



Comparing African Economies

South Africa & Nigeria

Standards

SS7E1 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 South Africa and Nigeria.

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.

Gross Domestic Product

- 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 is the knowledge and skills that make it possible for workers to earn a living producing goods and services.
- This 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.



South Africa's Economy

Economic System

- South Africa has a technologically advanced **mixed** economic system.
 - It's actually closer to a market system than it is to a command one; however, there is some government regulation and control among industries.
- South Africa is economically strong.
 - It is one of the strongest economies in Africa.

GDP

- South Africa's GDP is \$592 billion (US dollars).
 - It is ranked 26th in the world.
- The GDP per capita (value of goods and services produced per person) is \$11,600.

Natural Resources

- What are South Africa's major natural resources?
 - gold, chromium, antimony, coal, iron ore, manganese, nickel, phosphates, tin, rare earth elements, uranium, gem diamonds, platinum, copper, vanadium, salt, natural gas
- South Africa has rich deposits of gold, diamonds, platinum, and other metals.
 - It is world's largest producer of platinum, gold, and chromium.

Finsch Diamond Mine, South Africa



Land Use

- What percentage of the land is **arable** (capable of being farmed)?
 - 9.9%
- What are the major agricultural products?
 - corn, wheat, sugarcane, fruits, vegetables, beef, poultry, mutton, wool, dairy products



Cattle Ranch



Industries

- What's produced in South Africa's factories?
 - Mining materials, automobile assembly, metalworking, machinery, textiles, iron and steel, chemicals, fertilizer, foodstuffs, commercial ship repair
- The service industry accounts for 65% of South Africa's economy – areas such as insurance, banking, retail, and tourism.

Specialization

- South Africa's chief exports include:
 - gold, diamonds, platinum, other metals and minerals, machinery and equipment
- South Africa has specialized in the development of its mineral wealth and has a thriving metals industry.

Platinum Mining in South Africa

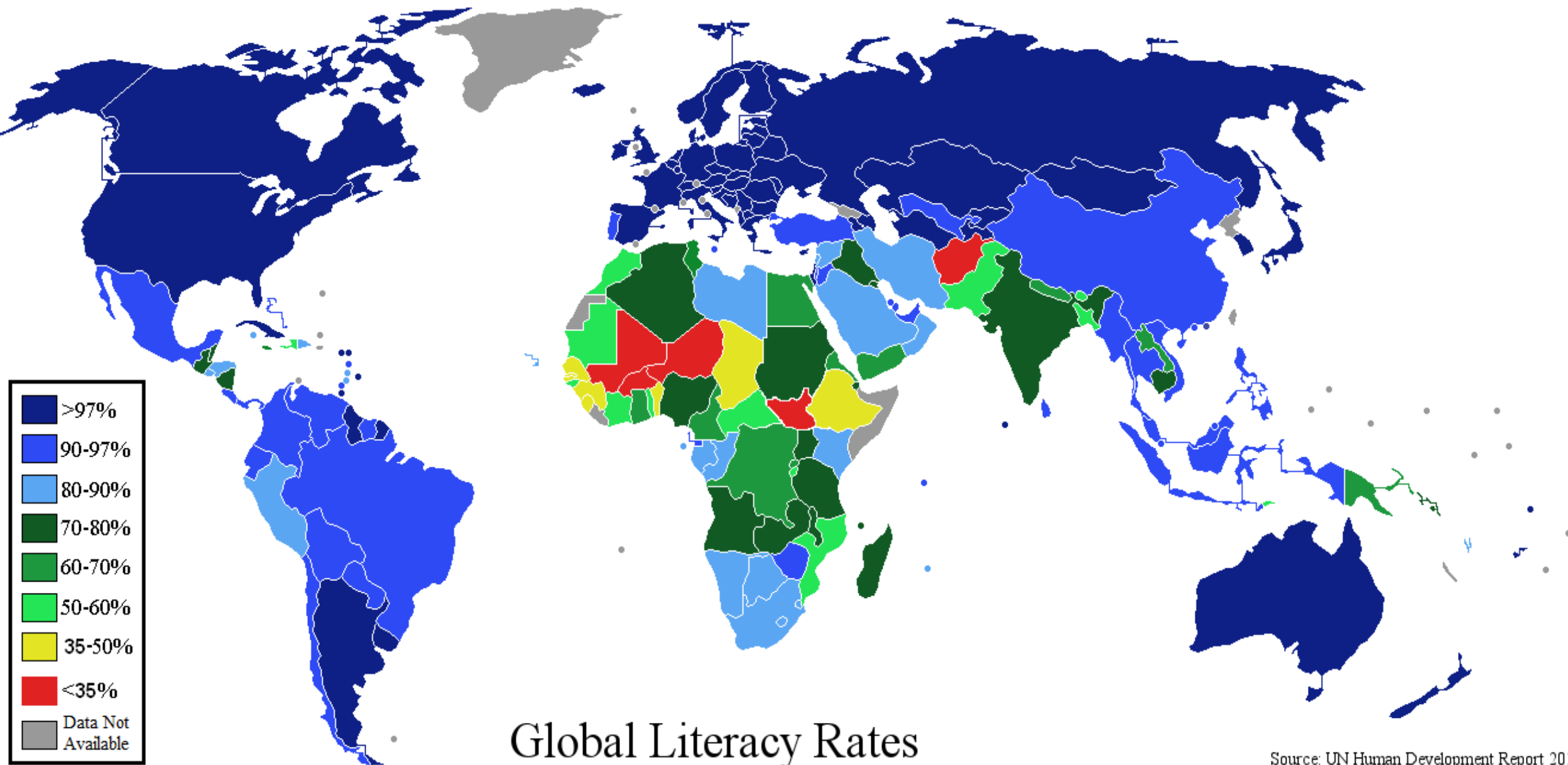


Literacy Rate

- What percentage of the population over the age of 15 can read and write?
 - 93%
- How long are students expected to stay in school?
 - Most students drop out of school when they are 13 years old.

School Equality?





Global Literacy Rates

Source: UN Human Development Report 2011

Unemployment Rate

- What percentage of people do not have jobs?
 - 22.7% of South Africa's workforce is unemployed.
- What percentage of people live in poverty?
 - 31.3% of South Africa's population live below the poverty line and cannot meet basic needs.



Nigeria's Economy

Economic System

- Like all countries with democracies, Nigeria has a **mixed** economic system.
- However, because of a long period of military dictatorship, Nigeria's poorly organized economy is struggling to move away from a command system.
- Nigeria would like to become a strong leader in the world's oil market, but poor organization and corruption are obstacles that the country must correct and overcome.

GDP

- Nigeria's GDP is \$455.5 billion (US dollars).
 - It is ranked 31st in the world.
- The GDP per capita (value of goods and services produced per person) is \$2,800.

Natural Resources

- What are Nigeria's major natural resources?
 - natural gas, petroleum, tin, iron ore, coal, limestone, niobium, lead, zinc, & arable land
- Nigeria has rich oil deposits.
 - The country's petroleum sector is the focus of Nigeria's economy.
- The United States gets almost 17% of its imported oil from Nigeria.

Nigerian Oil Spill, 2011



Land Use

- What percentage of the land is **arable** (capable of being farmed)?
 - 38.97%
- What are the major agricultural products?
 - cocoa, peanuts, cotton, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, sheep, goats, pigs, timber, fish



Industries

- What's produced in Nigeria's factories?
 - crude oil, coal, tin, columbite, rubber products, wood, hides and skins, textiles, cement and other construction materials, food products, footwear, chemicals, fertilizer, printing, ceramics, steel
- Agriculture accounts for 70% of Nigeria's economy.

Specialization

- Nigeria's chief exports include:
 - petroleum and petroleum products (95%), cocoa, & rubber
- Nigeria specializes in exporting oil.
 - Unfortunately, the emphasis on oil production has left other parts of Nigeria's economy disorganized.
 - Nigeria has to import food to feed its growing population.

Literacy Rate

- What percentage of the population over the age of 15 can read and write?
 - Males – 72.1%
 - Females – 50.4%
- How long are students expected to stay in school?
 - Males – 10 years old
 - Females – 8 years old

Nigerian School



Unemployment Rate

- What percentage of people do not have jobs?
 - 23.9% of Nigeria's workforce is unemployed.
- What percentage of people live in poverty?
 - 70% of Nigeria's population cannot meet basic needs.

Currency Exchange

- Currency exchange is the price of one country's currency compared to another.
 - 1 US dollar = 10.23 South African rand
 - 1 US dollar = 158.4 Nigerian naira
 - 1 South African rand = 15.5 Nigerian naira
- What does this mean?
 - South Africa's economy is stronger than Nigeria's, but the US's economy is much stronger than both.