

Canada's Economy

Economic System &
Factors of Economic Growth

Standards

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.

*This file focuses on Canada only. Cuba & Brazil are in my “Comparing Latin American Economies” file.

Canada's Economy: Concept Wheel

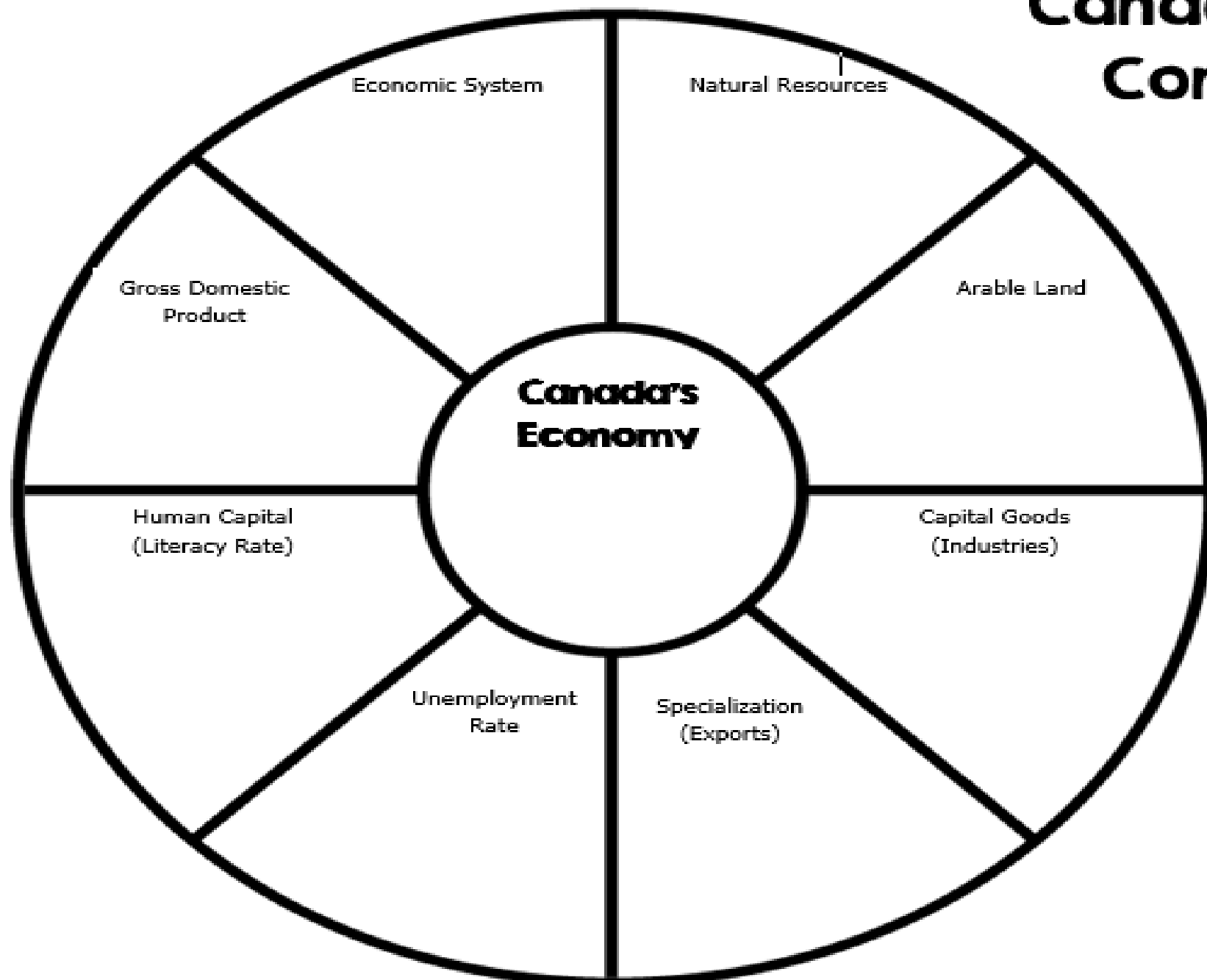
Directions:

1. As we review the *Canada's Economy* PowerPoint, fill in the concept wheel with information that you learn about each section.

2. Draw an illustration that could represent Canada's economy in the center section of your wheel.

3. Be creative—make your concept wheel colorful. 😊

4. Cut out the concept wheel and turn it in!



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Let's Review

Economic Systems

- 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 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 Economy

- All economic decisions are based on customs, traditions, & beliefs of the past.
- People will make what they always made & do the same things their parents did.
- The exchange of goods is done through bartering.
 - Bartering = trading without using money
- Some examples: villages in Africa & South America, the Inuit in Canada, Aborigines in Australia

Command 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 Economy

- 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.
 - Some Examples: US, UK, Australia, etc.

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.

Let's Review

Factors of Production

- There are 4 factors of production that influence economic growth within a country:
 1. **Natural Resources** available
 2. **Investment in Human Capital**
 3. **Investment in Capital Goods**
 4. **Entrepreneurship**
- The presence or absence of these 4 factors determine the country's Gross Domestic Product (GDP) for the year.

Gross Domestic Product

- GDP is the total value of all the goods and services produced in that country in one year.
- It measures how rich or poor a country is.
- It shows if the country's economy is getting better or worse.
- Raising the GDP of a country can improve the country's standard of living.

Natural Resources

- “Gifts of Nature”
- Natural resources are important to countries because without them, countries must import the resources they need (can be costly).
- A country is better off if it can use its own resources to supply the needs of its people.
- If a country has many natural resources, it can trade/sell them with other countries.

Capital Goods

- To increase GDP, countries must invest in capital goods:
 - All of the factories, machines, technologies, buildings, and property needed by businesses to operate.
- If a business is to be successful, it cannot let its equipment break down or have its buildings fall apart.
- New technology can help a business produce more goods for a cheaper price.

Human Capital

- To increase GDP, countries must invest in human capital.
- Human capital is the knowledge and skills that make it possible for workers to earn a living producing goods and services.
- This includes education, training, skills, and healthcare of the workers in a business or country.

Entrepreneurship

- People who provide the money to start and operate a business are called entrepreneurs.
 - These people risk their own money and time because they believe their business ideas will make a profit.
- Entrepreneurs must organize their businesses well for them to be successful .
 - They bring together natural, human, and capital resources to produce goods or services to be provided by their businesses.

Specialization

- Not every country can produce all of the goods and services it needs.
 - Countries specialize in producing those goods and services they can provide best and most efficiently.
 - They look for others who may need these goods and services so they can sell their products.
 - The money earned by such sales then allows the purchase of goods and services the first county is unable to produce.
- In international trade, no country can be completely self-sufficient (produce all the goods and services it needs).
- Specialization creates a way to build a profitable economy and to earn money to buy items that cannot be made locally.

Canada's Economy

- Canada has a **mixed** economic system.
 - It's actually pretty close to a Market economy; however, there is some government regulation among industries.
- It does have “free enterprise”, which is competition between businesses.
- Canada is economically strong.

Canada's GDP

- Canada's GDP is \$1.819 trillion (US dollars).
 - The GDP per capita (value of goods and services produced per person) is \$43, 400.
- This is a very high number; they are ranked 14th in the world!
- Canada has such a high GDP because of the abundance of the four factors of economic growth within the country:
 - Natural Resources
 - Human Capital
 - Capital Goods
 - Entrepreneurship

Natural Resources

- What are Canada's major natural resources?
 - iron ore, nickel, zinc, copper, gold, lead, rare earth elements, molybdenum, potash, diamonds, silver, fish, timber, wildlife, coal, petroleum, natural gas, hydropower
- The country's petroleum sector is rapidly growing with Alberta's oil reserves, ranking the country third in the world behind Saudi Arabia and Venezuela.
- The sales of Canada's natural resources bring in money from all over the world.



Timber



Diamond Mine

Land Use

- What percentage of the land is **arable** (capable of being farmed)?
 - 4.3% (only in Southern Canada; Northern Canada's terrain is permafrost)
 - This is actually a large amount, considering Canada is the world's 2nd largest country.
- What are the major agricultural products?
 - wheat, barley, oilseed, tobacco, fruits, vegetables, dairy products, fish, forest products



Industries

- What's produced in Canada's factories?
 - transportation equipment, chemicals, processed and unprocessed minerals, food products, wood and paper products, fish products, petroleum, and natural gas
- The service industry (helping someone) accounts for much of Canada's economy – areas such as insurance, banking, retail, and tourism.

Pulp & Paper Factory

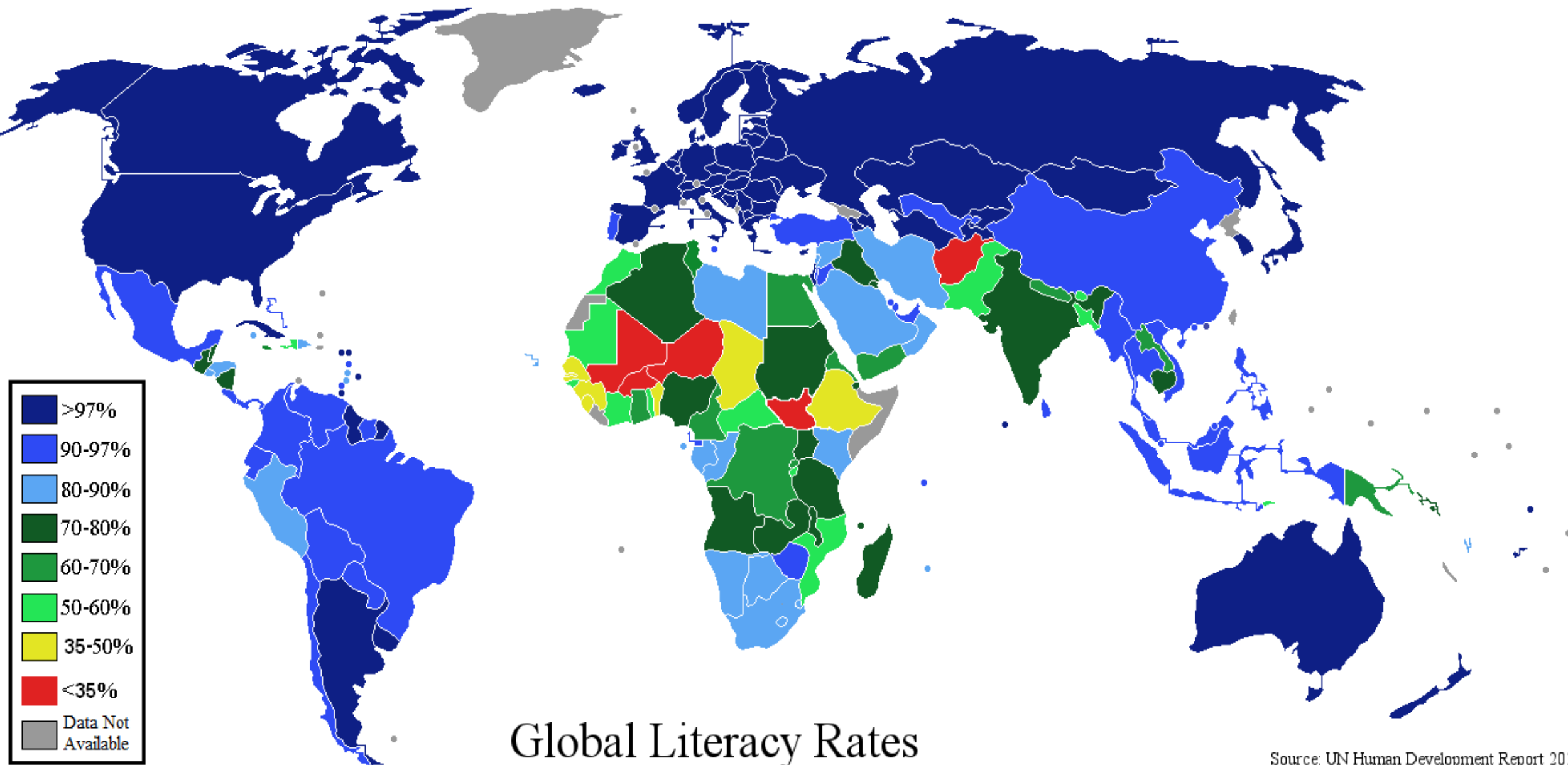


Specialization

- Canada's chief exports include:
 - motor vehicles and parts, industrial machinery, aircraft, telecommunications equipment, chemicals, plastics, fertilizers, wood pulp, timber, crude petroleum, natural gas, electricity, & aluminum
 - Nearly 75% of Canada's exports are sold to the United States.

Literacy Rate

- What percentage of the population over the age of 15 can read and write?
 - 99%
- How long are students expected to stay in school?
 - 17 years old



Global Literacy Rates

Source: UN Human Development Report 2011



Economic Struggles

- Unemployment & poverty
- Over-depletion of natural resources
- Acid rain from factories near Great Lakes region is destroying timber resources
- Improving public services (which forces the country to raise taxes)

Unemployment Rate

- What percentage of people do not have jobs?
 - 7.3%
- What percentage of people live in poverty?
 - 9.4% can't meet basic needs

Currency Exchange

- Currency exchange is the price of one country's currency compared to another.
 - 1 US dollar = 1.04 Canadian dollars
 - 1 US dollar = .74 EU euros
 - 1 Canadian dollar = .71 EU euros
- What does this mean?
 - The US economy is a *little* stronger than Canada's; however, the economy of the European Union is stronger than both!

Canada's Economy Comprehension Check

Directions: Write the letter of the vocabulary term that matches the definitions below.

A. Entrepreneur	B. Human Capital	C. Market	D. Command Economy	E. Capital Goods
F. Mixed Economy	G. Specialization	H. GDP	I. Traditional Economy	J. Literacy Rate
K. Natural Resources	L. Currency Exchange			

- _____ In this economic system, decisions are made by private citizens with no government regulation.
- _____ Someone who is willing to take a risk to begin a new business
- _____ Factories, machinery, and technology available in a country
- _____ Producing those goods a country can make most easily so they can trade them for goods made by others that cannot be produced locally
- _____ The ability of the people over the age of 15 to read and write
- _____ Gifts of nature
- _____ In this economic system, decisions are based on customs and beliefs of their ancestors
- _____ The total value of all goods and services produced within a country in a single year
- _____ Canada's economic system.
- _____ Education, skills, and training the workers have
- _____ In this economic system, the government makes all economic decisions.
- _____ The price of one country's currency compared to another.

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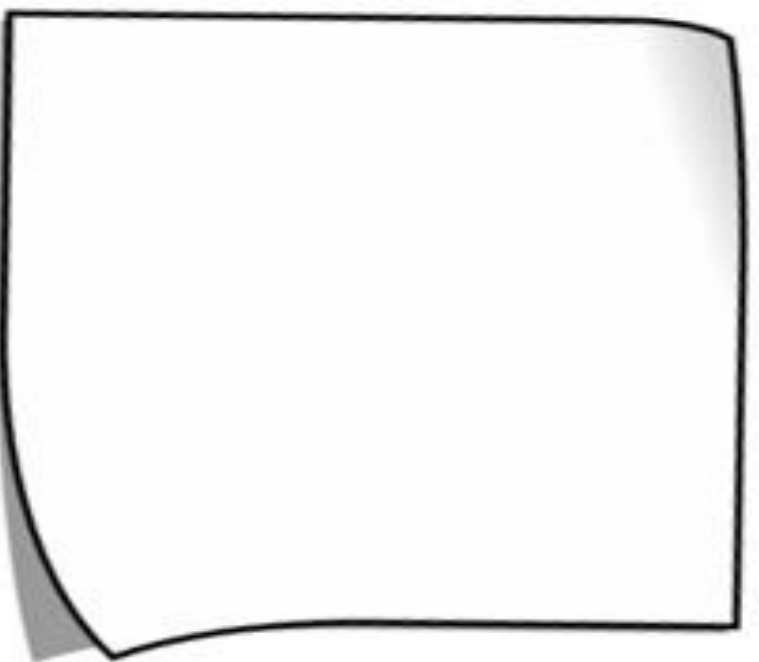
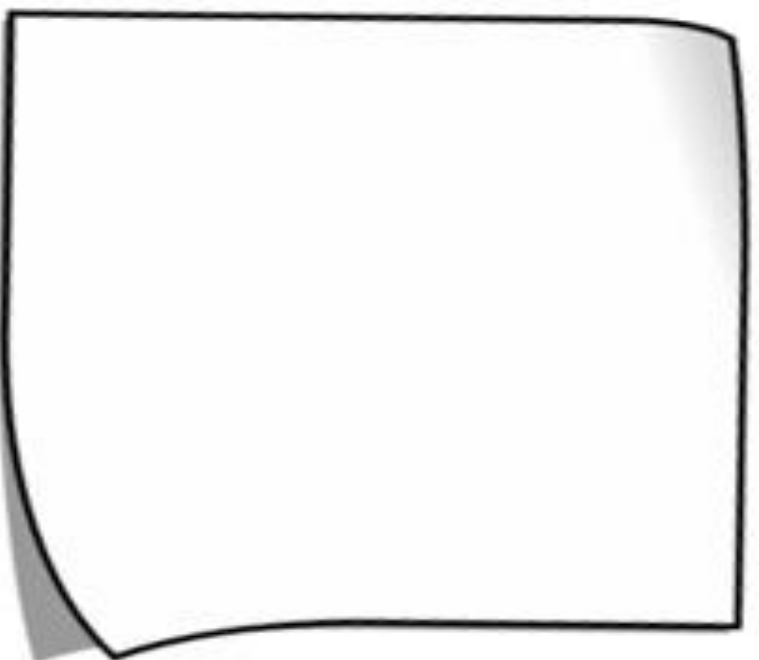
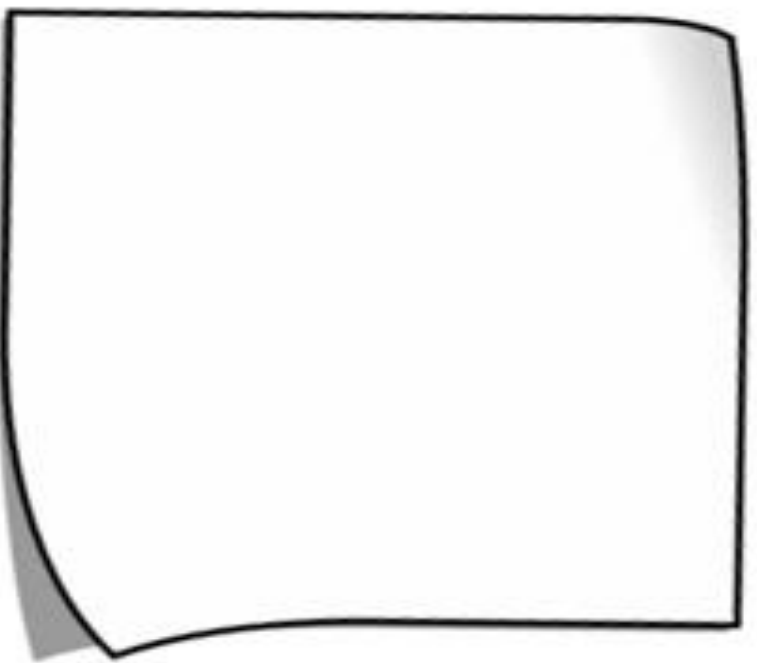
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Stump Your Classmates!

Directions: On the sticky notes below, write down two true statements/facts and one false statement/fact about Canada's economy. Don't label them! We are going to move around the classroom and challenge each other. Let's see if you can STUMP YOUR CLASSMATES!



Txt Msg Sumre

Summarize today's lesson in a short text message.



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