

Lesson 2 Introduction to Economic Systems

Name: _____ Date: _____

Economic Systems

Answer the following questions using the economic systems chart.

1. What are the goals of the three economic systems?

Market:

Traditional:

Command:

2. In which system would you probably inherit your mother or father's job?

3. Which system gives you the most economic freedom?

4. In which system would you have the potential to make the most money?

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Assessment
Economic Systems Scenarios

Directions: Read the background provided describing different cultures in the Western Hemisphere. After each description there will be a short scenario describing an economic system. Using the three definitions provided for the three major economic systems, choose the correct economic system for each scenario.

Types of Economic Systems

Command system

Market system

Traditional system

Scenario #1 The Yanomamo

The Yanomamo are a South American Indian tribe living in spread out villages in the Amazon region of Brazil and Venezuela. The Yanomamo had no contact with outsiders until the middle of the twentieth century. The Yanomamo grow *plantains* and bananas for much of their food. They *supplement* this with hunting and gathering palm fruit. They meet their basic needs without outside contributions or trade. The fathers teach their sons how to hunt, the mothers teach their daughters to cook.

What economic system do the Yanomamo follow? _____

Scenario #2 Aruba

Aruba is a Caribbean Island off the coast of northwestern Venezuela. Aruba has an area of 75 square miles. Because of the dry and rocky terrain, most food must be imported. The island was “discovered” in the second half of the twentieth century by vacationers. Now tourism dominates the economy. Hotels are privately owned as are the restaurants. The government spends a lot of money trying to attract visitors to the island. The Smith family is going to spend two weeks on vacation in Aruba. They will enjoy the beaches, water sports, the sunny weather, great food, and many other exciting activities.

What economic system is *exemplified* in Aruba? _____

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Types of Economic Systems

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Scenario #3 Cuba

Fidel Castro took control of the island of Cuba at the end of the 1950's and established a Communist government. He was a dictator, a leader who made most of the decisions for his country. Now his brother, Raul, is President. Government planners determine what is to be produced by industry and agriculture; prices are set and farms, factories, and sugar mills are told how much they must produce. A factory manager is told he can only ship his products to China.

What type of economic system does Cuba have? _____

Scenario # 4 Inuit

The Arctic is a region of vast, treeless plains, icy seas, and barren, rocky islands. This harsh, cold land is the home of the Inuit. For thousands of years they were isolated from other peoples because of their remote location and difficult living conditions. They developed a way of life suited to their particular environment. An Inuit man and his son would stand on the ice for many motionless moments. They were poised above a seal's air hole waiting with an uplifted spear. If they were successful in their hunt this father and son would use every part of the seal; the meat and blubber for food, the skin for clothing, and the sinew for string and rope. This type of hunting had been taking place for many generations in much the same way.

What type of economic system did the Inuit follow? _____

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Types of Economic Systems

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Scenario # 5 Newfoundland

Newfoundland, Canada's tenth province, occupies the easternmost part of North America. The extensive fishing grounds, lying off the coast, are the reason why Newfoundland was settled, and fish remains one of its most important resources. The most important fish is cod. In the 19th and early part of the 20th century, the people in Newfoundland were almost completely dependent upon fishing for their income. In the 1960s and 1970s Newfoundland's fishing industry suffered from the effects of over fishing by fleets of ships operating off its coast. In order to prevent the fish from being wiped out, the government limited the areas where fishing was allowed. When that didn't work, and the number of fish continued to decline, the government had to declare a moratorium on fishing so the supply could increase. Today, once again, people can become commercial fishermen, own their own boats, sell to any buyer, and make a profit, but the industry is still regulated by the government.

What type of economic system does Newfoundland have?

Scenario # 6 Venezuela

Venezuela is the most northerly nation of South America. It has a long Caribbean and Atlantic coast on the north and east. Neighbors include Colombia, Brazil, and Guyana. Venezuela's economy is dominated by petroleum products that represent about 95% of the country's exports. The petroleum industry is entirely government owned. The country's main trading partners are the United States, Germany, and Japan. Petroven, a Venezuelan government owned corporation, might decide to reduce the production of oil from 2 million barrels per day to 1.5 million barrels per day. In order to make up for the loss of oil revenue, Petroven might raise the price of the oil by 50%.

What economic system would allow the government to make decisions like this?

Grade 5 Integrated Social Studies/ ELA: The Western Hemisphere
Unit 5 Economics of the Western Hemisphere
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Scenario #7

Describe a scenario in the United States which would highlight the mixed market economic system we live under today.
