

## Handouts A–C Answer Keys

### Handout A: Excerpts from the Constitution of the Union of Soviet Socialist Republics (1936)

1. The Soviet economy, unlike a market economy, was not the organic result of interaction among millions of individuals making their own decisions, each of who was acting in his or her self-interest. Rather, the Soviet economy was a planned, designed economy in which state bureaucrats made economic decisions on behalf of individuals. Thus, the Soviet Constitution was completely restructuring society around an artificially-designed economic system.
2. The state owned the means of production, almost all property, and planned all economic activity.
3. With the exception of a tiny handful of personal goods, most private property was forbidden.
4. The Soviet Constitution contained nearly all of the classic elements of a command economy: State ownership of property; centralized government planning; limited personal freedom and decision-making; planned pricing; and the subordination of the individual to the state.
5. Officially, the Soviet Constitution allowed for small amounts of personal property, small plots of land; and “small private economy” based on an individual’s personal labor.

### Handout B: Economics-Related Clauses in the U.S. Constitution (1787)

1. The Founders’ objectives were to protect individual liberty and protect the economy from most state interference. Because the major purpose of the Constitution was to limit state power, the relatively sparse number of clauses related to economics demonstrates that the Founders wanted to keep state interference in the economy to a minimum.
2. The United States was the world’s first modern free market area. By limiting states’ independent abilities to regulate foreign and domestic commerce and by preventing states from imposing internal tariffs, the Founders created an enormous free trade zone that facilitated trade and specialization.
3. The U.S. Constitution limited the new federal government’s powers over the economy. In particular, it protected private property rights and facilitated inter-state trade. The Founders realized that government interference in the functioning of the economy would lead not only to inferior economic outcomes, but also diminished personal freedoms.
4. The Constitution protected economic freedom and the byproduct of these protections was a capitalist economic system. The Soviet Constitution created an economic system and the byproduct of that system caused a lack of economic freedom.
5. The Constitution strongly protected private property, which, since John Locke, had been a cornerstone of classical liberal thought (“life, liberty, and property”). The copyright clause, the

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contract clauses, the searches and seizures clause, and the due process clause all specifically protect private property.

6. If private property is not protected, both individuals and states could arbitrarily take what individuals have earned, created, and built. This would destroy the incentive to work, to save, and to accumulate wealth and, therefore, the market economy itself.
7. Accept reasoned answers.

### Handout C: Characteristics of Market and Command Economies Chart

Economic statement:	Soviet Constitution	U.S. Constitution
Private property is individually owned.	Articles 7, 9, and 10 provide very limited personal property.	Copyright clause Contract clause Search and seizures clause Due process clause
Private ownership is virtually eliminated. Almost everything is owned by the state or by 'collectives.'	Articles 4, 5, 6, and 7 all emphasize state ownership of most property and the elimination of private ownership.	
Private property rights are protected.	Article 10 provides legal protection for limited personal property.	Copyright clause Contract clause Search and seizures clause Due process clause
Almost all property belongs to the state.	Articles 4, 5, 6, and 7 all emphasize state ownership of most property and the elimination of private ownership.	
The state's role in economic activities is severely limited.		Beyond the limited number of economically-related clauses, the state has no directly enumerated role in the economy.
The state directs almost all economic activities.	Article 11 specifically states that economic life in the USSR is "determined and directed" by the state.	
The state facilitates trade among free individuals.		The Commerce, Coinage, and Export Clauses all encourage and facilitate free trade.
Economic activity exists to strengthen the state.	Article 11 states that a primary function of economic life is to consolidate the state and aid in its defense. There is no mention of the betterment of individuals.	

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1. The Soviet Constitution subordinates the desires and wants of individuals to the collective and to “society”. Private property is virtually eliminated. Rather than aiming for the happiness of the individual, economic outcomes were for increased “public wealth” and for the state. The lack of private property and the profit motive left little incentive for creativity and hard work.
2. The economics-related clauses in the U.S. Constitution focus largely on the protection of personal property and the facilitation of trade. The Founders believed that government’s role in the economy was limited.

The Soviet Union was constructing a command economy and therefore had to create it from the ground-up. Because a command economy is an artificial construct rather than an emergent, organic entity—like a market economy—the Soviets had specifically to force their vision of an economic order on the people of the USSR. The Founders, on the other hand, had a great deal faith in human freedom and decision-making as exemplified in a market economy.

3. A command economy could force relatively equal economic outcomes for individuals. Also, because of its inherently coercive nature, a command economy can focus resources on specific projects that government leaders desire, regardless of what individuals want or need.

Command economies rely on coercion rather than free decision-making. If an individual does not want to be part of the collective, he or she cannot be tolerated. Because of the lack of private property rights, the ability to accumulate wealth, and the profit motive, the command economy provides few positive incentives to create, to innovate, or to excel.

4. By its nature, a command economy is inherently coercive. It is based on the economic vision of a small elite operating on behalf of “the people”. It has no role for the individual or individual decision-making. People are inherently different. They each have a different mix of abilities and desires. No central planner can take all of these into account.