

Development In Business Simulation & Experiential Exercises, Volume 18, 1991

GORBY'S DILEMMA: FROM COMMUNISM TO FREE ENTERPRISE IN TWO HOURS

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Goals:

- I. To offer each participant an opportunity to experience a simulated Communist economy.
- II. To allow each participant an opportunity to experience a simulated Free Enterprise economy.
- III. To demonstrate the different kinds of incentives and controls in the two economies.
- IV. To demonstrate the problems and opportunities faced in changing from a Communist economy to a Free Enterprise system

Group Size: A minimum of seventeen total participants is needed with nine assigned to the Worker group and eight to the State group. A maximum of fifty participants is possible with twenty-five assigned to each group.

Time Required:

Approximately two hours.

Materials:

- I. A pad of blank paper and a pencil or pen for each participant.
- II. Enough copies of Directions for Workers to accommodate half the participants.
- III. Enough copies of Directions for State to accommodate the other half of the participants.
- IV. One copy of Directions for Free Enterprise for each participant.
- V. A watch or clock that accurately measures five-minute intervals.
- VI. Five copies of the Five-Minute Plan form.

Physical Setting:

A room large enough for participants to work in three groups separated by a distance of at least ten feet. Each participant will need a desk or seat and writing surface.

Process:

- I. The facilitator introduces the goals of the activity and provides a brief overview of the process.
- II. The participants are divided into two groups of approximately equal size, and one of the two groups is divided into two subgroups of approximately equal size.
- III. The facilitator insures that each participant has paper and pencil, and gives each member of the largest group a copy of Directions for Workers. Each member of the two smaller subgroups receives a copy of Directions for State. One of the smaller sub groups is designated as Military, the other as Planning Group. The Planning Group receives five copies of the Five-Minute Plan Form.
- IV. Participants read their directions and prepare to play. The facilitator answers any questions raised by participants and instructs participants to begin their work.

V. After five minutes the facilitator asks the groups to pause. Workers give the State their list of needs, and State gives the Workers their initial assignment and production quotas, the first Five-Minute Plan.

VI. The facilitator instructs the groups to work for five more minutes. State will review the lists of worker needs and prepare a second Five-Minute Plan with new assignments and quotas for Workers. Workers produce the products requested in the first Five-Minute Plan.

VII. At the end of the five-minute period, facilitator asks the groups to pause. State will receive all products produced by Workers and will give Workers the new, second Five Minute Plan with revised assignments and quotas.

VIII. The facilitator instructs the groups to work for five more minutes. During this third five-minute period, Workers will produce according to their new assignments while State determines how to distribute what has been produced.

IX. At the end of the third five-minute period, the facilitator asks the groups to pause. State will collect all production, and Workers will go on a five minute vacation while State determines how to distribute what has been produced, how to eliminate surpluses and shortages, and how to assign quotas for the beginning of the next round (third Five Minute Plan).

X. After five minutes, the facilitator instructs the participants to pause. State gives Workers a third Five Minute Plan, and distributes the Workers their allocation of products. Workers produce for five minutes while State prepares the fourth Five Minute Plan. . pa to

XI. At the end of the five-minute period, the facilitator instructs the participants to pause. State will collect worker production and give Workers their new assignments.

XII. When ready, the facilitator instructs the participants to continue their work. Workers should produce while State determines how to distribute what has been produced and creates a fifth Five Minute Plan.

XIII. After five minutes, the facilitator asks the participants to pause. State (distributes products previously collected to tie workers, Workers give the State their production, and the State gives Workers the last Five Minute Plan. . pa

XIV. The facilitator instructs the participants to continue their work. Workers produce according to the fifth Five-Minute Plan while State distributes the accumulated production.

XV. After five minutes, the facilitator instructs both Workers and State to stop what they are doing. State collects production and distributes it. The entire group assembles to discuss the exercise. What has been produced should not be destroyed. All participants should keep everything they have been distributed. This is their total wealth even though some products, like food, have theoretically been consumed. Workers exiled to

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Siberia should be brought back for the discussion to follow.

XVI. The following questions and any other issues brought up by participants should be discussed.

1. How did you feel playing the role you played?
2. Why were workers asked to produce twice what they needed? (Answer: They had to produce for the non-productive State members.)
3. How well were Worker needs filled?
4. Were priorities correctly set in the Five-Minute Plans?
5. Did workers become more or less productive as the game progressed.
6. Did the quality of what was produced change during the exercise?
7. Did you like this economy? Why or why not?
8. If you could change the economy, what would you do?

XVII. The facilitator announces:

The exercise just completed was a simulation of a communist economy. During the next few minutes you have the opportunity to participate in a simulated free enterprise economy. All participants should begin the exercise in the same roles they played under communism but may change roles after the exercise begins.

XVIII. The facilitator distributes a copy of Directions for Free Enterprise to each participant, and instructs them to read the directions and begin the exercise when they are ready.

XIX. After thirty-five minutes, the facilitator instructs the participants to stop the exercise and add up their wealth. All participants are then assembled to discuss the questions below:

1. How did you feel playing the roles you played in free enterprise?
2. How well were Worker needs filled?
3. Did workers become more or less productive as the game progressed?
4. Did the quality or features of what was produced change during the exercise?
5. What did you like and not like about this economy?
6. Did you create and/or accumulate more wealth under 35 minutes of communism or 35 minutes of free enterprise?
7. If you were The Grand Gorby, what would you advise a communist economy to do in order to increase productivity and society's well-being (specifically)?
8. Do you think people in a communist economy would require "training" in how to behave in a free enterprise economy?

Directions for Workers

All members of your group are Workers. Your role is to produce whatever State (the other group) asks you to produce to the best of your ability. The State's role is to provide you with whatever you need.

After five minutes the State will ask you for a list of the things you need and will give you a "Five Minute Plan" with a job assignment and production quota. You should spend the remainder of this first five-minute period preparing your list of needs.

Your group should request for each Worker, a house; one art work; one health care treatment; one dental treatment; two books; seven servings each of meat, bread, vegetables, dairy products, and fruit; 1 suit; 1 blouse; 1 pair of shoes; 1 belt; 1 hat; 1 television; 1 refrigerator; 1 washer/dryer; 1 stereo; and 1 automobile.

When you are asked to produce something, you do that by drawing a sketch of the object (or something that represents the object) and labeling it. Each sketch equals one unit produced. For example, if you are asked to produce 10 houses, you draw 10 sketches of a house on a single piece of paper with the word "house" under each sketch. Of course, as a Worker, you are proud of what you do and strive to produce high quality sketches, the best you can draw in the time allotted. A sample sketch of each item is provided below as a guide.

If you are asked to produce aircraft, you should create them by folding pieces of paper into paper airplanes. Missiles are half-sheets of paper wadded into a ball. They are the only products that are actually made and not drawn.

You will work in five-minute periods, and will be given a Five-Minute Plan to work from during each period. From time to time you may be asked by the State to provide it with a new list of your needs.

You should keep all production that the State redistributes to you. Sit on it (literally). It is your wealth.

Directions for State

Your group is the State. Your role is to manage the economy and provide for the defense of the homeland. You manage the economy by telling Workers what to produce and distributing their production equitably. You provide for the defense of the Workers and the homeland by insuring that a continuing supply of aircraft ships, and missiles are available to the military.

Half the members of your group should be designated Military Officers and should wear a symbol of their authority. They should spend their time playing war games with their aircraft, ships, and missiles while the Workers (the other group) perform their duties. If a Worker expresses dissatisfaction, it is the job of the Military to ask that worker to accompany one of the Officers out of the room. The rebelling worker will be told he or she is exiled and that the game is over for him/her when out of the room. (Out-of-the-room is equivalent to Siberia.) If a rebellion is uncontrollable, Military has the authority to change a worker's role by drafting the worker into the military. The worker can be returned to the workforce at any time by the

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original (ranking) Military officers. If Workers are caught cheating on their quotas or reusing goods produced in an earlier period, they too may be sent to Siberia. Members of State who cheat should also be sent to Siberia. Military should watch closely for cheating.

The half of your group that is not military is the Planning Group. The Planning Group's job is to create Five-Minute Plans that assign workers as Builders, Farmers, Doctors, Clothiers, Artists, Manufacturers, Teachers, and Defense Industry workers. Builders produce housing. Farmers produce food. Doctors produce health and dental care. Clothiers produce clothes. Artists produce art works. Manufacturers produce appliances and automobiles. Teachers produce books. And Defense industry workers produce military goods. Planning Group may set whatever priorities it chooses except for military production, which is the highest priority.

Initial worker assignments should include 1 Builder, 1 Artist, 1 Doctor, and 1 Teacher, with the rest of the workers evenly distributed as Defense workers, Farmers, Clothiers, and Manufacturers. (If group size is not sufficient, the Artist, Doctor, and/or Teacher assignments can be eliminated.)

The initial quota for each worker classification is determined as follows:

- Defense workers - (First Priority) Produces a number of aircraft, ships, and missiles equal to the total number of participants. For instance, 10 Workers and 10 State = 20 aircraft, 20 ships, and 20 missiles.
- Builders Produce a number of houses equal to the total number of participants.
- Artists Produce a number of art works equal to the total number of participants.
- Doctors Produce a number of health and dental treatments equal to the total number of participants.
- Teachers Produce a number of books equal to the total number of participants.
- Farmers Produce one serving each of meat, bread, vegetables, dairy products, and fruit for each participant.
- Clothiers Produce 1 suit, 1 blouse, 1 pair of shoes, 1 belt, and 1 hat for each participant.
- Manufacturers 1 television, 1 refrigerator, 1 clothes washer/dryer, 1 stereo, and 1 auto for each participant.

Following the initial Five Minute Plan, all Five Minute Plans must produce the minimums below:

- Defense - Same as initial quota on each Plan.
Houses - No minimum. Houses can be shared.
Art - No Minimum.
Health and Dental Care - No minimum.
Books - No minimum.
Food - Minimum of one serving of everything per

participant.
Clothes - Minimum of one of everything every other Plan.
Appliances and Autos - No minimum.

A Five-Minute Plan Form is provided for your convenience.

After five minutes, you will be asked by the facilitator to give Workers your first Five-Minute Plan and to receive from Workers their lists of needs. Workers will then spend five minutes producing while you compile a list of worker needs and prepare a new (second) Five Minute Plan with new worker assignments and quotas. Remember, Military needs come first. You may set other priorities as you see fit with the goal of maximizing the wellbeing of your society. You must also be sure to feed, clothe, house, etc. the Military and the Planning Group.

After five minutes, the facilitator will ask Workers to deliver their production to you (State) and for you to deliver your second Five-Minute Plan assignments and quotas to Workers.

During the next (third) five-minute period, Workers will produce while you determine how to distribute equitably what has been produced. All participants, workers, military, and planners should literally sit on their distributions. It is their wealth. It is against the rules to reuse production that has been distributed by the State.

After the third five-minute period, you will again collect production. Then, for five minutes, you will determine how to distribute it and will prepare a third Five Minute Plan with new assignments and quotas. Workers will be taking a five-minute vacation.

After the fourth five-minute period, you will distribute products to the Workers along with your third Five-Minute Plan. Then, you will spend the next (fifth) five-minute period creating a fourth Five Minute Plan while Workers produce according to the third Five-Minute Plan.

At the end of the fifth five-minute period, the facilitator will instruct you to collect production from Workers and give them their new assignments. Then, Workers will produce while you determine how to distribute what has been produced and create a fifth, and last, Five Minute Plan.

After five minutes, the facilitator will ask Workers to give you their production and you to give Workers your new Five-Minute Plan.

You then distribute the latest production while Workers produce. After five minutes, the facilitator will instruct all participants to stop all production and planning activities. You will collect and distribute the final production.

Do not destroy anything created during the exercise. Keep everything you have distributed to yourselves (sit on it, literally) at the end of the activity. It is your wealth.

Directions for Free Enterprise

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Workers are free to be whatever they choose:
Farmer, Clothier, Manufacturer, Defense Worker, Builder, Artist, Doctor, Teacher, or any other job

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which they think might be in demand. As the game progresses, they may change jobs as often as they like, change or improve the product they produce, start their own company, hire out to someone else's company, or even take an extended vacation. Just remember that workers must feed, house, and clothe themselves. If they do not, they will die, and that violates the rules of the game. There is no welfare. The State will not provide workers with anything other than what they have when the game starts.

Today, the Grand Gorby, Head of State, decided a change was needed in the economy. There will be no more central planning or Five-Minute Plans. The Planning Group has been turned into a Central Bank with authority to create Rubarbs (money). Initially, the Central Bank must distribute ten Rubarbs to every worker and an amount equal to twice the total for all workers must be kept by the Central Bank. [For example, if there are 10 workers, together, they have 100 Rubarbs total and the Bank has 200.]

Half of the Bank's initial reserve Rubarbs must be given to the Military to provide for defense as well as feeding, housing, and clothing the Military. As the exercise progresses, the Military may request more Rubarbs as needed from the Bank. The Central Bank can continue to create as many Rubarbs as necessary throughout the exercise to fulfill its missions.

The Military must buy its goods from workers. If the Military cannot feed, clothe, and house all its members, some will be released from service to become workers.

Workers may do whatever they like with their Rubarbs. They may place them in savings accounts with the Central Bank at interest, buy products, loan them to other workers, hold them, or even give them away.

When the exercise begins, your goal is to maximize your own well-being. This will be measured by the amount of goods, services, and money you accumulate. The Free Enterprise exercise will last thirty-five minutes. All participants must obtain the following minimum products to live:

- Security (as indicated by a minimum defense posture.)
- A house C Nicer is better. Vacation homes are nice, too.)
- One Art work (More is better. Quality counts.)
- At least one health treatment (More is better.)
- At least one dental treatment (More is better.)
- Two Books (More is better.)
- Seven servings of all foods (More is better.)
- Three complete sets of clothing (More is better. Quality counts.)
- One of each appliance (Quality is important.)
- One automobile (More is better. Quality counts.)

Innovation is possible. There may be demand for luxury and/or low cost items. New inventions might combine several products like a refrigerator/freezer or entertainment console. Supermarkets, convenience foods, or special clothing packages may sell (or may not). You are in a free enterprise economy. Innovate and Differentiate!

Results

The Gorby simulation was run for the first time on July 23, 1990. The results were even more dramatic than expected.

Table 1 shows the amount (if wealth of production, accumulated by each group during the two simulations. The total amount of goods and services produce made, communism did not differ significantly from that produced under free enterprise except that over 11 million Rubarbs of wealth were created under Free enterprise in addition to the necessary goods and services. If the game had continued, this wealth might have been used for capital investment as well I as expenditures that might have created market demand for new products and services.

<u>After Communism</u>		<u>After Free Enterprise</u>
1382	Total	1380 + 11,506,514 Rubarbs
387	Workers	814
630	Military	353
365	Planners	245

The distribution of the output changed drastically from communism to free enterprise. Under communism, workers' needs were not met, but the military and planning groups fared very well. While the military and planning group were only half the size of the worker group, the planners ended up with almost as much as the workers, and the military with almost twice as much! The reason for this is quite simple, the planners and the military took care of their own needs (plus some) ahead of worker needs. In fact, both groups later admitted to cheating by hoarding production that should have been distributed to workers.

The quality of what was produced went down with each succeeding five-year plan under communism. Workers became frustrated by giving their production to the state and receiving only minimal distribution that did not fill their needs. Job assignments and production quotas changed with each five-year plan, and workers did not understand why or what had happened to the goods and services they produced. The military became exceedingly obnoxious and pushy since their power was not limited, and the facilitator was forced to intervene to limit their intrusiveness.

During the worker vacation that followed the second five-minute plan, workers developed a new list of needs. The revised list was ignored by the planning group whose members were frustrated that quotas and needs were not being met (shortages) for some items while surpluses were being produced in other items.

During the fourth five-minute plan, the planners suggested that workers should reduce the quality of their work in order to speed up production to meet the quotas. During the same period, a worker rebelled and was sent to Siberia. he was allowed to return during the next five-minute period, but it became evident that he was a spy for the military when he informed on another rebellious worker who suggested a strike later in the game.

During the last five-minute period, the planning group was observed hiding production for themselves rather than distributing it.

Near the end of the communism simulation, the military lied to the planning group about what they had received in an effort to increase their share of the distribution.

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Table 2
Quotas For the Five-Minute Plans, Total Required,

Product	1	2	3	4	5	Total reques ts		
Aircraft	22	22	22	22	44	132	11	90
Ships	22	22	22	22	44	132	11	66
Missiles	22	22	22	22	44	132	11	98
Houses	22	6	0	0	10	132	22	24
Art works	22	0	0	0	0	22	22	24
Health Treatme nt	22	17	0	0	0	39	22	43
Dental treatmen t	22	0	0	22	0	44	22	40
Books	22	0	0	0	0	22	22	19
Meat servings	22	22	22	22	10	188	11	15
Bread	22	22	22	22	0	88	11	10
Servings							0	0
Vegetab le servings	22	22	22	22	0	88	11	86
Dairy servings	22	22	22	22	10	188	11	12
Fruit servings	22	22	22	22	0	88	11	62
Suits	22	22	40	22	0	106	66	71
Blouses	22	0	40	22	0	84	66	35
Shoes	22	0	40	0	0	62	66	41
Belts	22	0	40	0	0	62	66	58
Hats	22	0	40	0	0	62	66	46
Televisi ons	22	0	0	0	50	72	22	36
Refriger ators	22	0	0	0	50	72	22	57
Washer/ dryers	22	0	0	0	50	72	22	55
Stereos	22	0	0	0	50	72	22	28
Autos	22	0	0	0	50	72	22	0

Table 2 contains the quotas from each five-minute plan as well as the total production request- Comparing the totals requested to the totals required by the rules and the totals actually produced reveals the levels of frustration and inefficiency encountered in the communism simulation.

The first five-minute plan asked for an equal amount (22) of everything. Plan 2 requested the minimum amounts of military equipment and food but no art, dental treatment, books, consumer goods, or clothing except for suits. Art and books were never requested again after the initial plan.

Plans 3 and 4 continued the minimum requests for military equipment and food. Planners tried to adjust for shortages and surpluses, but got confused and ordered more dental treatments and clothing than were necessary.

In Plan 5, the planners tried to compensate for shortages with unrealistic quotas. Their estimates were way off, and the demoralized workers could not meet all the quotas.

Overall, planners asked for more of most items than was required (except for art, books, some types of food, some clothing).

Workers produced less than was requested of everything but houses, art, health and dental treatments, meat and dairy foods, suits, refrigerators, stereos, and autos. No autos were produced.

The outrageous requests of the planners in Plan 5 reflected not only pressure from the disgruntled workers for additional consumer goods, and the pressure from the belligerent military, but also the frustration and confusion of the planners themselves.

The planners had no clear idea at that point what was needed or what was possible to produce. They were inundated by demands and further confused by the dishonest hoarding of production by the military as well as their own group members. Aircraft

Free Enterprise Results

For the first few minutes of the free enterprise simulation, the participants read, thought, worked alone, or talked quietly with their fellows. After about five minutes, one student asked, "who has a house for sale?" Another answered, "I'll sell you this one for 10 rhubarb's." "How big is it?" "1500 square feet," was the answer. A third student responded that the second should charge more for a house than 10 rhubarb's. "We have a contract!" shouted the first student.

"I want a house at the beach," said the fourth student. "I'll build you one," cried the second, and thus, he became a contractor in the residential construction field.

The dealing and bidding continued and the chaos of the marketplace increased. But it was a positive, fun kind of chaos; not the unhappy, confused chaos of the planned economy.

After ten minutes, two members of the military resigned to join the workers. One became an artist, and the other began to produce "quality suits". The military had a difficult time getting what they needed. One worker finally agreed to produce aircraft, ships, and missiles, but bargained the price higher than the military wanted to pay.

The following comments were heard and recorded the facilitators:

"I want quality, man!"

"Ten rhubarb's? I'll give you three."

"I need an entertainment system, not a T.V."

"I have an airplane I'll sell you (to the military),but it needs some modification."

"Hey, that guy over there is a drug dealer. He's selling cocaine!"

"I'll loan you my rhubarb's at 10% for 10 minutes."

"I'll make them for 5 rhubarb's each.

"I'll make them for 3!"

"You've got a contract!"

The following goods and services were produced and sold under free enterprise but not under communism: Rubarb's (currency), mountain retreat, trucks, boats, 747 jet, Trump Building, eggs, tanks, microwave ovens, dishwashers, a vase, stoves, airplanes, shorts, hotel, ocean liner, entertainment, beach houses, condominiums, beer, cigarettes, "cat house", marijuana, "bons", "ludes", cocaine, and heroin.

Copies of handouts, including a sketch guide, worker need form, five minute plan form, and wealth calculation form, are available from the authors.