

Chapter 3: Section 3

Economic Systems

- In this lesson you will learn:
 1. How to examine different kinds of economies
 2. Investigate levels of economic development
 3. Study global trade patterns



What is Economy?

- An economy is a system in which people **MAKE**, **EXCHANGE**, and **USE** things that have value and **meet their wants or needs**.



Private Ownership

- Capitalism – an economic system in which private individuals own most businesses
 - Also called a Free-Market Economy
- Producers compete freely for consumer's business
- People save money in banks
- Banks lend money for interest
- People invest in businesses



Government Ownership

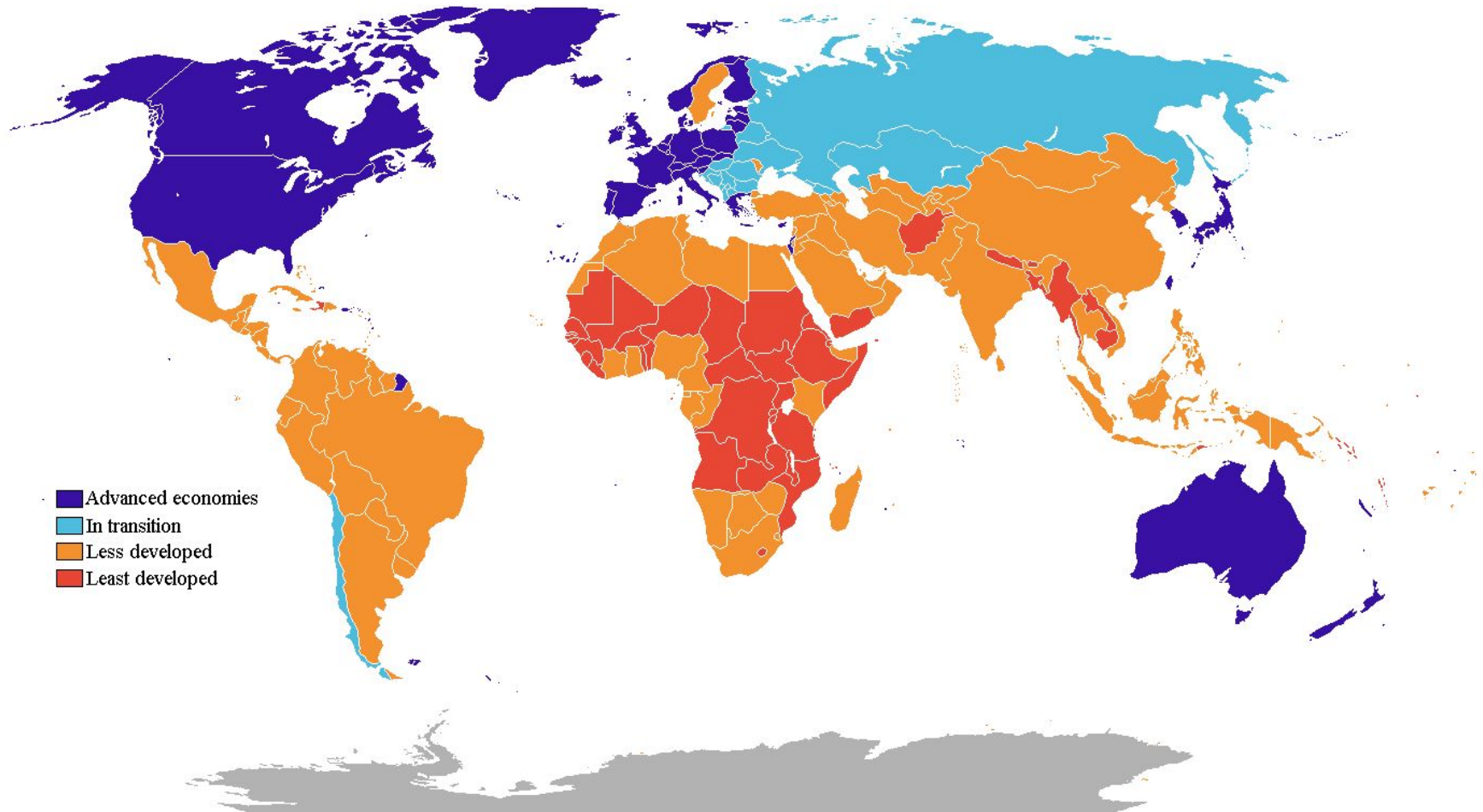
- COMMUNISM- an economic system in which the central government owns farm, factories, and offices
- Government controls **EVERYTHING:**
 - Price of goods & services
 - How much is produced
 - Worker's salaries

Mixed Ownership

- Most nations do not have a “pure” economic system, they mix aspects of many systems
 - Example: United States
 - Has capitalist economy BUT
 - Government builds and maintains roads & provides services

Levels of Economic Development

- There are two levels of economic development:
 - 1. Developed
 - 2. Developing



DEVELOPED NATIONS

DEVELOPING NATIONS

Only 1/5 of the world's people

The majority of the world

United States
Canada
Japan
Most European countries

Mainly in:
Africa
Asia
Latin America

Have enough food & water

Shortages of food & clean water

Food grown on commercial farms

Food grown by individual farmers
for their family (subsistence farmers)

Advanced machinery to do jobs

Jobs done by hand without the help
of machinery

Most people live in cities or towns

Most people live in rural areas

Most people work in offices and
factories

Most people work on the farm

Challenges:
unemployment, pollution

Challenges:
Disease, food shortage, unsafe water,
poor education & healthcare,
political unrest

World Trade Patterns

- Countries trade with each other to take advantage of each other's strengths
- **Interdependence** – countries are dependent on one another
EXAMPLE: US depends on others for OIL.
Others depend on us for computers.
- Countries have formed Trade Alliances to reduce the cost of trade
 - NAFTA
 - European Union

