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
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.
• 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

• 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.
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
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 7th-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.