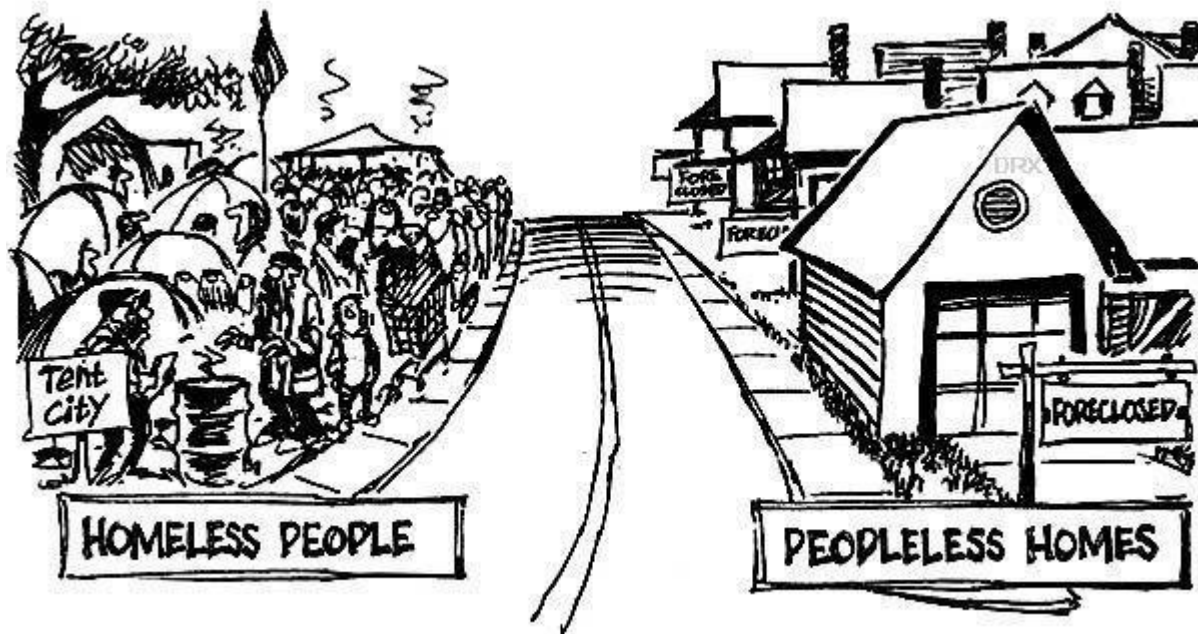
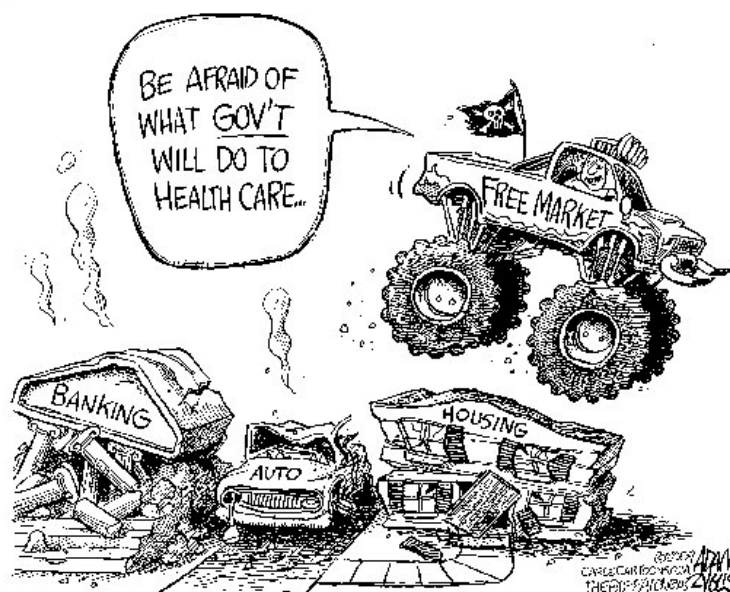


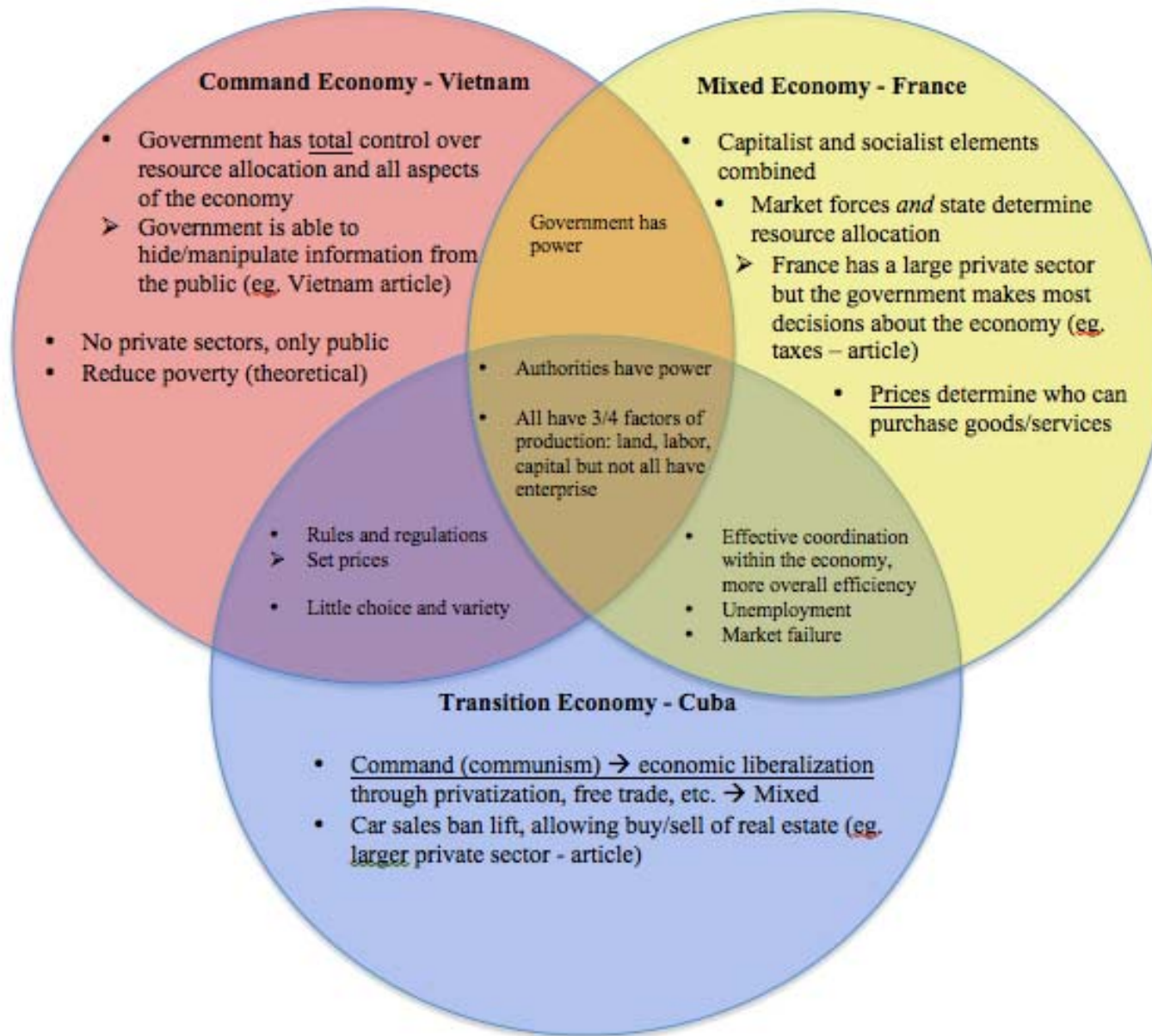
Economic Systems 6th Grade Social Studies



SS6E5 The student will analyze different economic systems.

- Compare how traditional, command, and market, economies answer the economic questions of 1 - what to produce, 2-how to produce, and 3-for whom to produce.
- Explain how most countries have a mixed economy located on a continuum between pure and market and pure command.
- Compare the basic types of economic systems found in the United Kingdom, Germany, and Russia.





Types of Economic Systems Worksheet

There are a few types of economic systems that exist in our world. But before we discuss them, we need to know what an economic system is. Basically, it is the process by which humans deal with scarcity (limited natural resources, time, money, water etc.). When confronted with this problem of scarcity, humans must address three important questions in order to ensure that scarce resources are used properly. The three basic economic questions are as follows.

3 Basic Economic Questions:

1. **What goods and services should be produced?**
2. **How should the goods be produced?**
3. **Who should the goods be produced for?**

4 Factors of Production:

1. **Land - provides the natural resources.**
2. **Labor - provides the man power.**
3. **Capital - provides the equipment and tools.**
4. **Entrepreneur - the business person who provides the idea.**

Directions: Using the questions above and notes below to complete the table and questions below. Explain how each economic system answers the 3 basic economic questions.

Traditional System:

A pure traditional economy answers the basic economic questions according to tradition. Things are done as they were in the past based on tradition, customs and beliefs (religious). The customs and habits of the past are used to decide what and how goods will be produced, distributed, and consumed. This means that in a traditional economy, things are done how they have always been done (based on tradition). In this system, members of the society know early in life what their role in the society will be. Since jobs are handed down from generation to generation (grandfather, to father, to son), there is very little change in the system over generations. In a traditional economy, people must fulfill their traditional role. If someone does not do his or her part, the system can easily break down. People in traditional economies usually are part of farming, hunting and gathering, or herding societies, just like their ancestors. There are no traditional economies in Europe. The traditional economies that exist today are in developing countries (poor countries).

Communist or Command System:

The individual has little influence over how the economic questions are answered in a pure command system. The government controls the factors of production and makes all the basic economic decisions. The government even decides the role everyone will play. It guides people into certain jobs.

In a command economy, the government determines which goods and serviced to produce, how much everything will be sold for, and how much people will get paid. Individuals and corporations do not own businesses or farms, instead businesses or farms are owned by the government. Workers are told that they have a certain amount of time to make a certain amount of goods. This is a **quota**. The government gives quotas to all workers, and when every worker meets every quota, then everyone in the country will have the goods and services they need whenever they need them. When workers do not meet their quotas, then shortages occur. A **shortage** is when there is not enough of something to satisfy the needs of a country.

The Soviet Union was an example of a command economy. After the Soviet Union collapsed, Russia adopted a mixed economy. However, the government still owns and

controls many large businesses and has a lot of laws in place to limit private ownership of businesses. Command economies are most common in countries with a communist government.

Examples: North Korea, Cuba

Market or Capitalist system:

Capitalism is a pure market economy. In this system the government does not get involved. Individuals own the factors of production and they decide the answers of the basic economic questions. The market is the freely chosen activities between buyers and sellers of goods and services. Decisions are guided by changes in prices that happen between buyers and sellers in the marketplace. Other names for market systems are free enterprise, capitalism, and laissez-faire. In a market economy, individuals or corporations generally own businesses and farms. Each business or farm decides what it wants to produce. The law of supply and demand determines the price people pay for things. **Supply** is the amount of goods available and **demand** is how many consumers want the goods. Market economies are great for entrepreneurs because they get to have economic freedom.

Most of Europe has a somewhere between a market and mixed economy, including the United Kingdom. The market economy of the United Kingdom is considered one of the most "free" economies in Europe. That means that businesses can operate without too many rules from the government. The rules from the government are only there to protect the people, such as property rights rules. People are able to start a business

whenever they want and are able to do it quickly. Market economies are most common in countries with a democratic government. Examples: the underground economy, 19th century Britain.

Mixed Economic System:

Many economist doubt that "pure" economic systems ever existed. A mixed economic system contains elements of the market and command systems, with elements of traditional as well. For example, there is some private ownership in the People's Republic of China. Some private ownership also existed in the former Soviet Union. Examples: United States, most other nations.

Characteristics of the United States' Mixed Economic System:

- Not all decisions are made by individuals reacting to the market.
- Federal, state, and local governments make laws to regulate some areas of business.
- Public and private sectors contribute to the economy in varying proportions. For example, federal defense spending can boost the economy; the Postal Service is a quasi-governmental corporation.
- Government steps in to handle inequities in the system. Many social/welfare programs were created during the 1930s (Great Depression).
- Traditional celebrations like Christmas affect portions of the economy.
- In addition to privately funded education, government funded public schools provide free education.

Name: _____ Date: _____ Class Period _____

Economic Systems Comparison Chart

Based on the reading above, explain who (or what) addresses the following questions below for each economic system.

	Traditional Economy	Command Economy	Market Economy	Mixed Economy
Who/What decides the 3 basic economic questions?				
How much control does the government have over the economy in this system?				
What is an example of a country with this economic system?				
What type of government might countries with this economic system have?				
Draw a picture that represents this economic system.				

Define:

Supply -

Demand -

Quota -

Shortage -

Questions:

1. What are the 3 basic economic questions

2. List and explain the 4 factors of production.

NAME: _____ DATE : _____ PERIOD: _____

Use these country descriptions to complete the questions and the economic continuum on the following pages.

<p>United Kingdom In the United Kingdom citizens answer the basic economic questions. Citizens own the factors of production and prices of goods are set by supply and demand. Like the United States, the United Kingdom is largely a service based economy but also has an extremely efficient agricultural sector. The private sector produces goods and services for domestic and international markets based on the market price system (supply and demand). Industries have much economic freedom in the UK. However, there have been recent moves for the government to partially control the banking industry and substantially regulate other industries.</p>	<p>Germany In Germany citizens own the most of the factors of production and make most of the economic decisions. The economy is primarily export-based, focusing on manufacturing and commodities. German businesses are largely privately owned and independent. The government regulates the agriculture, energy, and communications industries and there are increasing amounts of government involvement in the financial (banking) sectors. Most prices are set by supply and demand, but a few are controlled by the government. There is also still an issue with updating the Eastern German economy to compete and operate on par with Western Germany. Germany survives largely based on their exports, which are determined by global markets (supply and demand). Western Germany still transfers billions of dollars to Eastern German states to help modernize and update factories and production lines.</p>
<p>Russia The Russian government is largely involved with many aspects of the economy and must approve any investment larger than 50 million rubles. The government makes large scale production decisions and controls a large portions of the energy and shipping industry. Citizens control smaller industries and make the production decisions for small industries. The government regulates the prices of some products while other prices are set by supply and demand.</p>	<p>Canada Canada is famous for its socialized medicine (free healthcare). The government provides free healthcare to all Canadian citizens. The government also highly regulates businesses that operate in the medical industry. Other Canadian industries are mostly privately owned and citizens make most of the economic decisions. Canada allows a tremendous amount of direct foreign investment by American companies. Many American companies have very large operations in Canada.</p>
<p>Cuba Most industries are controlled by the government and 75 – 93% of the labor force is employed by the government. The government decides what to produce and how much to produce. The government owns all the factors of production and decides prices for goods and services. Like many centrally planned economies, Cuba’s state-run entities are inefficient and do not provide all the goods and services desired by citizens. Because of these inefficiencies, Cuba has a vibrant informal (underground) economy that is estimated at about 40% of the total economy.</p>	<p>Brazil Since 1996, many Brazilian industries have become privatized (privately owned). There is competition, both foreign and domestic, in most major industries. The two largest banks in Brazil are government-owned. The ownership of the factors of production tends to be held by a privileged class of a few very wealthy people, with a large number in the population living in poverty.</p>
<p>Australia Australia's economy is dominated by its services sector, yet it is the agricultural and mining sectors that account for the bulk of Australia's exports. The government used to heavily control most of Australia's industries. However, since the 1980s, Australia has made a lot of changes in its economy. It has transformed itself from a highly protected and regulated market to an open, internationally competitive, export-oriented economy. The freedom to start, operate, and close a business is strongly protected under Australia's regulatory environment.</p>	<p>United States In the United States the citizens decide what to produce based on market forces (supply and demand). Citizens answer the basic economic questions and own the factors of production. Most businesses, farms, and factories are owned by citizens. The government only steps in to protect the environment and consumers from unscrupulous business practices. The government also provides a number of social welfare programs and public schools. Buyers and sellers determine price of goods and services based on supply and demand. Private owners produce goods for domestic and international markets.</p>

NAME: _____ DATE : _____ PERIOD: _____

Group Members: _____

1. United Kingdom

Describe location on continuum _____

Explain your reasoning _____

2. Germany

Describe location on continuum _____

Explain your reasoning _____

3. Russia

Describe location on continuum _____

Explain your reasoning _____

4. Australia

Describe location on continuum _____

Explain your reasoning _____

5. Cuba

Describe location on continuum _____

Explain your reasoning _____

6. Brazil

Describe location on continuum _____

Explain your reasoning _____

7. Canada

Describe location on continuum _____

Explain your reasoning _____

8. United States

Describe Location on continuum _____

Explain your reasoning _____

NAME: _____ DATE : _____ PERIOD: _____

United Kingdom

Russia

Germany

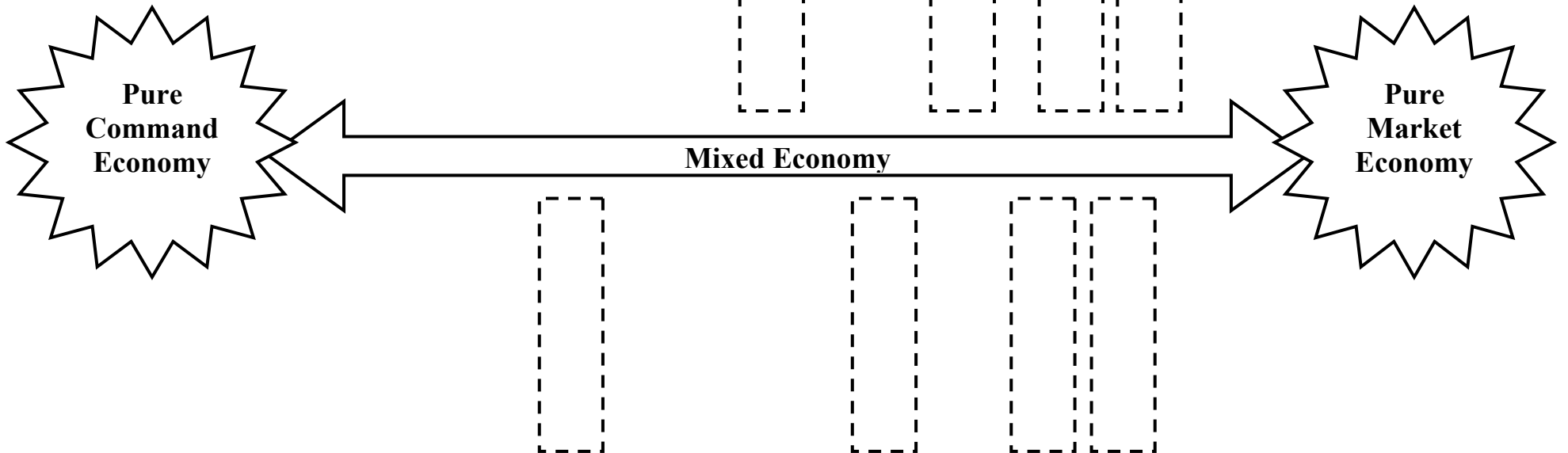
Brazil

Cuba

Canada

Australia

United States



Name: _____ Date: _____ Period: _____

Comparing European Economies United Kingdom, Germany, and Russia

United Kingdom

Economic System

- * UK has a _____ **economic system**
It's actually closer to a _____ economy than any other European country
- * UK is _____ strong; one of the world's leading _____ powers

Natural Resources

- * What's available?
Coal, _____, natural gas, iron ore, lead, zinc, _____, tin, limestone, salt, clay, chalk, gypsum, potash, silica sand, slate, _____ land

Land Use

- * What percentage of the land is _____ (capable of being _____)?

- * What are the major _____ products?
Cereals, oilseed, potatoes, vegetables, cattle, sheep, poultry, & fish

Industries

- * What's being _____ in the _____?
Machine tools, electric power equipment, automation equipment, railroad equipment, _____, aircraft, motor vehicles, communications devices, metals, chemicals, coal, petroleum, paper, textiles, food processing, clothing, & other consumer goods

Literacy Rate

- * What percentage of people over the age of 15 can read and write?

- * How long are students required to stay in school?

Unemployment Rate

- * What percentage of people do not have jobs?

- * What percentage of people live in poverty?

GDP ()

- * \$2.137 trillion (2007)
- * GDP _____ --What is the value of goods and services produced **per person**?
\$35,100 (2007)

Economic Problems

- * Unemployment
- * Over depletion of natural resources (pollution)
- * Improving public services (which forces the country to raise taxes)

Name: _____ Date: _____ Period: _____

Federal Republic of Germany

Economic System

- * Germany has a _____ **economic system**
After _____ in 1990, East Germany had to move away from a _____ economic system and slowly towards a Mixed system.
- * Germany's economy is Europe's _____ and is the _____ largest in the world

Natural Resources

- * What's available?
Coal, lignite, _____, iron ore, copper, nickel, uranium, potash, salt, construction materials, _____, arable land

Land Use

- * What percentage of the land is _____ (capable of being _____)?

- * What are the major agricultural products?
Potatoes, wheat, barley, sugar beets, fruit, cabbages, cattle, pigs, poultry

Industries

- * What's being _____ in the _____?
Among the world's _____ and most _____ producers of iron, steel, coal, cement, chemicals, machinery, vehicles, machine tools, electronics, food & beverages, shipbuilding, & textiles

Literacy Rate

- * What percentage of people over the age of 15 can _____ and _____?

- * How long are students required to stay in school?

Unemployment Rate

- * What percentage of people do not have jobs?

- * What percentage of people live in poverty?

- * GDP (_____)
- * \$2.81 trillion (2007)
- * GDP _____ --What is the value of goods and services produced _____?
\$34,200 (2007)

Economic Problems

- * Modernizing the former East German economy (annual transfers from west to east of _____.)
The former East Germany's decayed economy continues to be a _____ on the country
- * _____
- * Over _____ of _____ (pollution)
- * Improving public services (which forces the country to raise taxes)

Name: _____ Date: _____ Period: _____

Russian Federation

Economic System

- * Russia has a _____
Russia's economy has been moving _____ from a _____ economy and more _____ a _____ economy since the fall of the _____
_____ in _____...not there yet (Mixed)

Natural Resources

- * What's available?
Wide _____ base including _____ deposits of _____,
_____, coal, many _____, timber

**Obstacles such as harsh climate, terrain, distance, & size _____ Russia's exploitation (use) of natural resources*

Land Use

- * What percentage of the land is _____ (capable of being _____)?
7% (_____ over _____ is a major _____ for growing crops!)
What are the major agricultural products?
Grain, sugar beets, sunflower seed, vegetables, fruits, beef, milk

Industries

- * What's being _____ in the _____?
Coal, oil, gas, chemicals, metals, machines, aircrafts, space vehicles, shipbuilding, communication devices, tractors, construction equipment, medical & scientific instruments, textiles

Literacy Rate

- * What percentage of people over the age of 15 can read and write?

- * How long are students required to stay in school?

Unemployment Rate

- * What percentage of people do not have jobs?

- * What percentage of people live in poverty?

GDP

- * \$2.08 trillion (2007)
- * GDP Per Capita--What is the value of goods and services produced **per person**?
\$14,700 (2007)

Economic Problems

- * Natural resources are _____ to use because of the _____ climate, size and few _____ rivers
- * Moving _____ the former _____ economy of the Soviet Union (where the government made all of the decisions), and letting the public have a greater influence on the economy
- * Unemployment

Name: _____ Date: _____ Period: _____

