STANDARDS:

SS6E4 Analyze different economic systems.

- 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.
- 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.

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Canada's Economic System



Let's Review

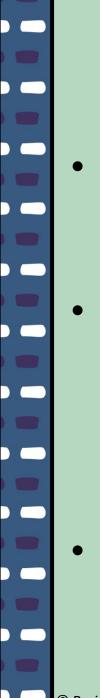
- Do you remember the <u>three questions</u> that every country must answer when developing its economic plan?
 - 1. What goods/services will be produced?
 - 2. How will goods/services will be produced?
 - 3. <u>Who will consume</u> the goods/services?
- The way a country answers these questions determines what kind of <u>economic system</u> it will have:

Traditional Command Market

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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 <u>without using money</u>
 - The <u>Inuit</u> of northern Canada are an example of a traditional economy.





- All economic decisions are made by the <u>Government</u>.
- The government owns most of the property, sets the prices of goods, <u>determines the wages</u> of workers, plans what will be made...everything.
 - This system has not been very successful; more and more countries are <u>abandoning it</u>.





- This system is <u>very harsh</u> to live under; because of this, there are no PURE command countries in the world today.
- Some countries are close: <u>Cuba</u>, former Soviet Union, North Korea, former East Germany, etc.
- All of these countries have the same type of government: <u>Communist</u>! The government is in control of everything.



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

Hmmm...

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

2016 Index of Economic Freedom



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





- 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?** <u>Individuals and</u> <u>corporations</u>



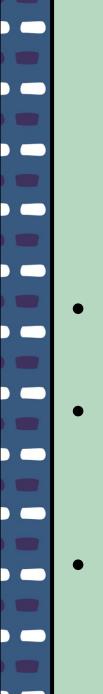


- Businesses make the majority of economic decisions of what to produce based on <u>supply and</u> <u>demand</u> of the market.
- Canada's national government plays a limited role in the economy and gives citizens and businesses a great deal of <u>economic freedom</u>.
 - Today, Canada is pretty close to a pure market economy; it is the <u>7th-freest</u> 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 <u>healthcare</u>.
 - Canadians <u>pay higher taxes</u> so they can receive free healthcare from the government.
- Also, nearly 90% of Canada's land is stateowned and <u>strict laws protect</u> the remaining 10% of private property.





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



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

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