry. But "vocational schools are not up to the demands of industry," he says. They simply don't produce enough people to work in today's manufacturing-focused economy. Mike L. Smith agrees. "The Czech Republic is trying to transform itself into a service-based, knowledge economy. In order to transform the economy, however, you need to transform the education system," says Smith. "And this simply isn't happening." The Czech education system, therefore, is in a double bind: it's not only failing to produce enough people to perform today's skilled manufacturing jobs; it is also failing to produce enough young people with the skills to transform the economy for the future.

**aftermath: in the ~ of...**  
 ► (in der Zeit) nach ...

**loom large**  
 ► große Bedeutung haben

**in a row**  
 ► in Folge

**home-grown**  
 ► einheimisch; hier: im Land ausgebildet

**vocational school**  
 ► Berufsschule

**up: be ~ to sth.**  
 ► etw. gerecht werden

**double bind: be in a ~**  
 ► sich in einem Dilemma befinden

from: Paul Wheatley, Europe's Centre Ground, *Business Spotlight* 4/19, p. 22-27

## THE CZECH REPUBLIC AND INTERNATIONAL TRADE

According to the Czech National Bank, German investment in the Czech Republic is around 16 per cent of all foreign investment in the country. According to the German–Czech Chamber of Industry and Commerce (DTIHK), German companies employ between 200,000 and 250,000 people. The largest five German companies in the Czech Republic by number of employees are:

- Škoda Auto: 31,626 employees
- Kaufland: 23,500 employees
- Siemens: about 13,000 employees
- Lidl: about 11,000 employees
- Continental Automotive Czech Republic: 10,291 employees

**Source:** DTIHK (<https://tschechien.ahk.de>)

**3. Visualize:** Work in a small group. Create a poster based on your results from tasks A-D. Later, present it to the class. When presenting the poster, highlight the role of international trade in this context.

- A) What products do the companies mentioned above sell?
- B) Brainstorm some common business practices. How do these companies engage in international trade in order to produce and assemble their products?
- C) Get creative! Try to think of a few things that the Czech Republic could provide these companies with. If you run out of ideas, then refer to the notes on paragraph B.
- D) Give advice: What does the Czech Republic need in order to be of even more value to German companies in the future? Refer to the notes on paragraph D.

## VIEWS ON ECONOMICS

The Scottish political economist and moral philosopher Adam Smith (1723–1790) is often described as the “father of economics”. Smith’s two classic works are *The Theory of Moral Sentiments* (1759) and *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), widely known simply as *The Wealth of Nations* and regarded as the first modern work of economics.

One of Smith’s key concepts was the “division of labour”, the idea that the production process is more efficient if people specialize in particular tasks. He also argued that countries benefited from specialization and international trade. His most famous concept is the idea that an “invisible hand” coordinates individual self-interest for the common good. Here, we look at three of Smith’s most famous statements from *The Wealth of Nations* and provide a summary in simple, clear business language.

from: *Business Spotlight* 7/19, p. 17

4. Before learning more about Adam Smith’s ideas, discuss the following statements in a small group. Do you agree or disagree? Let all members of your group share a spontaneous reaction to each statement.

- A) In my family’s household, I know when “division of labour” is working well and when it is not.
- B) Even if a product’s label says “Made in ...”, the product is usually not made entirely in that country.
- C) There are always winners and losers in international trade.
- D) Economies need to protect themselves from cheaper products made by other countries.
- E) I know what my country is good at (in terms of production and international trade).
- F) I know what my country’s neighbours are good at (in terms of production and international trade).
- G) In international trade, it is difficult for countries to not be associated with the things they are famous for – and to specialize in new things.

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**division of labour**

• Arbeitsteilung

---

**argue**

• den Standpunkt vertreten

---

**common good: the ~**

• das Allgemeinwohl

---

**invisible**

• unsichtbar



## KEY TERMS IN ECONOMICS

5. First, read the statements and their summaries individually. Afterwards, consult your group. Try to clarify the meaning of the following key terms: international trade, division of labour and the “invisible hand”.

### 1. The advantages of international trade

“... very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland?”

*The Wealth of Nations, Book IV, Chapter II*

#### Summary

We can grow very good wines in Scotland, but they would be about 30 times as expensive as those we can import. So does it make any sense to ban foreign wines, just to support the production of Scottish claret and burgundy?

#### raise sth.

- hier: etw. anbauen

#### prohibit sth.

- etw. verbieten

#### merely

- bloß

#### claret

- Rotwein

#### burgundy

- Burgunder

#### occasion sth.

- etw. hervorrufen, nach sich ziehen

#### opulence

- Reichtum, Überfluss

#### produce

- wirtschaftliche Erzeugnisse

#### end

- hier: Ziel

from: *Business Spotlight* 7/19, p. 17

### 2. The division of labour

“It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people.”

*The Wealth of Nations, Book I, Chapter I*

#### Summary

The division of labour allows us to increase the production of a range of goods. And in a well-run economy, the wealth created also benefits the poorest.

### 3. The “invisible hand”

“Every individual ... neither intends to promote the public interest, nor knows how much he is promoting it ... he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.”

*The Wealth of Nations, Book IV, Chapter II*

#### Summary

People don't intend to promote the common good. But by working for their own self-interest, they are led by an “invisible hand” to do so — even though they are unaware of this.



6. Going back to the discussion from task 4: Has your view on the statements A to G changed? If so, pick up on the discussion again and share an update with the other members of your group.

## ADAM SMITH MEETS THE CZECH REPUBLIC: A ROLE-PLAY

7. Act it out: Create a role-play on a fictional situation in the Czech Republic and the “Invisible hand”. Let all of your group take part in the role-play.
- A) Imagine you’re from a Czech family that has lived in Prague for centuries. Recently, you’ve been offered a job at a German company in town. However, you’re feeling conflicted about whether or not you should take the job. Your family history has planted some deep-seated feelings of resentment in you towards Germany. Try to explain this feeling. Refer to the notes on paragraph C for inspiration.
- B) How might German companies promote the “common good” for the Czech Republic? How would the country benefit from German business activities? Refer to the notes on paragraph A for inspiration.
- C) Despite all your resentment against Germany, you’ve accepted the job. What changed your mind? Explain your decision by using terms from Smith’s “invisible hand” theory. How did the “invisible hand” theory convince you to do something for the “common good” that you were initially not keen on doing?



## WEBQUEST

### 8. What is transition? What are the challenges associated with it?

Work in small groups of 2-3 students. Review your notes from task 1. In your own words, try to summarize the Czech Republic's economic transition and the challenges it currently faces in order to perform within the European market. Afterwards, choose a country for the webquest: Research information on that country's economic transition and its current challenges.

### 9. Gathering information

Search the internet in English and gather information on the country you've chosen. Divide up the following questions within your group and give each group member time to take notes on their own task.

- A) How is the country performing economically?
- B) What is it famous for (regarding production and international trade)?
- C) What are the economic challenges in that country?
- D) What kind of economic transition is the country going through (or if that is not the case: What kind of transition does the country need to go through?)

### 10. Presenting

Review each other's notes on tasks A to D. Then, decide how you would like to present your answers to the class. You can create a presentation, and show pictures and videos. Don't forget to include sources for the information and the media you provide.

### 11. Class discussion

Briefly discuss with a partner: Does the global market economy divide the world into winners and losers? From the presentations you've seen just now: What are the opportunities and challenges for countries in a globalized market economy?

## FOR THE TEACHER: TASKS AND TASK DURATION

### Economic transition in post-communist Czech Republic

Phase	Task	Activity	Time
Reading & introduction	Mindmap (task 1) & economic transition in the Czech Republic (task 2)	individually, in groups of 4	45 minutes
Summary & presentation	Poster on production and international trade (task 3)	in groups of 2-3	45 minutes
Getting to know the basic concepts	Adam Smith: key terms in economics (reading, discussion & summary task 4 - 6)	individually, in groups of 2-3	45 minutes
Combining knowledge	Adam Smith and the Czech Republic (task 7)	in groups of 2-3	45 minutes
Transfer of concepts	Presenting other economies (webquest & presentations task 8 - 10)	in groups of 2-3	45 + 30 minutes
Debriefing & summary	Opportunities and challenges that the free market economy presents (task 11)	in groups of 2-3, class discussion	15 minutes

#### IMPRESSUM

##### Redaktion

Dr. Ian McMaster (Chefredakteur  
Business Spotlight) (V.i.S.d.P.)  
Maja Sirola (Geschäftsführende  
Redakteurin) (CvD)  
Julian Großherr (verantwortlich)  
Melita Cameron-Wood

##### Gestaltung

Georg Lechner

##### Bildredaktion

Sarah Gough  
Judith Rothenbusch

##### Autoren

Paul Wheatley  
Ian McMaster

##### Bildnachweis

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