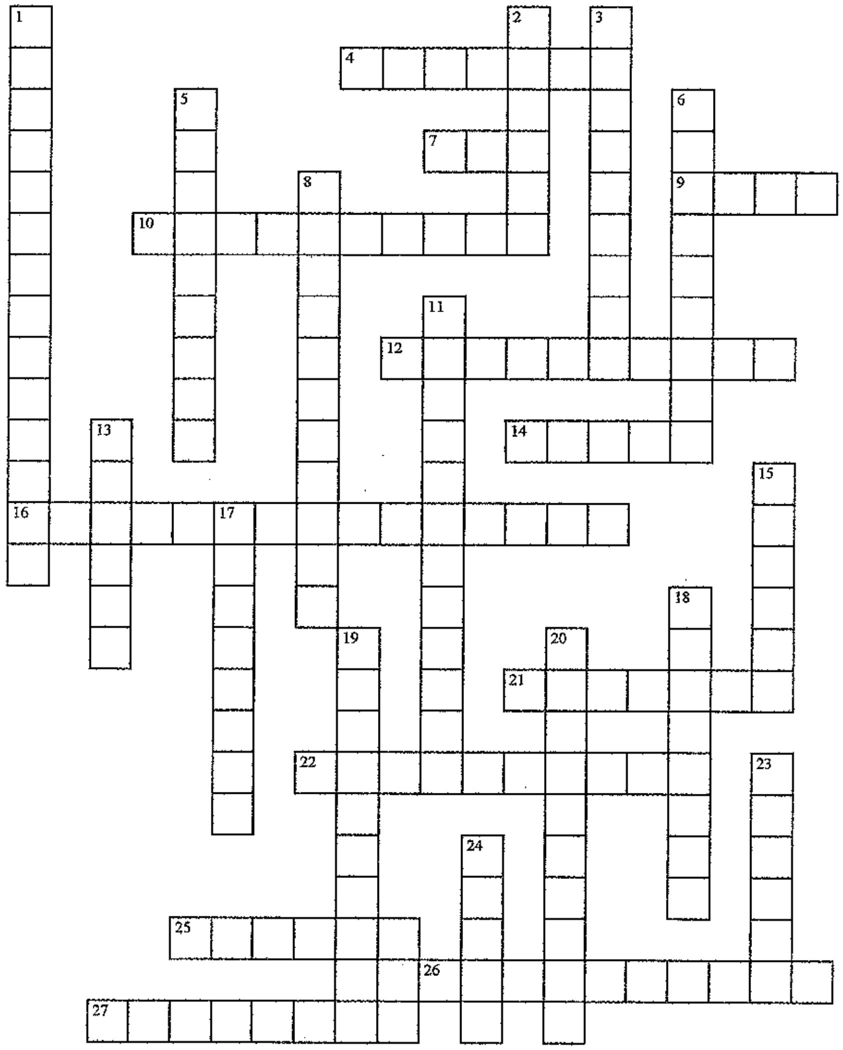
Latin America Economy



ACROSS

4 In a Market Economy- Each business or farm decides what it wants to___.
7 The Mexican government does ___ set prices or own businesses or farms.
9 This country has a centralized command economy.
10 The main crop in Cuba is sold to other countries to pay for oil and ____ ___.
12 Another name for market economy.
14 In a Command economy these are also set by the government.
16 The law of this determines the price people pay for goods and services.
21 Type of economy where govt. groups make the basic economic decisions.
22 In a traditional economy jobs are handed down to the next___.
25 Type of economy where decisions are guided by changes between the buyer and the seller.
26 In a traditional economy, people are ____ __ to fulfill their roles.
27 The limited supply of something.

DOWN

1 Another name for market economy.
2 What to produce and how much in a command economy.
3 The Indians with the traditional economy live in Brazil and ____.
5 The main crop traded in Cuba.
6 Cuba's government owns all of these and some farms.
8 Type of economy where customs and habits of the past are used to answer economic questions.
11 Another name for market economy.
13 The amount of goods available.
15 How many consumers want the goods.
17 These Indians have a traditional economy.
18 In a command economy government_____ groups make the basic economic decisions.
19 90% of Cubans work for the____.
20 A benefit of a command economy is that prices are___.
23 An example of a Latin American Country with a Market Economy.
24 Sometimes the Cuban govt. has to close factories or shut off this to conserve energy.

Scarcity is the limited supply of something. Every country must deal with the problem of scarcity. No country has everything that its people want and need. Three types of economic systems **traditional, command,** and **market** exist to answer three basic economic questions:What to produce? How to produce it? Who will use it?

Traditional Economy

In a **traditional economy**, the customs and habits of the past are used to decide what and how goods will produced, distributed, and consumed. Because jobs are handed down from generation to generation, there is very little change in the system, each person knows early in life what their role is. In a traditional economy, people are depended upon to fulfill their traditional roles. If some are not there to do their part the systems breaks down. Farming, hunting and gathering, and cattle herding are often a part of traditional economy.

An example of a traditional economy can be found in some native cultures of South America. The Yanomamo Indians in Brazil and Venezuela have this economy. The men, women, and children have specific jobs that involve raising food in small gardens or hunting and gathering food from the Amazon rain forest. Each village is able to meet its needs with these jobs. The Yanomamo do not have a central government to tell the people what to grow, what to gather or what to kill for food in the forest. The Yanomamo also do not have a system of buyers and sellers; food grown is not sold.

Command Economy

In a centralized **command economy** government planning groups make the basic economic decisions. They determine which goods and services to produce, the prices, and wage rates. Individuals and corporations do not own businesses or farms themselves- the government does. Workers are given a **quota** (told what to produce and how much). The expectation is that when all workers meet all quotas, everyone in the country will be able to have the goods they need when they need them. One **problem** with this system is predicting exactly what goods people need.

Example: The government may think that building Tractors is important. More tractors could mean that farmers could grow more crops. More crops mean more food for the people. However, if factories are busy making tractors, they might not be making enough shoes. The people may end up with plenty of food but no shoes to wear. A **benefit** of this economy is that prices are controlled and people know exactly how much everything will cost. Example: Food prices are kept low, since food is a basic need of all people. The cost of clothing and housing is kept low as well. Health care and education are provided at no cost. The cost of things that are considered luxuries, such as televisions and computers may be *very* high since these are not basic needs. Wages are also set by the government.

Cuba has a centralized command economy. The government owns all factories and most farms. 90% of Cubans work for the government. Quotas are set for farms and factories. Cuba trades goods to other countries for the goods that it cannot provide on its own. Sugar cane is grown in large quantities; the sugar produced is sold to other countries in order to purchase oil and natural gas. Cuba cannot sell enough sugar to pay for the oil and natural gas it needs. Sometimes the government has to close factories or shut off power in parts of the country to save energy.

Market Economy

In a decentralized **market economy,** decisions are guided by changes in prices that occur between individual buyers and sellers in the marketplace. Other names for market economy are **free enterprise, capitalism,** and **laissez-faire.** Businesses and farms are generally owned by individuals and corporations. Each business or farm decides what it wants to produce. **The law of supply and demand** determines the price people pay for things. **Supply** is the amount of goods available; **Demand** is how many consumers want them.

Example: A guy wants to start a business building and selling computer games. He can charge whatever price he wants for the game $30 or even $3,000. Since kids don't *have* to buy the game, the game maker has to find a price low enough that kids will buy it but high enough so that he can pay his workers and himself.

A **benefit** is that consumers can find the goods they want. They are free to earn as much money as they want to buy goods and services they need and want. Businesses are free to find new ways to make better products and lower prices. A **problem** is that prices can go up. If there is a great demand for something, the price might go up so much that people can't afford to purchase it. If the company goes out of business the workers lose their income.

Mexico is an example of a Latin American country with a Market Economy. Individuals and corporations own businesses and farms in Mexico. They employ people to build a variety of goods sold in Mexico and other countries. Individuals and corporations sell services as well; they are free to decide what to sell. The government has some laws to make sure businesses are fair. The Mexican government does *not* set prices or own businesses and farms.

Study ?'s- Answer on your own sheet of paper **In Complete Sentences**(Make sure I see the ? in your answers!)

1. What would be an important factor in deciding what job to do if you lived in a traditional economy?
2. What are some of the jobs that are often a part of traditional economies?
3. In which type of economic system does the govt. control what a factory produces and the prices?
4. What is a problem faced by a command economy?
5. What is one problem faced by a market economy?
6. What is the Economic System of Mexico? Of Cuba?