

# Comparing Economies:

Israel, Iran, Turkey,  
& Saudi Arabia

# Standards

## **SS7E5 The student will analyze different economic systems.**

- a. 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.
- b. Explain how most countries have a mixed economy located on a continuum between pure market and pure command.
- c. Compare and contrast the economic systems in Israel, Saudi Arabia, and Turkey.

## **SS7E7 The student will describe factors that influence economic growth and examine their presence or absence in Israel, Saudi Arabia, and Iran.**

- a. Explain the relationship between investment in human capital (education and training) and gross domestic product (GDP).
- b. Explain the relationship between investment in capital (factories, machinery, and technology) and gross domestic product (GDP).
- c. Explain the role of oil in these countries' economies.
- d. Describe the role of entrepreneurship.

# Southwest Asia's Economies: Anticipation Guide

**Directions:** You will make predictions about the answers to the following questions BEFORE learning about this unit. Write the letter of the vocabulary term that matches the definitions below.

A. Entrepreneur	B. Human Capital	C. Market	D. Command Economy	E. Capital Goods
F. Mixed Economy	G. Specialization	H. GDP	I. Tariff	J. Quota
K. Traditional Economy	L. Literacy Rate	M. Natural Resources	N. Trade Barriers	O. Embargo

1. \_\_\_\_\_ In this economic system, decisions are made by private citizens with no government regulation.
2. \_\_\_\_\_ Someone who is willing to take a risk to begin a new business
3. \_\_\_\_\_ Factories, machinery, and technology available in a country
4. \_\_\_\_\_ Producing those goods a country can make most easily so they can trade them for goods made by others that cannot be produced locally
5. \_\_\_\_\_ A ban on trading with a particular country for economic or political reasons.
6. \_\_\_\_\_ A limit on the amount of imported goods
7. \_\_\_\_\_ The ability of the people over the age of 15 to read and write
8. \_\_\_\_\_ Policies that limit the ability of a country to trade with other countries.
9. \_\_\_\_\_ Gifts of nature
10. \_\_\_\_\_ In this economic system, decisions are based on customs and beliefs of their ancestors
11. \_\_\_\_\_ A tax that is placed on imported goods
12. \_\_\_\_\_ The total value of all goods and services produced within a country in a single year
13. \_\_\_\_\_ This economic system is a blend of command and market systems.
14. \_\_\_\_\_ Education, skills, and training the workers have
15. \_\_\_\_\_ In this economic system, the government makes all economic decisions.

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1	C
2	A
3	E
4	G
5	O
6	J
7	L
8	N
9	M
10	K
11	I
12	H
13	F
14	B
15	D







# Comparing Economies:

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& Saudi Arabia

# Let's Review

## Economic Systems

Do you remember the three questions that every country must answer when developing its economic plan?

1. What goods/services will be produced?
2. How will goods/services be produced?
3. Who will consume the goods/services?

The way a country answers these questions determines what kind of economic system it will have:

**Traditional Command**

**Market**



# Traditional Economy

- All economic decisions are based on customs, traditions, & beliefs of the past.
- People will make what they always made & do the same things their parents did.
- The exchange of goods is done through bartering.
  - Bartering = trading without using money
- Some examples: villages in Africa & South America, the Inuit in Canada, Aborigines in Australia

# Command Economy

- **All** economic decisions are made by the Government.
  - The government owns most of the property, sets the prices of goods, determines the wages of workers, plans what will be made...everything.
- This system has not been very successful. More and more countries are abandoning it.
- This system is very harsh to live under; because of this, there are no PURE command countries in the world today.
  - Some countries are close: Cuba, former Soviet Union, North Korea, former East Germany, etc.
- All of these countries have the same type of government: Communist! The government is in control of everything.

# Market Economy

- Economic decisions are made based on the changes in prices that occur as buyers & sellers interact in the market place.
- The government has no control over the economy; private citizens answer all economic questions.
- In a truly free market economy, the government would not be involved at all. Scary...
  - There would be no laws to make sure goods/services were safe.  
\*Food! Medicine!
  - There would be no laws to protect workers from unfair bosses.
- Because of this, there are no PURE market economies, but some countries are closer than others.
  - Some Examples: US, UK, Australia, etc.

# Hmmm...

- Since there are no countries that are purely command or purely market, what does that make them?
- Most democratic countries have some characteristics of both systems, so we keep it simple and call them:  
**MIXED**
- Of course, most countries' economies are closer to one type of system than another.

# Let's Review

## Factors of Production

- There are 4 factors of production that influence economic growth within a country:

1. **Natural Resources** available
2. Investment in **Human Capital**
3. Investment in **Capital Goods**
4. **Entrepreneurship**

- The presence or absence of these 4 factors determine the country's Gross Domestic Product (GDP) for the year.

# GDP

- GDP is the total value of all the goods and services produced in that country in one year.
- It measures how rich or poor a country is.
- It shows if the country's economy is getting better or worse.
- Raising the GDP of a country can improve the country's standard of living.

# Natural Resources

- “Gifts of Nature”
- Natural resources are important to countries because without them, countries must import the resources they need (can be costly).
- A country is better off if it can use its own resources to supply the needs of its people.
- If a country has many natural resources, it can trade/sell them with other countries.

# Capital Goods

- To increase GDP, countries must invest in capital goods:
  - All of the factories, machines, technologies, buildings, and property needed by businesses to operate
- If a business is to be successful, it cannot let its equipment break down or have its buildings fall apart.
- New technology can help a business produce more goods for a cheaper price.



# Human Capital

- To increase GDP, countries must invest in human capital.
- Human capital includes education, training, skills, and healthcare of the workers in a business or country.

# Entrepreneurship

- People who provide the money to start and operate a business are called entrepreneurs.
  - These people risk their own money and time because they believe their business ideas will make a profit.
- Entrepreneurs must organize their businesses well for them to be successful .
  - They bring together natural, human, and capital resources to produce foods or services to be provided by their businesses.

# Specialization

- Not every country can produce all of the goods and services it needs.
  - Countries specialize in producing those goods and services they can provide best and most efficiently.
  - They look for others who may need these goods and services so they can sell their products.
  - The money earned by such sales then allows the purchase of goods and services the first county is unable to produce.
- In international trade, no country can be completely self-sufficient (produce all the goods and services it needs).
- Specialization creates a way to build a profitable economy and to earn money to buy items that cannot be made locally.



# Israel's Economy

# Economic System

- Israel has a **mixed economy** that is also technologically advanced.
  - This has allowed Israel to make up for much of what the country lacks in farmland and natural resources.
- The Israeli government and private Israeli companies own and control the economy.
- Because of high-tech manufacturing and financial services, Israel's economy is the most developed in Southwest Asia.
- Israel has extremely low oil production, therefore oil has very little impact on its economy.

# Natural Resources

Israel does not have many natural resources.

- What are the major natural resources?
  - timber, potash, copper ore, natural gas, phosphate rock, magnesium bromide, clays, sand

# Land Use

What percentage of the land is arable?

- 13.7% (But remember, Israel is not very big.)
- What are the major agricultural products?
  - citrus, vegetables, cotton, beef, poultry, dairy products
- Israel's limited arable land and natural freshwater resources make it hard for agriculture.









# Industries

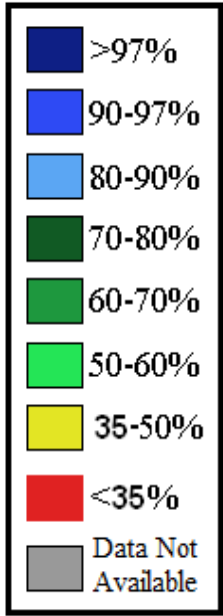
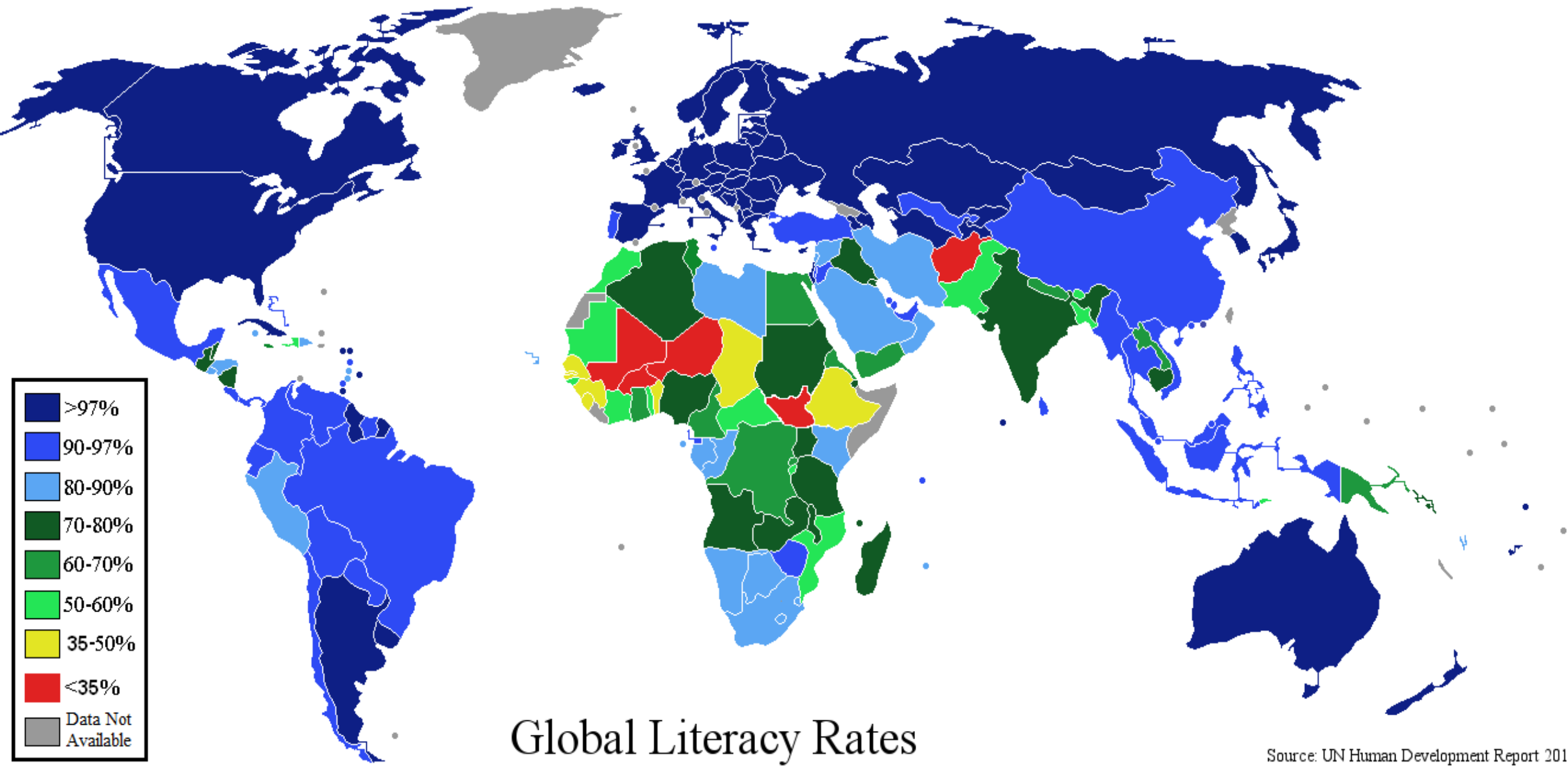
- What's produced in Israel's factories?
  - high-technology products, wood and paper products, potash and phosphates, food, beverages, tobacco, cement, construction, metal products, chemical products, plastics, diamond cutting, textiles, footwear
- The service industry (helping someone) accounts for much of Israel's economy – areas such as insurance, banking, retail, and tourism.

# Specialization

- Israel's chief exports include:
  - machinery and equipment, software, cut diamonds, and agricultural products.
- Israel has become a leader in agricultural technology, even though it has a limited supply of land suitable for farming.
- The country can sell this technology to earn the money to supplement their limited production of food.

# Literacy Rate

- What percentage of people over the age of 15 can read and write?
  - 97.1%
- How long are students expected to stay in school?
  - 16 years old (females)
  - 15 years old (males)



Global Literacy Rates

Source: UN Human Development Report 2011

# Unemployment Rate

- What percentage of people do not have jobs?
  - 6.9%
- What percentage of people live in poverty?
  - 23.6%

# GDP

- \$2.528 billion
  - 51<sup>st</sup> in the world
- GDP Per Capita--What is the value of goods and services produced **per person**?
  - \$32,800

# Economic Struggles

- Israel does not have many natural resources.
  - Israel depends heavily on imports of grain, oil, military technologies, and many other goods.
- War is a major threat to Israel.
  - A large number of immigrants also present challenges to Israel's economy.
- The Israeli government has taken control of certain economic activities in order to address the warfare and immigrant problems.
  - The Israeli government controls most activities related to agriculture.





# Turkey's Economy

# Economic System

- In the past century, Turkey's government has really helped its economy to grow.
  - After World War I, the government invested heavily in Turkey's weapons and steel industries.
- Industries such as airlines, railroads, telephone, and television have been controlled by the government in the past.
- By the 1980s, many people objected to the government having so much control over the economy.
  - The government has begun to allow private businesses more control.
  - Today, more private ownership has been allowed, and more laws have been passed to protect business owners.
- Turkey has a **mixed** economy.

# Economic System

- Turkey is moving towards fewer government-run businesses and more privately-owned businesses. (Mixed)
- It's economy is diversified with large service, manufacturing, and agricultural industries.
  - Most of these products are sold and used within Turkey, but a significant portion are exported to other countries.
  - Turkey produces little oil, there oil has a small impact on its economy.

# Rising Power on the Bosphorus

Turkey's economic performance in comparison to selected European countries (2010)

## Economic growth

Annual change in percent



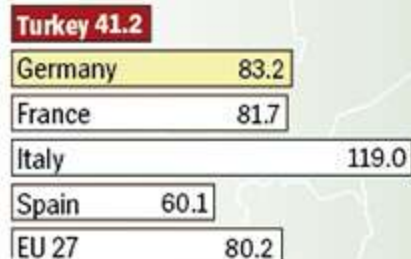
## Private consumer spending

Annual change in percent\*



## National debt

as percentage of GDP



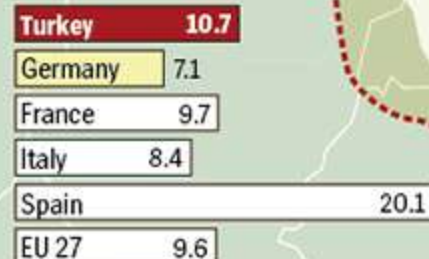
## Age distribution

Percentage of population over 64



## Unemployment

in percent

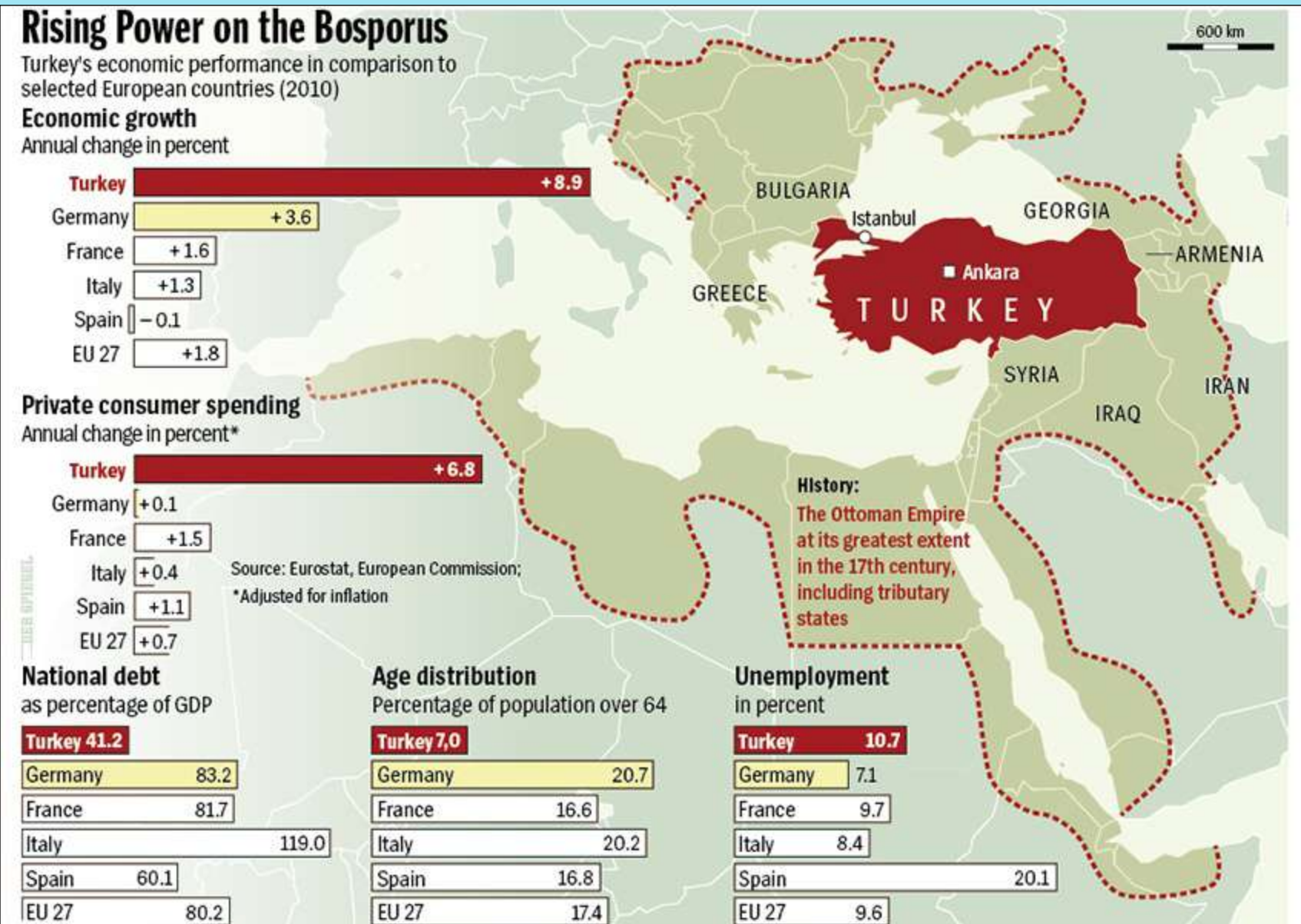


Source: Eurostat, European Commission;  
\*Adjusted for inflation

History:  
The Ottoman Empire  
at its greatest extent  
in the 17th century,  
including tributary  
states

LEADER OPINION

600 km



# Natural Resources

- What are Turkey's major natural resources?
  - coal, iron ore, copper, chromium, antimony, mercury, gold, barite, borate, celestite, emery, feldspar, limestone, magnesite, marble, perlite, pumice, pyrites (sulfur), clay, arable land, hydropower

# Land Use

What percentage of the land is arable?

- 26.2%
- What are the major agricultural products?
  - tobacco, cotton, grain, olives, sugar beets, hazelnuts, citrus, livestock, hazelnuts, figs, pomegranates, watermelons, and cucumbers
- A large part of the Turkey's economy is based on agriculture.
  - Turkey consistently ranks among the world's top ten nations for agricultural output.
- As Turkey continues to modernize, its agriculture continues to decline.



# Industries

- What's produced in Turkey's factories?
  - textiles, food processing, autos, electronics, mining (coal, chromate, copper, boron), steel, petroleum, construction, lumber, paper
- The service industry makes up about half of Turkey's economy, just as it does in Israel.



# Specialization

- Turkey's chief exports include:
  - apparel, foodstuffs, textiles, metal manufactures, transport equipment

# Literacy Rate

- What percentage of people over the age of 15 can read and write?
  - 94.1%
- How long are students expected to stay in school?
  - Males: 14 years old
  - Females: 13 years old



# Unemployment Rate

- What percentage of people do not have jobs?
  - 9.2%
- What percentage of people live in poverty?
  - 16.9%

# GDP

- \$1.142 trillion
  - 17<sup>th</sup> in the world
- GDP Per Capita--What is the value of goods and services produced **per person**?
  - \$15,200



# Saudi Arabia's Economy

# Economic System

- Saudi Arabia has an oil-based economy with strong government controls over major economic activities.
- Even though Saudi Arabia is considered to have a **mixed economy**, the Saudi king and his advisors still make quite a lot of the country's economic decisions, especially those related to oil.
  - Saudi Arabia's economy depends predominantly on oil, its main export.
  - Oil funds the country's education, defense, transportation, health, and housing.

# Economic System

- Over half of Saudi Arabia's GDP comes from oil production.
- The government owns the oil and other major industries; however, private ownership of small businesses is increasing.
- Saudi Arabia is trying to encourage more private businesses to boost the economy and decrease the countries dependence on oil.
  - It also has commercial manufacturing and financial industries.



# Natural Resources

- What are Saudi Arabia's major natural resources?
  - petroleum, natural gas, iron ore, gold, copper

# Land Use

What percentage of the land is arable?

- 1.5%
- What are the major agricultural products?
  - wheat, barley, tomatoes, melons, dates, citrus; mutton, chickens, eggs, milk



# Industries

- What's produced in Saudi Arabia's factories?
  - crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide (caustic soda), cement, fertilizer, plastics, metals, commercial ship repair, commercial aircraft repair, construction

# Specialization

- Saudi Arabia's chief exports include petroleum and petroleum products (90%).
- Saudi Arabia is able to specialize in the production of oil and natural gas and sell these products for a great profit in the world market.
- The money earned in this trade can then be used to purchase food and the technology needed to make their agriculture system more efficient.

# Saudi Oil Refinery



# Literacy Rate

- What percentage of people over the age of 15 can read and write?
  - 87.2%
- How long are students expected to stay in school?
  - 15 years old

# Unemployment Rate

- What percentage of people do not have jobs?
  - 10.6%
- What percentage of people live in poverty?
  - Not available (government does not release this information)



# GDP

- \$921.7 billion
  - 20<sup>th</sup> in the world
- GDP Per Capita--What is the value of goods and services produced **per person**?
  - \$31,800



# Iran's Economy

# Economic System

- Iran has great oil wealth, like Saudi Arabia.
- Iran also has a **mixed economy** that has grown in spite of government attempts to keep tighter control.
- Iran's mixed-command economy has not been very efficient in recent years.
- Even though there is oil wealth, many Iranians do not share in the money.
  - Much of it goes toward the military.

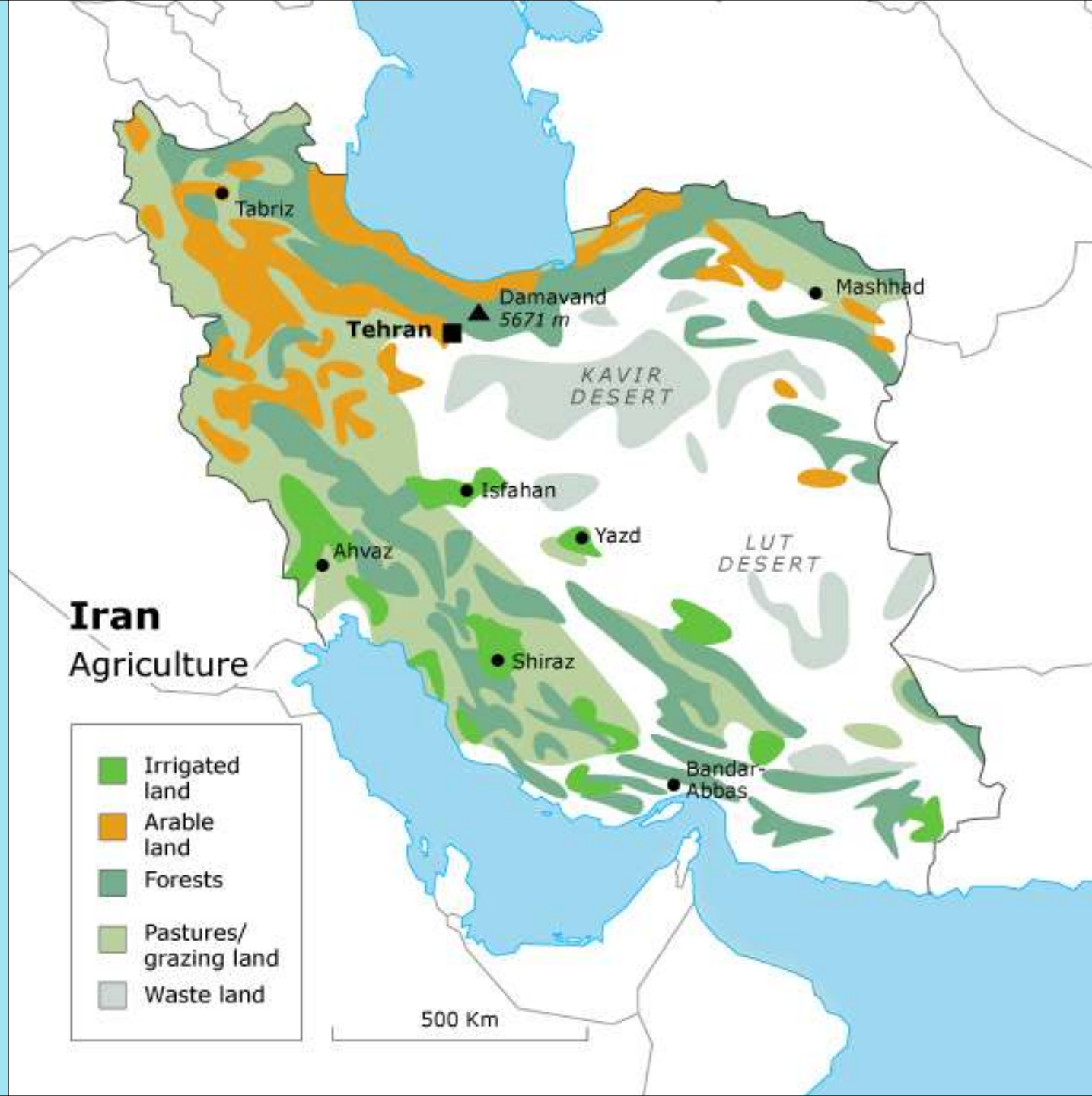
# Natural Resources

- What are Iran's major natural resources?
  - petroleum, natural gas, coal, chromium, copper, iron ore, lead, manganese, zinc, sulfur

# Land Use

What percentage of the land is arable?

- 10.5%
- What are the major agricultural products?
  - wheat, rice, other grains, sugar beets, sugarcane, fruits, nuts, cotton, dairy products, wool, caviar





# Industries

- What's produced in Iran's factories?
  - petroleum, petrochemicals, fertilizers, caustic soda, textiles, cement and other construction materials, food processing (particularly sugar refining and vegetable oil production), metal fabrication, armaments
- The service industry makes up roughly 51% of Iran's economy.



# Specialization

- Iran's chief exports include:
  - petroleum (80%), chemical and petrochemical products, fruits and nuts, carpets

# Literacy Rate

- What percentage of people over the age of 15 can read and write?
  - 85%
- How long are students expected to stay in school?
  - 14 years old



# Unemployment Rate

- What percentage of people do not have jobs?
  - 15.5%
- What percentage of people live in poverty?
  - 18.7%

# GDP

- \$1.01 trillion
  - 18<sup>th</sup> in the world
- GDP Per Capita--What is the value of goods and services produced **per person**?
  - \$13,300



# Southwest Asia's Economy

## Review Questions

1. How has Israel's lack of oil affected that country's economy?
  - A. Israeli businesses use little oil to operate
  - B. Israel has little industry due to their lack of oil
  - C. The Israeli economy is built around large-scale farming
  - D. The Israeli economy depends on technology rather than natural resources, such as oil
2. How has the Saudi government used its national wealth to change the country?
  - A. All Saudi citizens are given an equal share of the national wealth
  - B. The Saudi government has spent very little to improve the lives of ordinary citizens
  - C. A majority of the national wealth has been given to religious organizations in the country
  - D. The government has paid for improvements in transportation, education, health care, and agriculture
3. If a country does not invest in its human capital, how can it affect the country's gross domestic product (GDP)?
  - A. Investment in human capital has little effect on a country's GDP
  - B. Most workers want to keep their jobs and do not care about GDP
  - C. GDP is only affected if workers pay for the investment out of their own pockets
  - D. GDP may go down because poorly trained workers will not be able to do their jobs as well
4. What are capital goods?
  - A. The workers who make the goods and services
  - B. The factories and machines used to make goods
  - C. The money spent to train workers to use new technology
  - D. The goods and services that are produced for a country's economy
5. Israel has invested heavily in capital goods in all of the following areas EXCEPT
  - A. Oil
  - B. Communication
  - C. Defense
  - D. Farming and Agriculture
6. Why are oil and gas such valuable natural resources?
  - A. Large deposits of oil and gas are found in most countries
  - B. It is easy to replace oil and gas supplies after they are used
  - C. Industrial countries depend on oil and gas in their energy supply
  - D. Oil and gas are the only sources of energy used around the world
7. What is human capital?
  - A. Skills and education workers have
  - B. money paid to workers for producing goods
  - C. Taxes collected from a country's workers
  - D. the amount of goods sold in foreign trade in a year

8. Why have the Israelis made a big investment in human capital?
- A. Their main industry is the oil industry
  - B. Investing in human capital takes very little money
  - C. They have to bring in workers from other countries
  - D. They need well-trained workers because their economy depends on advanced technology
9. What is an entrepreneur?
- A. People who enjoy saving all their money
  - B. Business people who try not to take risks with their money
  - C. Someone who is always successful in whatever he attempts
  - D. Someone who is willing to take a risk to begin a new business
10. In a traditional economy, how are economic decisions made?
- A. Custom and habit
  - B. consumers and the market
  - C. Government planners
  - D. combination of consumers and government planners
11. In a command economy, how are economic decisions made?
- A. Custom and habit
  - B. consumers and the market
  - C. Government planners
  - D. combination of consumers and government planners
12. In a market economy, who makes the economic decisions?
- A. Farmers
  - B. Government planners
  - C. Custom and habit
  - D. Consumers and the market
13. Why do most economies in the world today operate somewhere in between a market economy and a command economy?
- A. Most consumers want government control of the economy
  - B. Government control makes a market economy more profitable
  - C. Government control of some aspects of the economy has never been successful in the modern world
  - D. Most economies have found they need a mix of free market and some government control to be successful and protect consumers
14. The economies of Israel, Saudi Arabia, Turkey, and Iran could best be described as
- A. Mixed
  - B. Command
  - C. Market
  - D. Traditional



15. What is "economic specialization?"

- A. directly swapping goods from one country to another without having to use money
- B. trying to avoid investing in industry and technology because of the expense involved
- C. producing all goods and services needed for a country's growth, so that trade with other countries is not needed
- D. producing those goods a country can make most efficiently so they can trade them for goods made by others that cannot be produced locally

16. Saudi Arabia specializes in the production of

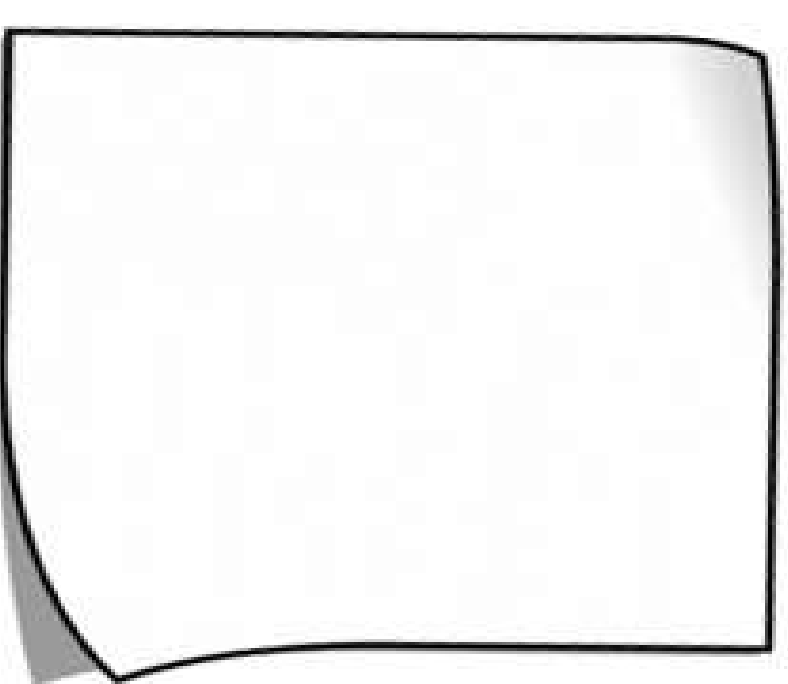
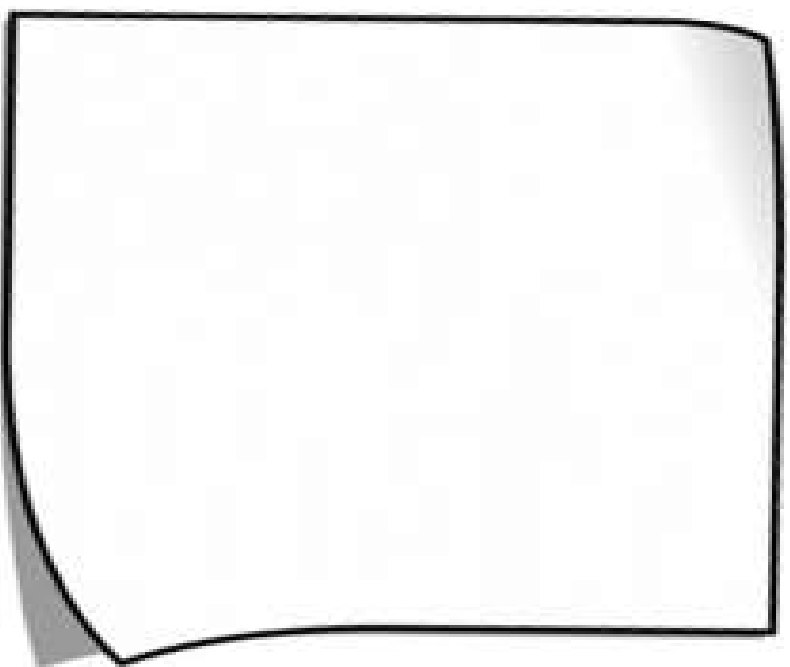
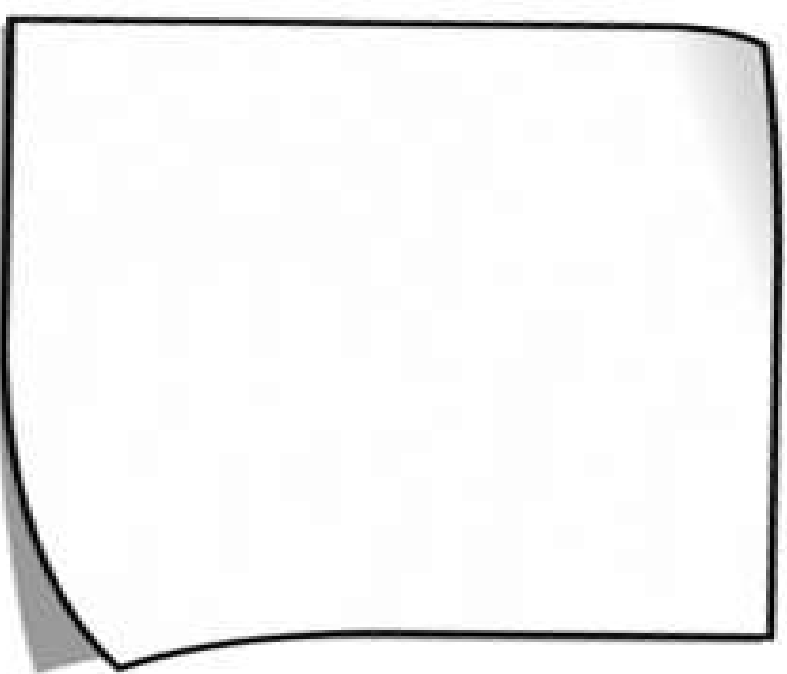
- A. Oil and gas
- B. Olive and orange
- C. Industrial technologies
- D. Agricultural technologies

## Answer Key

1	D
2	D
3	D
4	B
5	A
6	C
7	A
8	D
9	D
10	A
11	C
12	D
13	D
14	A
15	D
16	A

# Stump Your Classmates!

**Directions:** On the sticky notes below, write down two true statements/facts and one false statement/fact about Southwest Asia's Economies. Don't label them! We are going to move around the classroom and challenge each other. Let's see if you can **STUMP YOUR CLASSMATES!**



# Have You Caught What I Taught?

Totes Got It

Almost Got It

Kinda Sorta Maybe

Wait. What?

Comment for Me:

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