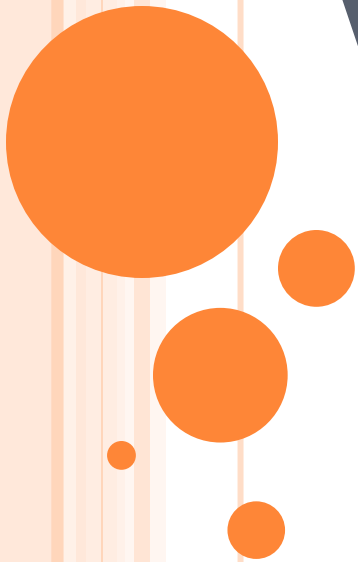


# ECONOMICS...

## WHAT IS IT?



# SS6E1

- **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 and contrast the basic types of economic systems found in Canada, Cuba, and Brazil.



# SS6E1A-ECONOMIC QUESTIONS

- Economics=making decisions about distributing limited resources to get the unlimited number of things we want & need ●

# SS6E1A-ECONOMIC QUESTIONS

## 3 BASIC QUESTIONS

- WHAT to produce?
- HOW to produce?
- FOR WHOM to produce?



*BASICALLY...*

- WHAT are we going to make?
- HOW are we going to make it?
- WHO are we going to make it for/sell it to?



# SS6E1A-ECONOMIC QUESTIONS

- Supply=amount of goods available
- Demand=how many consumers want the goods
- Law of Supply & Demand=determines price of goods/services based on supply & demand
- Scarcity=limited supply of something



# SS6E1A-ECONOMIC QUESTIONS

## ○ Economic Systems

- 1. Traditional*
- 2. Command*
- 3. Market*
- 4. Mixed*



# 1. TRADITIONAL

- Exchange of goods or services based on customs or traditions
- Jobs are usually passed down from generation to generation (farming, hunting & gathering, cattle herding)
- Ex. Yanomamo Indians in Brazil & Venezuela



# SS6E1A

## 2. COMMAND

- Economy in which the government owns most industries and makes most economic decisions
- Quota=how much to produce in a given time
- Government assigns quota to each worker so that everyone will have what they need when they need it
- Prices & wages are set by government





## 3. MARKET



- Economy where consumers help determine what is to be produced by buying or not buying certain goods or services
- AKA free enterprise, capitalism, and laissez-faire
- Ex. US, Mexico, Brazil



# SS6E1B –

## 4. MIXED ECONOMY


- There are NO pure command or market economies
- All economies have characteristics of both, but favor one more than other ●

# SS6E1C-COMPARING ECONOMIC SYSTEMS

	<b>Cuba</b>	<b>Brazil</b>
<b>Economic System??</b>	Command Economy – government controls nearly all businesses but some farmers are allowed to sell extra goods after meeting their quotas	Market Economy – government has rules to govern business & it owns some industries such as steel production

Mexico: Market Economy although the government owns & operates the energy companies

US: Market Economy – government makes rules to govern business but government does not own businesses and does not control production or prices



# SS6E1C-COMPARING ECONOMIC SYSTEMS

	Cuba	Brazil
<b><u>What</u></b> to produce? (who decides?)	Government planners	Mostly private citizens and corporations; government controls larger industries such as steel
<b><u>How</u></b> to produce? (who decides)		
<b><u>For Whom</u></b> to produce? (who decides?)		

# SS6E1C-COMPARING ECONOMIC SYSTEMS

	<b>Cuba</b>	<b>Brazil</b>
<b>Who decides distribution methods for goods and services?</b>	Government planners	Mostly private citizens and corporations ; government controls larger industries such as steel
<b>Who owns businesses and farms?</b>	Mostly owned by government; some private ownership of small farms or businesses	Mostly private citizens and corporations ; government controls larger industries such as steel

# SS6E1C-COMPARING ECONOMIC SYSTEMS

	<b>Cuba</b>	<b>Brazil</b>
<b>Who decides prices for goods and services?</b>	Government planners	Buyers and sellers based on supply and demand
<b>How difficult is it to start your own business?</b>	Very little private business is allowed	Could take several months (somewhat time consuming)




# SS6E2

- **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 American Free Trade Agreement (NAFTA).
- d. Explain why international trade requires a system for exchanging currencies between nations.



# SS6E2A- SPECIALIZATION

- Division of Labor= when work is divided into different parts and each worker is allowed to become an expert in his/her part of the work (specialization)
  - Countries may specialize in producing certain goods that they can trade for goods they need from other countries
- 



# SS6E2B- TRADE BARRIERS

- *Trade=voluntary exchange of goods and services among people and countries*
- *Both parties benefit when trade is voluntary & non-fraudulent*



# SS6E2B- TRADE BARRIERS

○ Some countries limit trade by creating trade barriers. They believe trade barriers will help the workers in their own country.

- *Tariffs=tax on imports*
- *Quotas=specific limit placed on the number of imports that may enter a country*
- *Embargo=government order stopping trade with another country (US has embargo against Cuba)*



# SS6E2C- NAFTA

- North American Free Trade Agreement= (1994) US, Mexico, & Canada signed agreement to remove all tariffs on goods traded among these 3 countries
- Created world's largest free trade zone
- Feared factories would move to Mexico where labor costs less – thus increasing air pollution in Mexico & W. US



# SS6E2D- CURRENCIES

- Currency= money people use to make trade easier
- Exchange rate= price of one nation's currency in terms of another nation's currency –determined by supply & demand



# SS6E3

- **SS6E3 The student will describe factors that influence 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 (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.



# SS6E3A-HUMAN CAPITAL & GDP

## ○ Gross Domestic Product:

- Gross = *total of all goods and services*
- Domestic = *produced within the borders of a country*
- Product = *final goods and services produced within one year*



# SS6E3- GDP STATISTICS

- The EU collectively is #1 at \$15.7 trillion
- United States is #2 at \$15.6 trillion
  - China is #3 at \$12.4 trillion
  - India is #4 at \$4.7 trillion
  - Brazil is #8 at \$2.3 trillion
  - Mexico is #12 at \$1.7 trillion
- Venezuela is #34 at \$402.1 billion
- Cuba is #68 at \$114.1 billion

*SS6E3A-HUMAN CAPITAL & GDP*

*SS6E3B- PHYSICAL CAPITAL & GDP*

- The higher the GDP, the higher the standard of living
- Must invest in human capital & physical capital to increase GDP
  - Human = education, training, healthcare
  - Physical = factories, machinery, technology, buildings, etc.





## *SS6E3C- NATURAL RESOURCES*

- Natural Resources = gifts of nature such as forests, water, and fertile soil
- A country with lots of natural resources can trade them to other countries to get things they need
- A country with few natural resources must import the things they need, adding to the cost of goods & services
- The more natural resources = the higher the standard of living

## *SS6E3D- ENTREPRENEURSHIP*

- Entrepreneur = person who starts his own business usually with his own money
  - Entrepreneurs hire workers, pay taxes, and encourage trade within the country & with other countries (creating more jobs!)
  - Nearly impossible to be an entrepreneur in Cuba – Cuba has low GDP
  - Chile allows entrepreneurs and has laws to protect their businesses – Chile has high GDP
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