Types of Economic Systems

What is an Economy?
Economy: _______________ or exchange of goods and services by a group
_______________ : things to be traded, bought, or sold
_______________ : work done in exchange for payment
_______________ : work force, the workers

Economic Geography
Concerned with how people use the earth’s resources
How _______________ earn a living
How _______________ are distributed

1) _______________ Economy
• Custom and tradition determine what should be produced
• Goods and services are exchanged without money; subsistence agriculture
• Change and growth proceed very _______________
• Often there is _______________ private property; things are owned by the family or village
• Goods and services are produced to meet the needs of the members of the family/tribe
• Very little outside _______________
• Also called “Barter”

2) Command Economy
• All important economic decisions are made by _______________ leaders, including production of goods and services
• Cooperation is supposed to replace competition, allowing everyone’s needs to be met; goal is to achieve a classless, _______________ society
• Citizens can be assigned or strongly encouraged into various employment
• Private property ownership is abolished and replaced by national ownership of all land, factories, farms, and major resources
• Also called “_______________ _______________ ” or “communism”
• Example: Cuba, China, North Korea, Vietnam

3) Market Economy
• Goods and services are determined through _______________ and _______________; individual decisions on what to buy or sell
• People are free to take part in any business, buy any product, or sell a legal product.
• _______________ ownership of businesses and land; private investment
• The government only provides and enforces a set of common rules, maintains monetary system, and will sometimes break up or regulate companies that could defy market forces
• Also called “free market economy” or “_____________”
• Example: USA

4) ______________ Economy
• ______________ of command and market economies
• Mixed amounts of government control and private ownership
• Example: Canada, most European countries

What is Supply and Demand?
• ______________ : now much of a good is available on the market
• ______________ : how consumers are willing to pay for a good
• The interaction of supply and demand determines prices in a free market economy. When demand is ______________ , the price goes up. When the ______________ is high but demand is low, the price goes down.

What’s the difference?
______________
• Government makes all important economic decisions
• Absolutely no private property ownership – government owns all lands and businesses
• Cooperation replaces competition
• Goal: achieve a classless, equal society

______________
• Many decisions about production, distribution, and use of resources are made by the government
• Only major industries are owned by the ______________ – other property is held privately
  o Major industries: mines, factories, railroads, education, airlines, transportation, heath care, radio stations
• Goal: fair distribution of income among all members of society. People’s basic needs are met for free or at a very low cost

Comparisons: Subsistence Agriculture vs. Commercial Agriculture
• Subsistence Agriculture: growing only enough to feed the ______________ and his family. There is rarely a surplus so very little is sold or traded. Economic growth is ______________.
• Commercial Agriculture: farmers grow food not just for themselves, but in order to sell it to others for ______________. Crop production is intended for distribution to wholesalers and retailers, such as supermarkets and grocery stores. Large scale makes production ______________. Mechanized equipment is used over large tracts of land.
Comparisons: Cottage Industries vs. Commercial Industries

- Cottage Industries: people use their spare time to weave cloth, make furniture and clothes. Producing goods by hand. Help farmers and their families meet their needs and may give them extra income during the winter months. The entire family works together.
- Commercial Industries: goods are manufactured in factories for sale throughout the country or overseas.

FIVE Employment Sectors
- Different levels of employment (labor) are based on a variety of factors
- _______________ level required to perform task
- Location (geographic – available resources)
- Location (to appropriate market)

1) Primary Activities
   a. Gathering _______________ materials like natural resources taken from the Earth
   b. Examples: mining, fishing, _______________ , agriculture, forestry

2) Secondary Activities
   a. Manufacturing and _______________
   b. Converts raw materials into _______________ products
   c. Adding value to raw materials by changing their form
   d. Example: food processing, manufacturing, refining
   e. Found: near _______________ to serve customers, where special manufacturing needs can be met, where the government creates the industry

3) Tertiary Activities
   a. _______________ Industries like business or professional services
   b. Example: retail salespeople, doctors, hair stylists, manicurists, health care, banking

4) Quaternary Activities
   a. Provide information processing, research, or _______________ by highly trained professionals
   b. Example: store managers, scientists, computer programmer, legal services, professorships

5) Quinary Activities
   a. Highest level of decision makers and management for businesses and organizations
   b. Examples: CEOs for international corporations
Toothpick
- Lumberjack chops down the tree = ______________  ______________
- Wood from tree is manufactured into a toothpick = ______________  ______________
- Toothpick is advertised (marketed) and sold at H-E-B by a sales employee = ______________  ______________
- Executive for toothpick Company wants to create a toothpick that is cheaper to produce and lasts longer = ______________  ______________

How do you rate an economy?
1) ______________ = “Gross National Product”
   - Total value of ______________ goods and services produced by a country over one year
   - May reflect the value of goods/services produced in a country by a company owned/based in another country
   - value of goods produced in another country (shoes made in Thailand) by an American-based company will count towards the US GNP

2) ______________ = “Gross Domestic Product”
   - Total value of all goods and services produced within a country over one year
   - Outsourcing labor counts for US GNP but not GDP

3) Per Capita Income
   - ______________ amount of money earned per person in a political unit (country) per year

Infrastructure
- Basic support systems to start an economy and/or keep it going
  - Roads, ______________ , Water, Airports, Ports, Trains, Technology

Economic Development
- Economic development refers to how ______________ an economy is
- Advanced economies are in ______________ developed countries
- Lower standards of living and less advanced technologies are less developed countries
- Countries moving from less to more developed economies are “newly developed” or “emerging economies”

What are indicators of development?
- The United Nations (UN) developed the Human Development Index (_______________ ) to rank countries based on their level of economic development.
- They look at demographic, ______________ , social, and political indicators.
Demographic Indicators
- _______________
- Death Rate
- _______________ Rate
- Fertility Rate
- _______________ Rate: The average number of years an individual in a country is expected to live; related to the country's level of poverty
- How do these indicators apply to more and less developed countries?
- More Developed Countries = low death rate, low infant mortality rate, lower birth rate, long life expectancy
- Less Developed Countries = high birth rate, high death rate, high infant mortality rate, shorter life expectancy

Economic Indicators
- Economic indicators tell how _______________ an economy is performing
- More developed countries will have:
  - _______________ GDP / GNP
  - _______________ per capita income
  - _______________ standard of living
  - More trained professionals such as doctors
  - Workers’ productivity depends on machinery, computers, and other high-tech tools
  - Average number of technological appliances: automobiles, telephones, televisions, computers
- Lower developed countries:
  - Low GDP, per capita income, standard of living
  - Concentrate more on agriculture such as subsistence farming and use of primitive tools
  - Lack investment so their workers tend to be less productive and less competitive

Social Indicators
- Social indicators concentrate on the _______________ provided by countries for their citizens
- Some indicators that are considered:
  - Literacy rates (percentage of people who can read and write)
  - _______________ of people attending colleges and universities
  - Number of working professionals
  - Quantity and quality of housing
  - Water supplies
  - Sanitation
Political Indicators

- Freedoms people enjoy
- The degree of democracy and ___________ rights
- The level of human rights,
- The degree of government oppression and,
- Tolerance for different points of view.
- There is ___________ direct relationship between economic development and a nation’s system of government.

- Some more-developed economies have been ruled by dictators while,
- Some democracies are less developed countries.

Developed vs. Developing Countries

DEVELOPED

- Also Called ___________
- Form of government (democracy)
- Free market economy
- Lack of corruption
- More dependent on manufacturing than agriculture
- Prevalent technology
- Examples: United States, Japan, Germany, France

DEVELOPING

- Also Called ___________ ___________ Countries
- Undeveloped industry
- Lack modern technology
- Low levels
- Education
- Healthcare
- Life expectancy
- Examples: Mexico, Brazil, South Africa, Thailand