

SS6E1 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 the basic types of economic systems found in Cuba and Brazil.

What is economics? Economics is the study of how a market makes, distributes, and consumes products and services.

3 types of systems:

1. **Traditional** systems are found in farming societies where people make what they need to survive. Social roles and culture determine how goods and services are produced, what prices and individual incomes are, and which consumers are allowed to buy certain goods.
2. In a **command** system, the government controls all production and distribution. The government decides what is produced, how products are produced & how products will be distributed.
3. In a **market** system, supply and demand determine what is produced and sold. This system is based on individual choices and voluntary trade; individuals answer the basic questions of what to produce, for whom to produce, and how to produce.
4. Most countries have **mixed economies** that fall somewhere in between pure market and pure command economies. Since no country has a pure command or pure market economic system, all economies combine aspects of both of these pure economic systems albeit to different degrees.

Every economic system has to answer three basic questions: *What to produce? How to produce it? Whom do we produce it for?*

Cuba

- Like all countries with Communist governments, Cuba has a **command** economic system.
- The government owns all resources and property, and decides what and how much are to be produced.
- Cuba's economy has struggled since the fall of the Soviet Union because it was Cuba's main trading partner.
- Cuba's GDP is \$72.3 billion (US dollars).
- It is ranked 67th in the world.
- The GDP per capita (value of goods and services produced per person) is \$10,200.
- What are Cuba's major natural resources?

Latin America's Economy (Production, Distribution & Consumption)

Name _____

- cobalt, nickel, iron ore, chromium, copper, salt, timber, silica, petroleum, & arable land
- What percentage of the land is **arable** (capable of being farmed)? 32.3%
- What are the major agricultural products?
 - sugar, tobacco, citrus, coffee, rice, potatoes, beans, & livestock
- What's produced in Cuba's factories?
 - petroleum, nickel/cobalt, pharmaceuticals, tobacco, construction, steel, cement, agricultural machinery, & sugar
- Cuba's chief exports include:
 - petroleum, nickel, medical products, sugar, tobacco, fish, citrus, & coffee
- What percentage of the population over the age of 15 can read and write? 99.8%
- How long are students expected to stay in school? Males – 15 years old & Females – 16 years old
- What percentage of people do not have jobs? 3.8% of Cuba's workforce is unemployed.
- *Note: these are "official" rates put out by Cuba's government; unofficial estimates are about double the official figure
- What percentage of people live in poverty? Cuba's government does not make this information available.

Brazil

- Like most countries with democratic governments, Brazil has a **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 (like healthcare and the postal service).
- Brazil has strong agricultural, mining, manufacturing, and service sectors.
- It has the strongest economy in South America
- Brazil's GDP is \$2.396 trillion (US dollars).
- It is ranked 8th in the world!
- Brazil has the highest GDP in Latin America.
- The GDP per capita (value of goods and services produced per person) is \$12,100.
- What are Brazil's major natural resources?
 - bauxite, gold, iron ore, manganese, nickel, phosphates, platinum, tin, rare earth elements, diamonds, uranium, petroleum, hydropower, timber
- What percentage of the land is **arable** (capable of being farmed)? 8.5%
- What are the major agricultural products?
 - coffee, soybeans, wheat, rice, corn, sugarcane, cocoa, citrus, beef
- What's produced in Brazil's factories?
 - textiles, shoes, chemicals, cement, lumber, iron ore, tin, steel, aircraft, motor vehicles and parts, other machinery and equipment

Latin America's Economy (Production, Distribution & Consumption)

Name _____

- The service industry accounts for 69% of Brazil's economy – areas such as insurance, banking, retail, and tourism.
- Brazil's chief exports include:
 - transport equipment, iron ore, soybeans, footwear, coffee, & automobiles
- Brazil has specialized in the development of its agriculture, mining, & manufacturing sectors, and therefore has the largest economy in South America.
- What percentage of the population over the age of 15 can read and write? 90.4%
- How long are students expected to stay in school? Most students stay in school until they are 14-15 years old.
- What percentage of people do not have jobs? 5.5% of Brazil's workforce is unemployed.
- What percentage of people live in poverty? 21.4% of Brazil's population live below the poverty line and cannot meet basic needs.

SS6E2 The student will give examples of how voluntary trade benefits buyers and sellers in Latin America and the Caribbean and Canada.

- a. Explain how specialization encourages trade between countries.
- b. Compare and contrast different types of trade barriers, such as tariffs, quotas, and embargos.
- c. Explain the functions of the North America Free Trade Agreement (NAFTA).
- d. Explain why international trade requires a system for exchanging currencies between nations.

- Trade is the voluntary exchange of goods & services among people & countries.
- Trade and voluntary exchange occur when buyers & sellers freely and willingly engage in market transactions.
- When trade is voluntary and non-fraudulent, both parties benefit and are better off after the trade than they were before the trade.

Trade Barriers

- Tariffs are taxes charged for goods that leave or enter a country
- In order to get a product from another country, you have to pay extra for it, just like sales tax
- Tariffs cause the consumer to pay a higher price for an imported item, increasing the demand for a lower-priced item produced domestically.
- EXAMPLE? NAFTA, the North American Free Trade Agreement, allows free trade (no tariffs or quotas) between Mexico, Canada, and the United States.
- A quota is when a country limits the amount of a product that can be sold to another country.
- Quotas can cause shortages that cause prices to rise, but also protect domestic production of a product by restricting foreign competition.
- EXAMPLE? Brazil could put a quota on foreign made shoes to 10,000,000 pairs a year. If Brazilians buy 200,000,000 pairs of shoes each year, this would leave most of the market to Brazilian producers.
- An embargo is when one country completely refuses to trade with another country.

Latin America's Economy (Production, Distribution & Consumption)

Name _____

- They are typically used when one country disagrees with policies of another country.
- EXAMPLE? The United States placed an embargo on Cuba after the Cuban Missile Crisis. We do not trade with Cuba—this is still in effect today.

Specialization

- Specialization is the opposite of a trade barrier.
- Specialization encourages trade.
- When a country specializes in creating one type of product, they must trade with other countries to get the other products they need.

Functions of NAFTA (North American Free Trade Agreement)

- Remove tariffs on goods shipped between Canada, Mexico & US
- Remove quotas among Canada, Mexico & US
- Remove barricades at border crossings, which would make it easier for trucks to move back and forth across borders
- Creates strict standards for environmental, health, and safety policies in industries
- Improving working conditions

Importance of exchange currencies

- Exchange rates provide a procedure for determining the value of one country's currency in terms of another country's currency. Without a system for exchanging currencies, it would be very difficult to conduct international trade. Money from one country must be converted into the currency of another country to pay for goods in that country. This system is called **foreign exchange**. The exchange rate is how much one currency is worth in terms of the other.

SS6E3 The student will describe the factors that cause economic growth and examine their presence or absence in Latin America.

- 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 goods (factories, machinery, and technology) and gross domestic product (GDP).
- c. Describe the role of natural resources in a country's economy.
- d. Describe the role of entrepreneurship.

A. Human Capital & GDP

- Investing in human capital includes the education, training & health of employees
- Companies **MUST** invest in their employees to make more money which causes literacy rates to increase because people want jobs & benefits
- Gross Domestic Product (GDP): total value of all goods & services produced by a country within a year
 - This is used to tell how rich or poor a country is
 - Raising GDP means raising standard of living
- To increase a country's GDP, a country must invest in human capital

B. Capital Investments & GDP

- Physical capital is factories, machines, etc. needed to operate a business
- Employees need physical capital to make products
- This increases GDP

C. Natural Resources of a country

- Without natural resources, countries have to import what is needed
- This adds money to the cost of goods & services
- These are needed to create jobs & trade with other countries

D. Entrepreneur

- A person willing to take risks & receive rewards by owning & operating a business
- Must hire employees
- Encourages trade
- Pays taxes to government

SS6G4 The student will describe the cultural characteristics of people who live in Latin America and the Caribbean.

c. Evaluate how the literacy rate affects the standard of living

- Latin America's literacy rate is around 89%. This is better than before, but still leaves 11% illiterate. The countries have a lower standard of living.
- Why? Poor communities can't afford teachers or schools.
- Many communities feel it is more important for boys than girls to receive an education
- Cycle of Poverty:

