

## STANDARDS:

### **SS6E4 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 that countries have a mixed economic system located on a continuum between pure market and pure command.
- c. Describe the economic system of Canada.

# Canada's Economic System

**Brain  
Wrinkles**



# Let's Review

- 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 will 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

- All economic decisions are based on customs, traditions, & beliefs of the past.
- People will make what they always made and do the same things their parents did.
- The exchange of goods is done through bartering.
  - Bartering = trading without using money
- The Inuit of northern Canada are an example of a traditional economy.

# Command

- **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.

# Command

- 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

- 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.


# 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.



# 2016 Index of Economic Freedom





**CANADA**

# Mixed

- Canada has a mixed economic system that is about 79% free and 21% command.
- Its economy is not run entirely by the government, nor does it move entirely by free market choices.
- Canada's government controls some areas like healthcare and the postal service.

# 3 Questions

- How does Canada answer the three economic questions?
  1. **What to Produce?** Individuals and corporations
  2. **How to Produce?** Individuals and corporations
  3. **For Whom to Produce?** Individuals and corporations

# Freedom

- Businesses make the majority of economic decisions of what to produce based on supply and demand of the market.
- Canada's national government plays a limited role in the economy and gives citizens and businesses a great deal of economic freedom.
- Today, Canada is pretty close to a pure market economy; it is the 7<sup>th</sup>-freest economy in the world.
- The standard of living in Canada is high.

# Regulation

- However, Canada's government has been growing and expanding several services.
- One area that the government does not leave up to private business is healthcare.
  - Canadians pay higher taxes so they can receive free healthcare from the government.
- Also, nearly 90% of Canada's land is state-owned and strict laws protect the remaining 10% of private property.

# Economic Struggles

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

# In Review...

- Canada's government plays a limited role in the country's economy.
- It regulates trade and collects taxes, but it also gives citizens a lot of economic freedom.
- Individual citizens and private businesses own most of Canada's factories and resources.
- They can decide what to produce, how to produce, and what prices to charge.