

UNIT 2

World Economic Systems

- > How do economic systems influence industries across Canada and the world?



This family uses horses to herd cattle at their ranch near Longview, Alberta. How would these ranchers decide how many cattle to raise? What factors can affect the price consumers pay for beef at the grocery store?



What types of work can you do at home or in your community? Which jobs do you prefer? Why?

What's the Big Idea?

In Unit 1, you explored patterns of settlement, land use, and the living conditions of communities and countries around the world. Each of these societies has a type of economic system that produces, uses, and distributes goods and services. These systems vary depending on many factors, including resources, industries, traditions, government policies, and trade relationships.

How are you a part of the Canadian economic system? Perhaps you provide a service when you help out at home or volunteer in the community. Or you may get paid working for a neighbour or a family business. All of these activities reflect part of the Canadian economy. How would this be different if you lived in a society in another part of the world?

Key Terms

economy, entrepreneurial, traditional economy, command economy, market economy, mixed economy, supply and demand, production, goods and services, consumer, market, distribution, imports, exports, land, capital, primary industry, secondary industry, tertiary industry

What You Will Learn in this Unit

- What are the characteristics of different types of industry and business?
- How could I decide on the best location for a successful new industry or business?
- How do factors such as access to resources and markets influence economies?
- How do different societies produce and distribute goods and services?
- How does Canada's economic system work?
- How can I use thematic maps to show economic patterns?
- How could a new business affect the economy of my local region?

Different World Economies

The financial heart of Canada is located in Toronto, where most of the major banks have their head offices.

Before READING

Rapid Writing

Think about types of businesses that you think would work in the region you live in. Then brainstorm and write as much as you can on this question:

What type of business would you start, and why?

WORDS MATTER

economy the system of production, consumption, and trade of goods and services

economic system the production, distribution, and consumption of goods and services in a particular society

production the creation of products and services for consumption

distribution the marketing, transporting, merchandising, and selling of any item

Have you ever seen the glow of Toronto's downtown at night? The shimmering chrome, bronze, and black towers of Canada's biggest banks are very striking. Every day, decisions and transactions are made in these buildings that affect the **economy** and the lives of most Canadians. Money constantly moves between banks, industries, and people.

Throughout the world, you will find different **economic systems**. Many people live outside the world of banks, investment, and paycheques. Their everyday decisions are often shaped by various factors, such as traditions, barter, or government control of **production** and **distribution**. Comparing these different types of economies will help you answer the key question for Unit 2: **How do economic systems influence industries across Canada and the world?**



A traditional rural economy in a developing country.

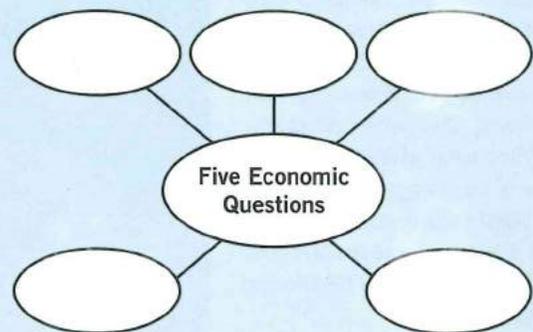
Questions to Consider as You Read this Chapter

- What are the basic questions all economic systems must answer?
- How would I plan a business of my own based on these questions?
- What are the different types of economic resources, and how do they influence the success of a region?
- What are the characteristics of market, traditional, and command economies?
- How can I use a thematic map to draw conclusions about labour?

Thinking About Literacy

Organize Ideas with a Concept Map

Creating and using a concept map while you read is a good way to find and remember important information. Use a concept map to summarize the main ideas of this chapter. The example below shows how your concept map might start. Fill in the blanks as you read. Add more circles or other shapes when you need to.



Operating Your Own Business

WORDS MATTER

entrepreneur a person who starts or organizes a business

goods physical objects or merchandise

services the performance of any duties or work for another person; a helpful or professional activity

What activities do you enjoy? What skills do you have? Your answers to these questions could launch you into a business of your own. You may enjoy writing or drawing, which could lead you to a career in freelance writing or illustrating. Do you like fashion and shopping? You might own a retail business, such as a trendy clothing store. If you enjoy music, you could become an **entrepreneur** like Michele Stokley, a concert organizer whom you'll meet in this section.

The Five Economic Questions

Some businesses produce **goods** (cars or beauty products) while others provide **services** (car repairs or hairstyling). There are five basic economic questions that every business person needs to consider.

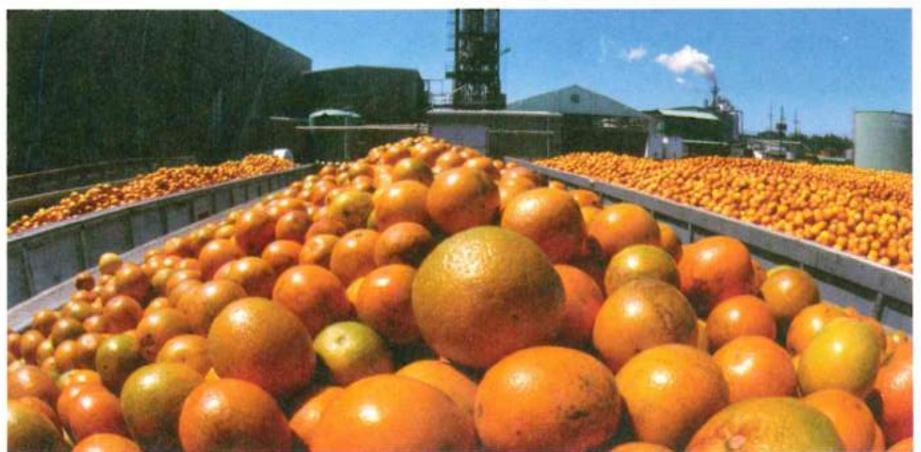
1. Who Produces Goods and Services?

Artists, farmers, dentists, and electricians all provide different types of goods or services. The quality of these products and services reflects the abilities of the individuals who produce them. Even people born with a talent must get an education to better prepare them for the work they'll do. What sort of business might you like to operate? What interests and talents could you bring to this business?



2. What Goods and Services Are Produced?

Geography often determines which goods can be provided and what services are needed. Florida farmers produce oranges and grapefruit because winter temperatures there are warm enough to protect the fruit from freezing. Companies along the Ottawa River offer whitewater rafting because of the long stretches of rapids. What sorts of goods and/or services would your dream business provide? How might they be affected by geography?



3. How Are Goods and Services Produced?



Most automobiles are mass-produced using the **assembly-line technique** pioneered by Henry Ford. This cuts production costs. Vehicles like Ferraris are hand-built using small-scale **production team methods**. Production costs are much higher, but so is the quality of the finished cars. Of course, the selling price of a Ferrari is much higher too. Would you sell mass-produced or hand-made products? Or would you provide services such as car repairs? Explain.

4. For Whom Are Goods and Services Produced?



Businesses must carefully study the wants and needs of potential customers before they make new products or offer services. Dog walkers, for example, might customize their services according to the needs of the pets and the desires of the pet owners. They might offer related services such as grooming. What are the characteristics (e.g., age, gender, income) and preferences of your potential customers?

WORDS MATTER

assembly-line technique a construction method in which the item is moved along a production line to stations where workers add one part or a group of parts

production team method an assembly technique in which the item remains in one place for a small team of highly skilled workers to add parts

5. How Are Goods and Services Distributed?



Large companies such as Canadian Tire and Tim Hortons use truck fleets to carry products to their stores and outlets. The brightly-painted trailers act as rolling advertisements. Canadian Tire moves products to its stores across Canada from a distribution centre in Brampton, Ontario. Tim Hortons trucks carry products from distribution centres in Ontario, Alberta, Nova Scotia, and British Columbia. How would you advertise and distribute products or services in your own business?

WORDS MATTER

economic resources factors (land, labour, capital, and entrepreneurship) needed for the economic success of a region

land natural resources which are the raw materials of industry and business

During READING

Checkpoint

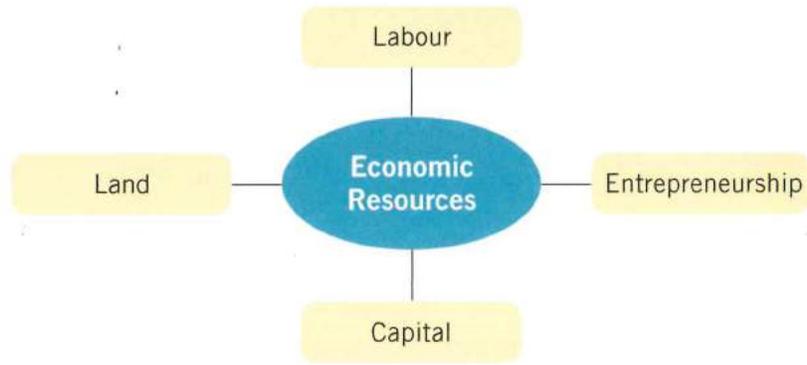
Create a concept map with "The Four Economic Resources" in the centre. Add details as you read about each resource.

WEB LINK

Check facts and statistics on Canada's land resources. Visit our Web site.

Four Economic Resources

The answers to the five economic questions are keys to the success of a business. They are also important to the countries or regions in which these activities are carried out. Within each country or region, there are also four **economic resources** that are vital to its economic system.



Land Resources

In economic terms, the word **land** means more than property. It means the resources of the earth—the raw materials of industry and business. Natural resources include soils, water, forests, animals, minerals, and energy sources. Some places, such as Canada, have an abundance of different resources. Other regions must rely upon a more limited “land” factor. While some places, such as the Netherlands, may overcome obstacles such as a lack of arable land, other places may struggle. Nepal, in South Asia, is dominated by a mountain range—the Himalayas. Average incomes and living standards there are low.



The Ekati diamond mine, Northwest Territories. Canada produces more than \$1 billion worth of diamonds each year, about 8 percent of the world's supply.

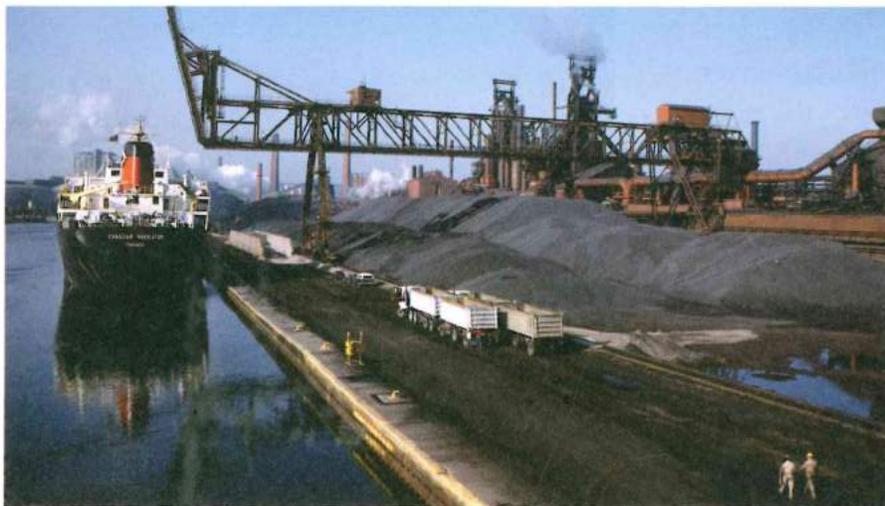
Labour Resources

People are very important in the production of goods and services when their skills are combined with other economic resources. For example, India has iron ore and coal, the key land resources needed for steel production. Alone, this is not enough. Skilled labour to manage and operate steel mills is also necessary. Today, there are more than one billion people in India, and the country has a good system of education to train industrial managers. India has become one of Asia's major steel producers, and has also developed industries that produce trucks, bicycles, and other items made of steel.

Capital Resources

In economics, the word “**capital**” means investment money *and* all that it can buy. Therefore, capital includes not only money, but also such **capital goods** as transportation equipment. In Canada, capital resources come from both private and public investment. When starting up a business, you can invest your own money or offer investors a share of the company. Some capital goods are already in place, such as transportation and communication systems. These are investments made in the local economy by the government, as was the case for India’s steel mills.

Industrial construction can cost many millions, sometimes requiring **foreign investment**. However, profits earned by outside investors often go back to their home countries, instead of being reinvested into the local economy. This can be a problem for developing countries, who may find that their resources and labour are being used to profit companies from other countries.



Identify examples of capital goods in this steel mill photo.

Entrepreneurship

An entrepreneur is like a captain who must unify a sports team in order to win. If **entrepreneurial** abilities are weak, the business will fail. The entrepreneur recognizes a business opportunity and is able to combine land, labour, and capital to make a profit. If this person (or group) can create a successful business, the whole region can benefit. However, if they misuse the environment, pay poor wages, or run short of capital, the entire area may suffer. Entrepreneurship is found in Canada and nations with a similar economic system. In other countries, the government or a national or international corporation may make the business decisions.

WORDS MATTER

capital money available to be invested to increase production or wealth

capital goods goods such as factories or transportation systems, that are used in the production of other goods

foreign investment money that is invested by people or organizations from another country

entrepreneurial having the ability to recognize business opportunities, take on the risk of starting a new business, and combine the factors necessary to make the business successful

WEB LINK

Read stories about Canadian entrepreneurs. Visit our Web site.



Michele Stokley is an entrepreneur. For the past ten years, she and her husband have organized Bayfest, a four-day outdoor rock concert in Sarnia, Ontario. Every July, acts such as Aerosmith, Blink182, and Toby Keith perform. In 2007, attendance rose to 77 000.

Q: What got you into the concert business?

A: My father owned a company that promoted and marketed events. I thought it was the most exciting job in the world. My husband and I started the Sarnia Bayfest after someone suggested that we have an event in the park beside our restaurant. Now, it gets bigger every year.

Q: How do you decide which acts to include?

A: Bayfest fans range from 8 years old to 80. We decide our line-up based on requests and performer availability. There's always a balance of rock and some country. Nickelback and the Tragically Hip have been here twice due to popular request.

Q: What's involved in pulling it all together?

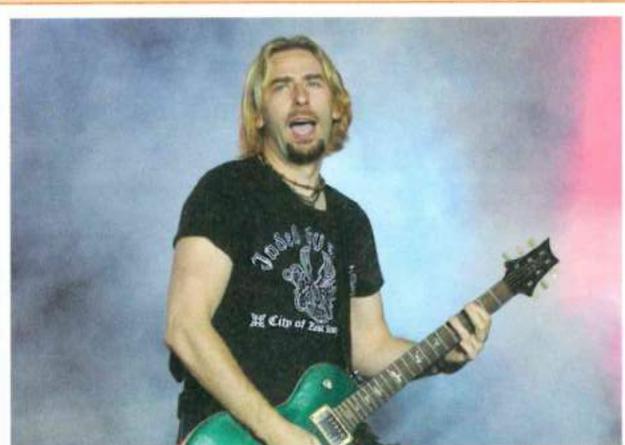
A: It's a year-round job. As it gets closer, we're working 18 hours a day. There are 30 people at the office and another 50 setting up. This year we had a \$300 000 stage, four stories high. We hire more than 250 people for security, concessions, and clean-up.

Q: What is it like dealing with the performers?

A: Special trailers are brought in for the acts and all of the people travelling with them. Caterers are hired to prepare special food requests, some of them unusual.

Q: How does Bayfest affect the community?

A: The festival fills up every hotel room in the area, and brings tremendous restaurant and shopping business. The local tourist bureau estimates that Bayfest adds at least \$10 million to the area economy during the four days. And I promise that next year's event will be even bigger and better than the last one.



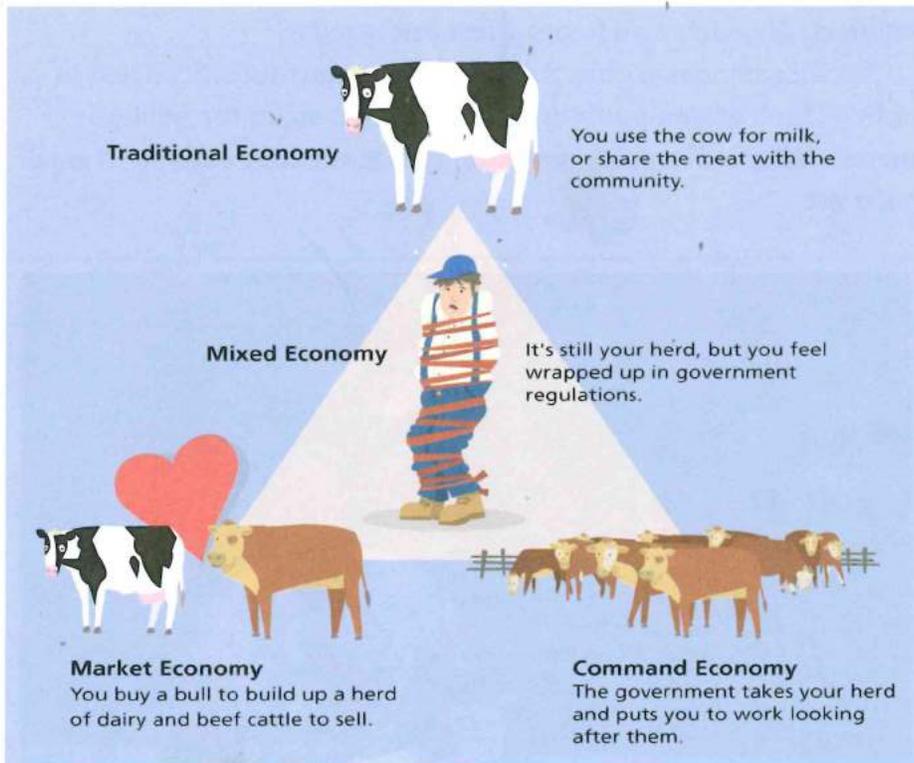
Nickelback performed at Bayfest in 2007. How might local businesses prepare for such a large, four-day event in their community?

THINKING It Over

1. Add the bold-faced words covered in this section to a personal dictionary. Write your own definitions. Include a sentence using the term to help you remember it. **K**
2. Develop ideas about operating your own business by answering the caption questions found with the five photos on pages G 70–G 71. Design your own business plan. **K L**
3. Prepare a brief oral presentation to convince others to invest in your business idea. Include your responses to the five economic questions, use of resources, and how the business will benefit the local area. Try adding a chart or illustrations. **L E**

The Market Economy

How do economies differ? What you have learned so far in this chapter is based on the type of economic system found in Canada. However, there are other ways to answer the five economic questions. The diagram below uses the story of a person with a cow in different economic systems found around the world.



Now look at the **market economy**. What do you think about the statements below? Use the chart in the margin to rate your views on a scale from 1 to 5. Do the survey privately. Afterward, you can compare your opinions with others and keep your survey results to use later.

1. Canada is a land of opportunity where almost anyone can be successful.
2. Wealth is a good measure of a person's achievement.
3. Government rules make it hard for businesses to grow.
4. People should be paid for work done in the family (e.g. housekeeping).
5. Our community needs more jobs if it is to grow and prosper.

During READING

Checkpoint

Create a concept map answering the five economic questions for the market economy.

WORDS MATTER

market economy a system in which businesses and consumers decide what they will produce or purchase

Survey Opinion Scale

- 1 Agree totally
- 2 Agree somewhat
- 3 Not sure/no opinion
- 4 Disagree somewhat
- 5 Disagree totally

WORDS MATTER

supply and demand

the relationship between the production and consumption of goods and services

market the area of trade or business

Driven by Profit

In a market economy, answers to the economic questions will be influenced by profit. People will make and distribute products or services that can be sold at a price greater than the production costs. When you shop, you are participating in the market economy—you decide whether or not the product or service is worth the asking price. This is an economic system that dates back to the earliest days of the village marketplace. Prices were decided by the **supply** brought to **market** by sellers, and the **demand** of customers to have these products. The same two forces affect prices today.

Are all activities within the market economy directly related to profit? Think of non-profit organizations that act in the public interest. They still employ people, purchase services, or support small businesses.

Our Environment

Reusable Shopping Bags

Since the 1970s, most store purchases in North America have been packed in plastic bags made from non-renewable material. Recently, many retailers have introduced reusable bags. Environmentally conscious shoppers can buy them for just 99 cents. Reusable bags prevent more plastic from going into landfills. What are other ways people can reduce waste?



How can environmentally-friendly products affect businesses? How can they affect consumers?



Considering the concept of supply and demand, suggest why front row seats at a game or performance cost more. Would you pay extra to see an event up close? Why or why not?

In 1776, Scottish professor Adam Smith was the first to describe the market economy in his book, *The Wealth of Nations*. Smith was a witness to the Industrial Revolution in Great Britain. He saw worth in a market system where producers and consumers both tried to get the best price for goods and services. Smith wrote that all people should be free to pursue this self-interest, as long as their actions did not harm others.

At that time, the British government had many laws controlling trade with its colonies. Smith thought that a country would be more successful if government did not interfere with business. Decisions about goods and services in a market economy should only be made by those directly involved in business and industry—people seeking to make a profit.

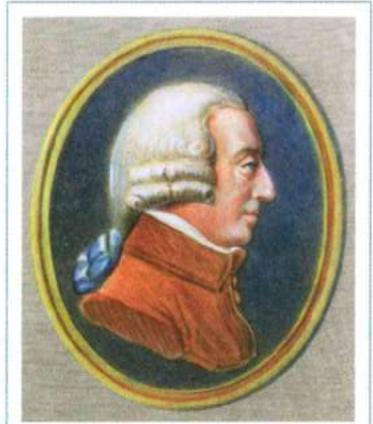
Market Economy Problems

Market economies expanded rapidly in the 19th century as the Industrial Revolution spread. The aggressive actions of powerful entrepreneurs led social critics to call them “robber barons.” These businesspeople owned and operated factories, railway lines, and power plants. Their investments created immense fortunes, and the entrepreneurs and their families lived in luxury. Meanwhile, most working people laboured long hours for very little pay. Since then, labour unions and other organizations have sought better pay and working conditions for all workers.

Market economies also go through cycles of decline, called an **economic depression**. During the Great Depression of the 1930s, factories were forced to close, workers were laid off, and ten years of widespread poverty set in. Between 1929 and 1939, the market economies of the world were unable to correct themselves. In many countries, governments stepped in to help their economies by investing in work projects and supporting some businesses. Many governments continue to play an active role in business and industry today.

Profit or Environment?

Choosing between protecting the environment and allowing the growth of business can be very difficult. Communities want jobs and growth, but damage to the environment can have long-term effects on everyone. Responsible companies seek to limit their impact on the environment. For example, they may replant trees or reduce waste by recycling. However, many companies find these practices too expensive, and choose cheaper options. This is a continuing problem in market economies.



What do you think motivated Adam Smith to write *The Wealth of Nations*?

WORDS MATTER

economic depression a time of unemployment, low prices, low profits, and loss of business



Canadian financier Sir Henry Pellatt built Casa Loma, a 98-room mansion overlooking the city of Toronto. Why were wealthy entrepreneurs called “robber barons?”

How Free Should the Market Economy Be?

The United States is a good example of a market system, with millions of consumers and companies active in the economy. Americans spend and make trillions of dollars every year. However, the government plays an important role in its economy. For example, the government provides important services, such as national defence, assistance programs, and the construction of highways.

During the Great Depression, when thousands of people were out of work, U.S. president Franklin D. Roosevelt's government borrowed heavily to fund massive work projects. These projects included the building of many of the international bridges connecting the U.S. and Canada. Today, thousands of federal and state government agencies regulate most aspects of American business and industry. The U.S. Department of Commerce is the largest.

There is strong debate about the role of government in the free market in the United States. Which one of these opposing points of view do you find more acceptable?

A. The government is needed in business. Laws have two purposes. One is to protect us from people who may cheat customers or clients, or sell dangerous products. The other is to provide a good business environment for the companies that give us necessary products and services.

B. The government limits business. Sometimes it actually creates more problems, and makes business too hard for small entrepreneurs. We need less control—maybe even no government interference at all—in order for business to flourish. This would be a truly free market economy.



The Canadian government also sponsored work projects during the Great Depression. This photo shows construction of the Big Bend Highway in British Columbia.

What Do YOU Think?

1. Discuss the two points of view found at the left. Which one do you favour? Why? **t c**
2. What was the importance of each of the following to the market economy? **k**
a) Adam Smith, b) the "robber barons,"
c) Franklin D. Roosevelt
3. Go back to the survey on page G 75. Have any of your opinions changed? Have any of them become stronger? If so, explain what changed your mind. **t**

The Traditional Economy

Sometimes people work for free. For example, you may help your friends, do small favours for neighbours and relatives, or help at home without expecting payment in return. Unpaid work also happens in a market economy, even when most goods and services are offered at a price. In the **traditional economy**, most production is for shared use by a group or family. Profit is not the goal of production and little, if any, money changes hands. Cultural and religious values often shape economic decisions in this system.

Hunting and Gathering

A traditional economy is one which answers the five economic questions by relying on the familiar customs of the past. It still exists in some cultural and religious groups, although it is disappearing in many areas. In the past, the Aboriginal peoples of Canada organized hunting, fishing, and farming to provide for the whole group. At places like Alberta's Head-Smashed-In Buffalo Jump, the community cooperated to guide a herd of buffalo toward a cliff. The buffalo were stampeded over the edge, and the kill was shared. Today, this kind of sharing is becoming lost. Simon Akpaliapik, an Inuit Elder in Nunavut, speaks of the change which he has seen in his own lifetime:

In a camp many years ago we were all related and we all worked together. We shared everything. Now, in the communities, that cooperation is gone. In some places hunters are selling their meat, even to relatives.



Traditional economies rely on group production and the sharing of goods, such as in this buffalo jump. How do the five economic questions apply to the buffalo jump?

WORDS MATTER

traditional economy an economic system in which decisions are based on customs, beliefs, or religion, within a strong social community

During READING

Checkpoint

Create a concept map answering the five economic questions for the traditional economy.

WORDS MATTER

subsistence farmers people who work their own small farms to feed their families

marginal lands areas too hilly, rocky, or dry for large-scale commercial use

Subsistence Agriculture

The traditional economy still exists within countries where subsistence farming is practised. **Subsistence farmers** work full time to produce their own food. Often the family works for its own survival, rather than cooperating with the community. If there is a surplus above the needs of the family or group, the extra produce or livestock is traded or sold.

Subsistence farmers may own a small plot of land where they raise a mixture of crops and livestock. Families work together. Children look after animals and gather firewood, while adolescents and adults do the heavier farm work. Elderly adults often care for the children, and give valued advice on issues affecting the family, farm, and community.

Sample Countries	GDP per Capita (\$US)	Agriculture (% employed)	Manufacturing (% employed)	Services (% employed)
Ethiopia	1044	88	2	10
Rwanda	1406	92	3	5
Tanzania	801	84	4	12
India	3737	67	13	20
Cambodia	3170	75	5	20
Laos	1575	78	6	16
Canada	35 494	4	20	76

Countries with subsistence agriculture often have very little manufacturing and few available services. Compare the first six countries with Canada. What factors might explain the difference?

During READING

Make Connections

What are your basic needs?
What could you do without?
What would life be like if you could only have nothing except your basic needs?

Subsistence farming takes place in developing countries where commercial farms and large plantations often make use of the best lands to grow export crops. Nomadic herders and shifting cultivators move through **marginal lands** to produce their food. These areas are too rugged, dry, or isolated for successful commercial farming. However, subsistence farming can produce enough for their families and their community. Subsistence agriculture is often carried out on tiny fields like those shown on the cover of this book.

At one time, most countries had traditional economies. Today, no government bases its economic decisions on tradition. Most nations have been influenced by the worldwide movement of people, products, and information, and operate either market or command economic systems. However, traditional economies are still found within developing nations, among people who rely on hunting and gathering or subsistence agriculture for their survival. It is not only the geography of an area or available resources that affect their economic decisions—cultural values and religious tradition are also major factors.



What types of tools or technology might be used in subsistence farming? Explain.

Economic Questions

Economic Systems

	Market Economy	Traditional Economy
1. Who produces goods and services?	Entrepreneurs, professionals, and employees	Members of the family or the cultural group
2. What goods and services are produced?	Goods and services that can be sold to create a profit	The materials needed to provide food, clothing, and shelter
3. How are goods and services produced?	Modern technology and methods are used to cut production costs and improve quality	Traditional technology and methods passed down from generation to generation
4. For whom are goods and services produced?	For paying consumers	For members of the family or community
5. How are goods and services distributed?	Advertising attracts customers to retail outlets and the Internet	Either by sharing necessities or by bartering (trading) surplus goods with others

During READING

Checkpoint

Check your understanding of the connections between the five economic questions and the market and traditional economies. Compare your concept maps with the table on this page.

WEB LINK •

Read about a subsistence farmer in Zambia. Visit our Web site.

THINKING It Over

1. Think about paid and unpaid work in Canada. Work with a partner to create questions for a simple survey to find out what work is done by family members for free and what is done to earn income. What do your survey results tell you about work? **TC**
2. Discuss how people in a traditional economy might deal with these issues: a) whether or not to try new agricultural methods being introduced in a nearby area, b) how to survive a devastating natural disaster which has ruined the season's crops, c) how to settle conflicts between farmers or hunters claiming the same lands, d) whether or not to migrate to the nearest city in hopes of a better life. **KC**
3. Use the information in this section as a starting point for a drawing or collage about food production in the traditional economies of Africa or Asia. **C**

Interpreting a Thematic Map: Traditional Economies

Many people in traditional economies support themselves and their families directly from farming, forestry, and fishing. In this Geo Skill, you will learn to connect map, graph, and numerical information to draw conclusions about traditional economies.

Step 1 Review the Map Colours

This map uses two shades of colour. You will notice that the darker shaded countries have small circle graphs showing employment structure.

Step 2 Interpret the Circle Graphs

The legend indicates that circle graphs show the proportion of agricultural, industrial, and service employment in the sample countries. Focus on the proportion of people working in agriculture (which on this map includes fishing and forestry).

Step 3 Look for Map–Graph Patterns

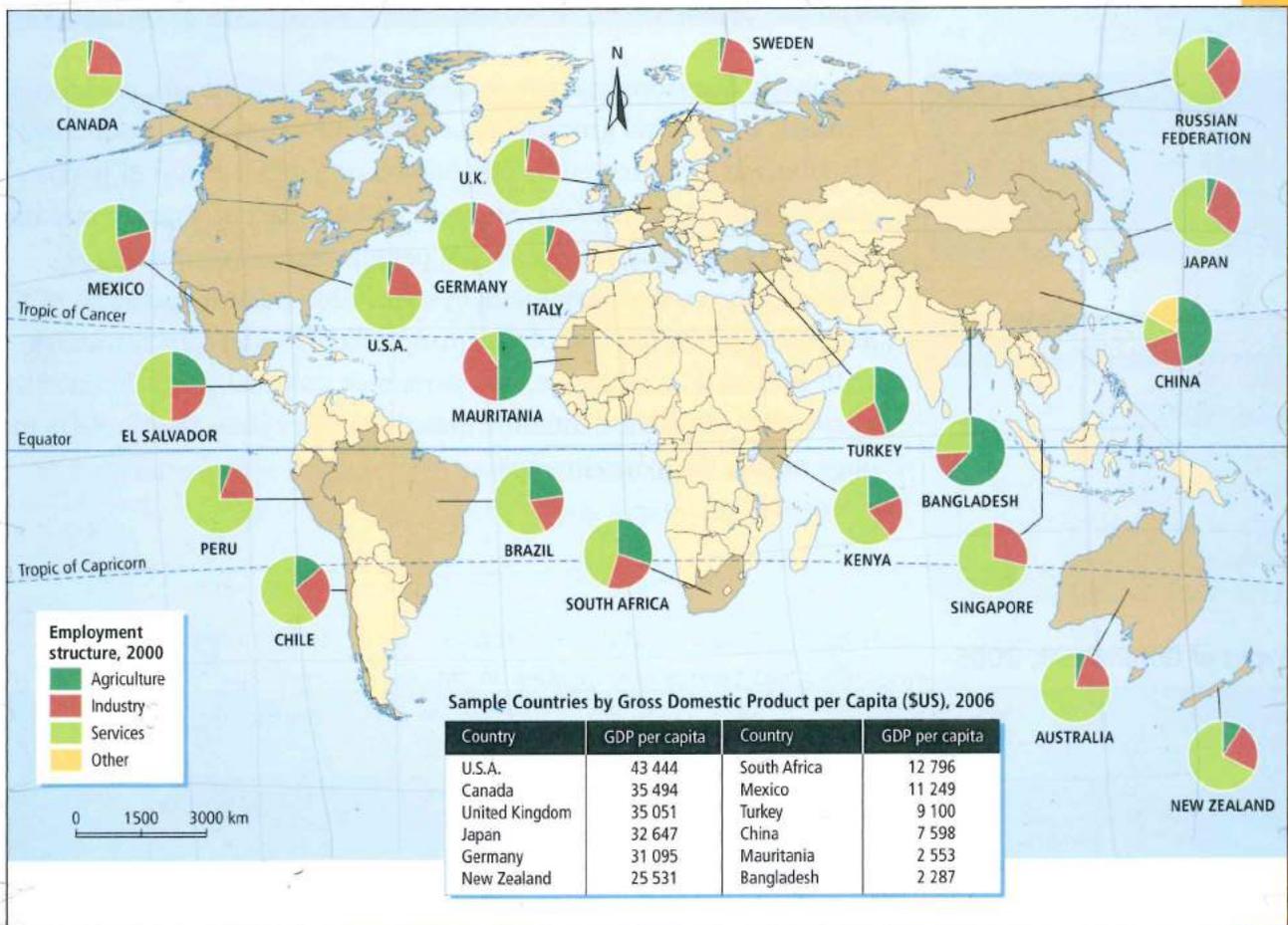
Some countries on the map have high agricultural employment. Describe their map locations in relation to latitude and the continents. Are high proportions of farm labour found at certain latitudes or in certain continents or regions of the earth?

Step 4 Look for Map–Number Table Patterns

There is a direct connection between labour and living standards. Compare the agricultural countries on the map to the Gross Domestic Product per Capita chart. What pattern can you see?

Step 5 Test Your Observations

Check your findings by looking at the map, graph, and number table in a different way. Describe the locations of countries with very high employment in service industries. These jobs range from entertainers to surgeons. Compare the GDP per capita of these countries to those with a high proportion of agricultural employment.



APPLY It

1. Where are the countries with the highest proportion of agricultural labour located? Note a) latitudes, and b) continent or regions. Why might this occur? **IT**
2. Compare the countries with the highest percentage of the labour force in agriculture with the GDP per capita of those countries. Is there a relationship between these numbers? Explain possible reasons for this pattern. **KT**
3. Predict what might happen to income levels in these countries if they shifted to more service employment. What obstacles stand in the way of this change? **KT**

The Command Economy

WORDS MATTER

command economy an economic system in which the government controls all production and distribution of goods and services

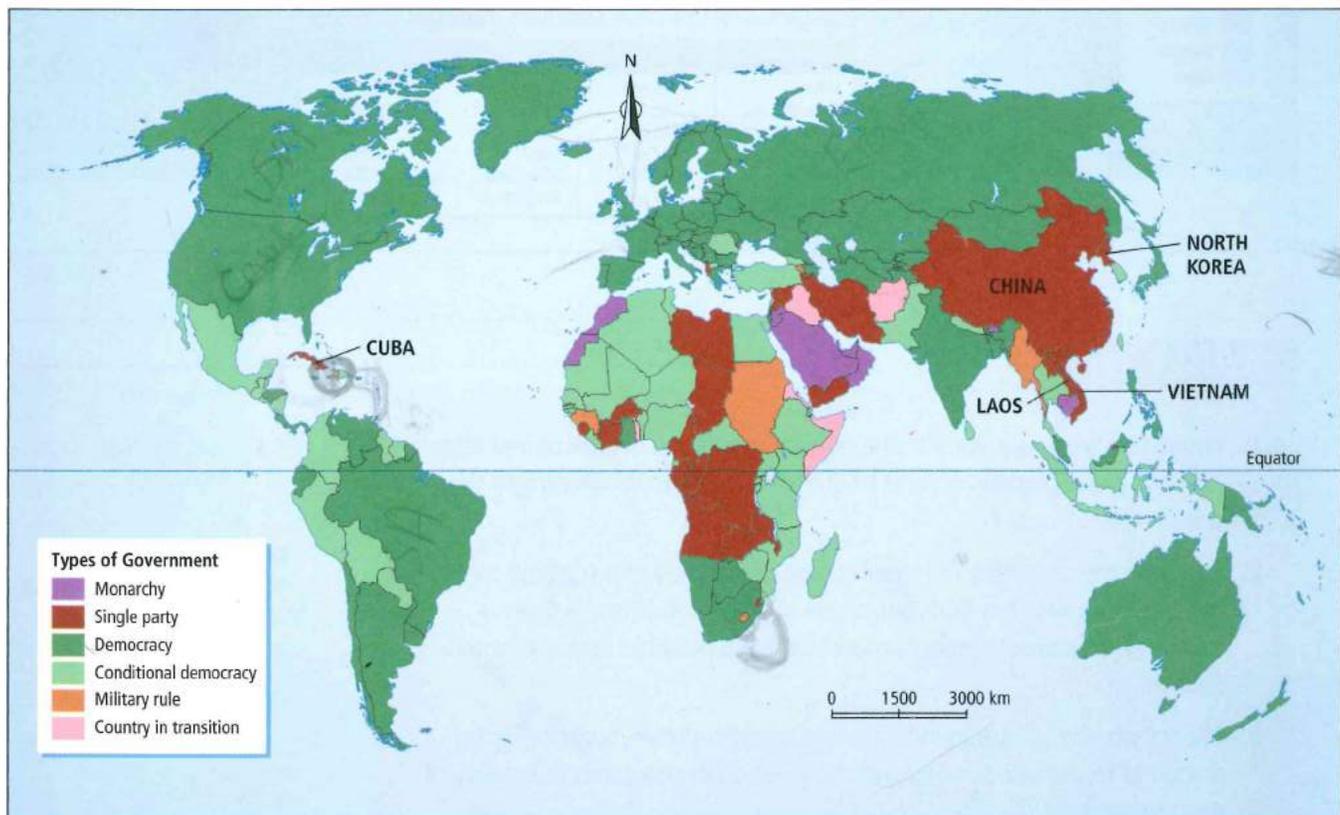
During READING

Checkpoint

Create a concept map answering the five economic questions for the command economy.

Economic decisions are not always made by individuals, companies, families, or cultural groups. In a **command economy**, production and distribution are directed by one person or a small group of people who form the government. Suppose you are part of a group making T-shirts for a special event. If one person takes over the whole project, it becomes a command system. That person makes all of the decisions, while the rest of the group follows orders. In countries with command economies, one person or political party dictates the answers to all of the economic questions. Everyone else's role is to obey or face the consequences.

Types of Government, 2006



Command economies are usually found in countries without freely elected governments. These countries are governed by a monarchy, a single political party, or by military rule. Where are these governments found?

Military Spending

Some command economies are also military dictatorships or nations at war. The government of a **military dictatorship** is controlled by the armed forces. A military leader makes decisions about production and distribution of goods and services. There are several countries in Africa and Asia with this type of government today.

In many of these dictatorships people live in poverty, with little chance for an education or access to health care. Many countries that spend heavily on their military often do not leave much for social services. There are some exceptions. The following table includes some countries with high military spending and also a high standard of living. Also, note that Israel, Canada, India, and the United States are **democracies** and do not have command economies.

WORDS MATTER

military dictatorship a form of government in which the military holds political power

democracy a form of government in which elected people fill government offices

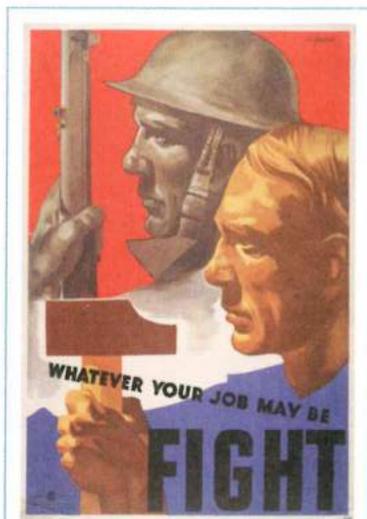
Military and Educational Spending

African Countries	Military Spending (% of GDP)	Education Spending (% of GDP)	Middle Eastern and Asian Countries	Military Spending (% of GDP)	Education Spending (% of GDP)
Angola	21.2	3.0	Israel	8.0	8.0
Brunei	7.6	4.0	Kuwait	8.2	6.0
Burundi	5.4	4.0	Oman	9.7	4.0
Eritrea	22.9	5.0	Yemen	5.2	7.0
Ethiopia	9.4	4.0	China	4.3	2.8
			India	2.5	4.4
U.S.A.	4.1	4.7	Canada	1.2	6.0



In some regions, years of conflict are matched by high levels of military spending.

What pattern do you notice about the spending priorities of these governments compared to Canada? Why would governments make such decisions?



How did Canada's government answer the economic questions during World War II (1939–1945)?

WORDS MATTER

communism a system that supports common ownership of the means of production

Canada at War

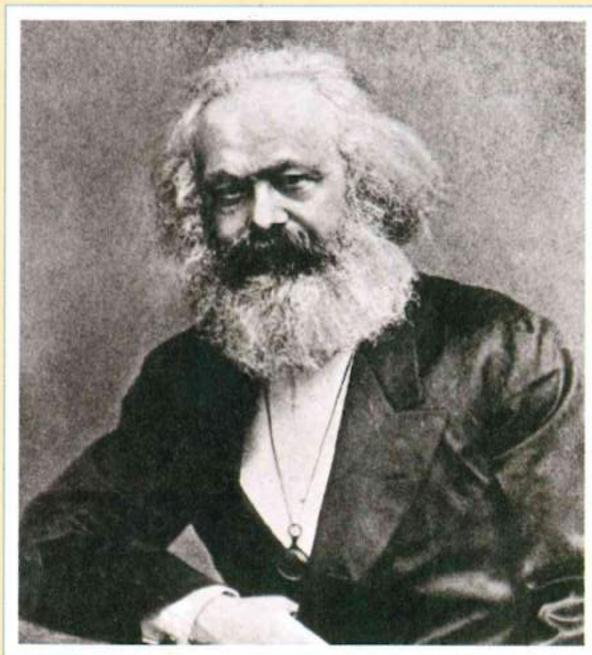
During the First and Second World Wars, Canada's economy was temporarily controlled by the government under the War Measures Act. Canada and other nations involved in the war switched to an economy centred on the production of weapons and military equipment. Factories that normally made cars, farm machinery, and home appliances made military necessities instead. To do so, governments abroad and in Canada switched from a market to a command economy during the war years. What does this imply about the Canadian government's priorities during the wars?

Communist Economies

About 160 years ago, German philosopher Karl Marx introduced a new type of economic system. It promised: "From each according to his ability; to each according to his need." Marx was the founder of **communism**, an economic and political system in which people would work together to produce goods and share them fairly.

Communist political revolutions took place in Russia in 1917 and in China in 1949. Later, Marx's economic system spread to several nations in Asia, Africa, and the island of Cuba. Today, communist governments are still found in five countries: China, Cuba, Laos, North Korea, and Vietnam. (See the map on page G 84.)

Heroes and Villains | Karl Marx



Karl Marx aimed for a cooperative economic system created by political revolution. He predicted that eventually, "the state would wither away," leaving the people with freedom. In practice, however, communism has always brought a command economy. Strong dictators and Communist Party officials have made all the economic decisions. Tanks and missiles have been more important than decent housing and consumer goods. In recent decades, Russia has rejected communism and adopted the market economy, while communist China has relaxed government control of production and distribution. Was Karl Marx wrong, or have communist leaders misused his ideas?

Cuba: A Communist Command Economy

More than 11 million people live on the island of Cuba. Until 1957, American companies invested heavily in Cuban sugar, tobacco, and fruit plantations. However, they took the profits home. Most Cubans were very poor, with little access to education or medical care. In 1958–59, Fidel Castro’s communist forces overthrew the Cuban government and seized American-owned businesses and property on the island. To this day, the U.S. forbids its citizens from visiting Cuba, and will not allow American companies to trade or invest there.



International tourism, especially from Canada and Europe, has become a very important source of income for Cuba's economy.

In Cuba, the government decides what to produce and how to distribute goods and services. Individuals lack many freedoms and choices. The economy struggles, partly because the island nation must do without American trade and investment. Cubans live with only the basic necessities, and deal with shortages of consumer products. However, the government provides free education, daycare, and health care for all Cubans. Today, more than 95 % of Cubans can read and write, and many are engineers or skilled technicians.

THINKING It Over

1. Use the world map on page G 84 to identify the following. 
 - a) The continents in which most command economies are located
 - b) The type of command economy found in most of those countries.
2. Why are American citizens and companies not allowed to have contact with Cuba? How has this affected Cuba's economy? Why do Canadians often visit Cuba? 
3. Work with a partner to construct a chart showing how a command economy might answer each of the five economic questions.  

PUTTING IT ALL TOGETHER

This chapter has taken you on a tour of the world of economic systems. You used the five economic questions of production and distribution to consider a business that you could operate some day. You met an entrepreneur who combines economic resources to offer entertainment. You also compared decisions about production made in market, traditional, and command economic systems. Above all, you looked into the unit's key question: **How do economic systems influence industries across Canada and the world?**

After

READING

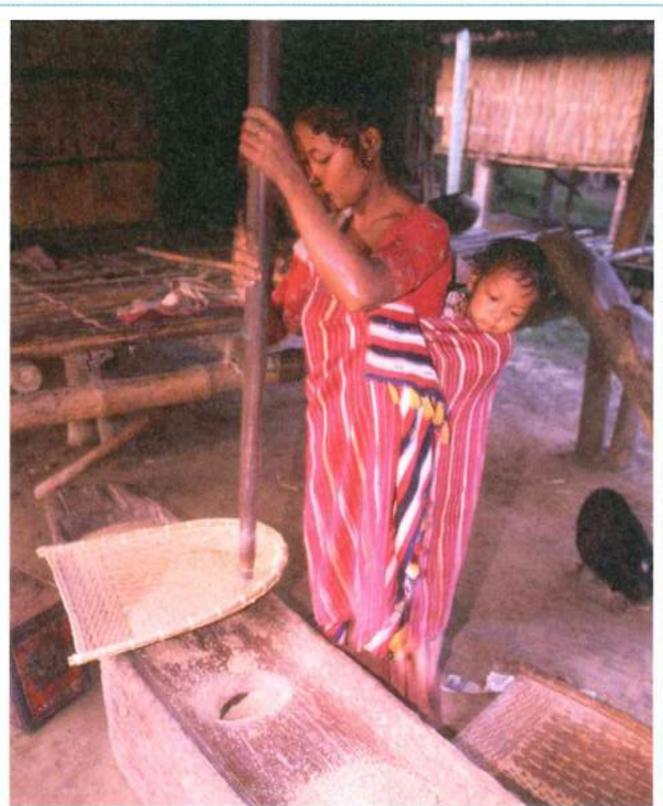
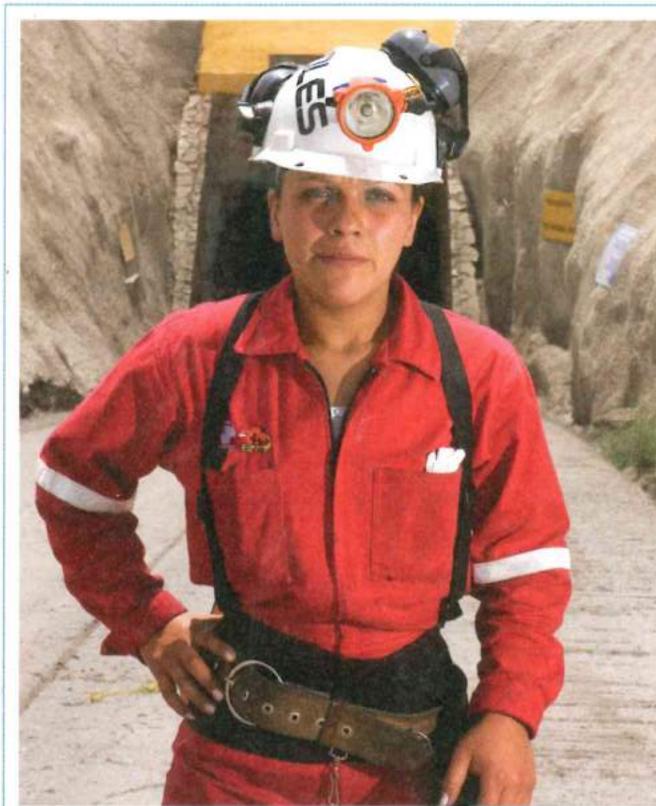
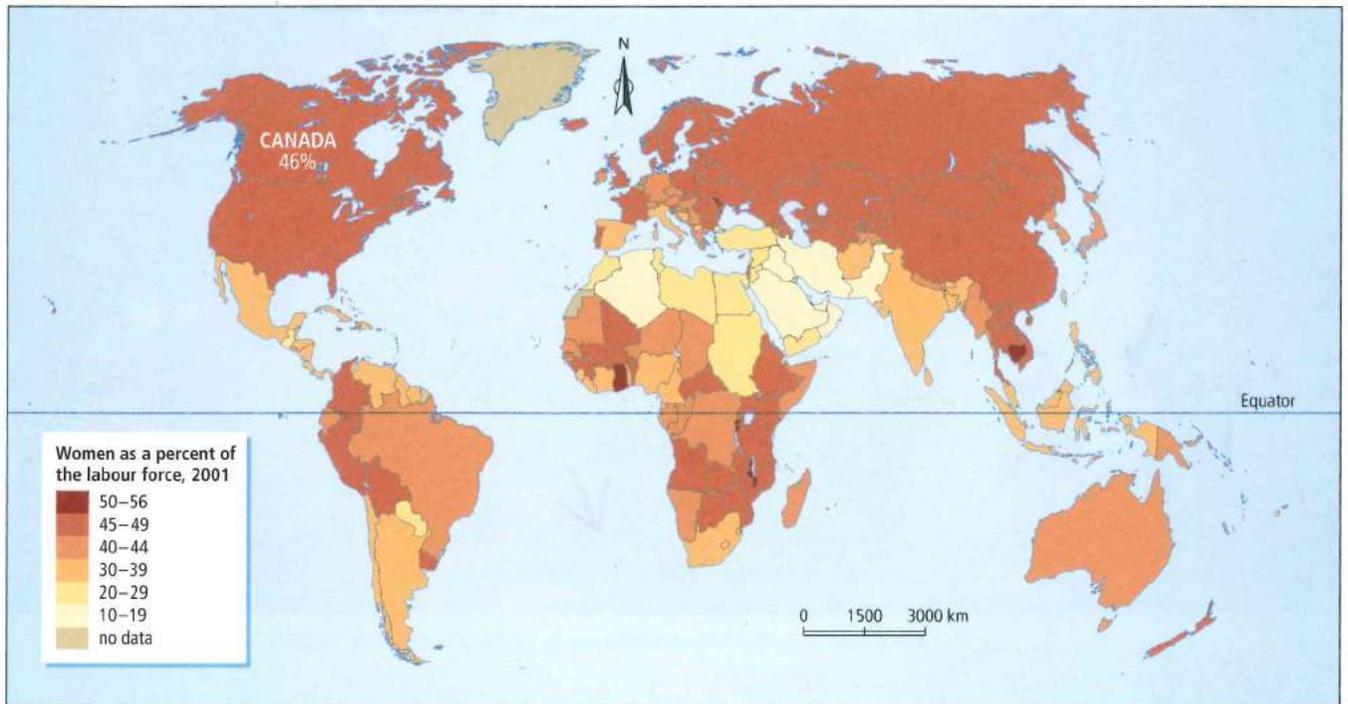
Visualize Ideas with a Concept Map

Choose one of your concept maps. Find pictures online or in magazines and newspapers to create a visual concept map. Replace the outer circles with the pictures, and use your notes to write a caption for each picture.

THINKING It Through

- Describe the pattern of the map on page G 89:
 - In which regions do women generally make up more than 40% of the labour force? **m**
 - In which regions do women generally make up less than 30% of the labour force? **m**
 - Identify a region of the world with traditional economies. Use information from the chapter to explain your choice. **k m**
- Which of these factors would help explain the world pattern of women's paid employment, and which would not? Explain why or why not. a) literacy, b) landforms, c) social customs, d) living standards, e) child care **t**
- What are the differences and similarities between the two photos on the next page? Classify each of the photos as representing either a market or traditional economic system. Use information from the photo and the chapter to explain each choice. **t k**
- Write a half-page summary about working women in different regions of the world. Refer directly to the economic question, "Who produces goods and services?" and to the economic resources of labour and entrepreneurship. **k c**

World: Women in the Labour Force



Canada's Mixed Economy

What role does the free market play in Canada's economic system?

Before READING

Making Connections

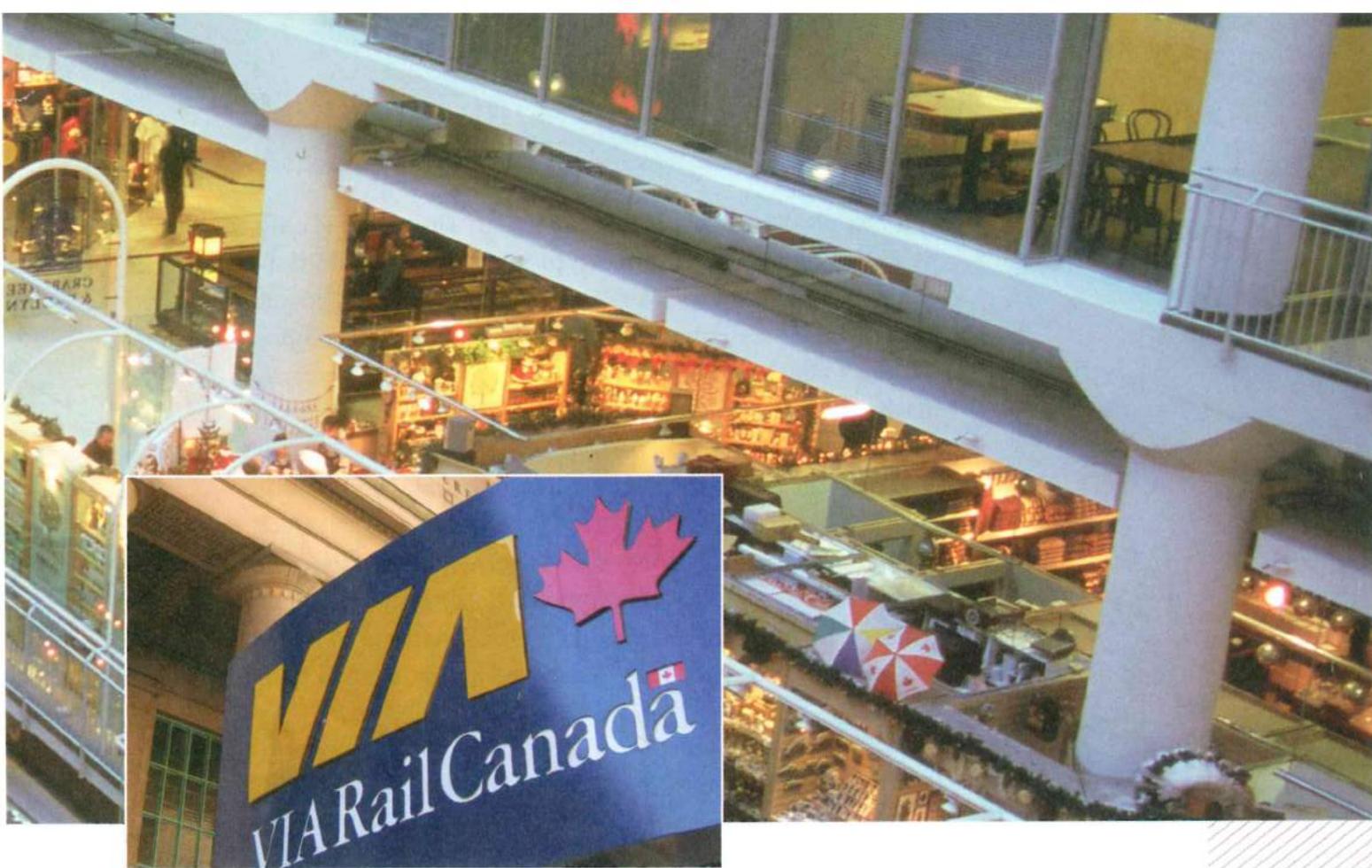
Look at the products you bring to school (clothes, notebooks, pens, pencils, or calculators). With a partner, discuss where the products are made. What materials are they made of? Where do those materials come from?

WORDS MATTER

mixed economy an economy that combines different economic systems, such as the market and command systems

Are you an avid shopper, or do you just buy something when you need it? Do you pay full price for what you need, or do you look for bargains? No matter what your shopping habits, you are a consumer—a driving force behind Canada's economy. The market brings together sellers and buyers to decide prices based on supply and demand. Sometimes the supply is greater than the demand for a product, and it will likely go on sale. Other times the demand is greater than the supply. In this case, the price of the product may rise.

Governments enter the economy by promoting growth and setting the minimum wage. They also pass laws to regulate commerce and protect consumers. Governments collect taxes and spend heavily. They even own and operate huge companies, such as VIA Rail and Hydro One. Like many countries, Canada combines the market and command systems in a **mixed economy**. In this chapter you will be investigating the mixed economy as part of the unit's Big Idea: **How do economic systems influence industries across Canada and the world?**



Why is government such an important part of Canada's economic system?

Questions to Consider as You Read this Chapter

- How does the mixed economy work in Canada?
- What are the three different types of industry?
- How has technology changed industry in the past century?
- How do I research and communicate information about an industry?
- How do I interpret a map of industrial location factors?

Thinking About Literacy

Comparing Information and Finding Ideas

Create charts to compare economies and industries as you read this chapter. Use headings and subheadings to choose topics for your chart, like the example below. As you read the chapter, include your ideas on the importance and meaning of the topics.

Mixed Economy

Traditional and Market	Traditional and Command	Market and Command	Importance/ Meaning
Traditional crafts sold to tourists			People in this country have learned to earn money from their traditional ways

Mixed Economies: A Closer Look

You just picked out a snack at the variety store. At the cash register, your 99¢ item suddenly jumped to \$1.12 with the addition of two government sales taxes. Welcome to Canada's mixed economy! Canada is not the only country with a mixed system. In fact, most nations today have some combination of the basic types: traditional, market, and command. Mixed economies are everywhere.

Traditional and Market: Around the world, you will find traditional economies that also have marketplaces in which goods are offered by vendors. Services such as local taxis or repair work are also available to those who can afford them. Also, traditional craftspeople make many different handicrafts to sell directly to tourists or for export. Fair trade goods are increasingly popular with Canadian consumers.

Traditional and Command: Among the five communist governments that remain today are four Asian nations: China, North Korea, Vietnam, and Laos. Many people in these countries rely on subsistence agriculture. It would be very difficult for these governments to successfully change traditional farming methods adapted to the land.

Market and Command: There are no longer any “true” market economies in the world. Even the best examples of the free market—the United States, Taiwan, and Singapore—have some degree of government regulation of business. At the other end of the scale, some European countries like Sweden and Norway have market economies with a great deal of government planning and taxation.

During READING

Checkpoint

Check pages S 12–S 13 to review analyzing photos. What do you see in these pictures? What clues can you use to answer the question in the caption?



How can you tell which type of mixed economy is best represented in each of these photos?

Canada's Mixed Economy

Business, government, and consumers all play a part in Canada's economy. Every day, news headlines show the important role each group takes in our mixed system. All three have the power to influence the production and consumption of goods and services.

Ontario Government to Close Coal-Fired Plants

Telus Corporation Eyes Bell Canada for Merger

Imperial Oil Bids on Arctic Natural Gas

Police Probe Store Open on Holiday

Consumer Group Claims Gasoline Overpriced

Which of these news headlines show the actions of a) business, b) government, and c) consumers?

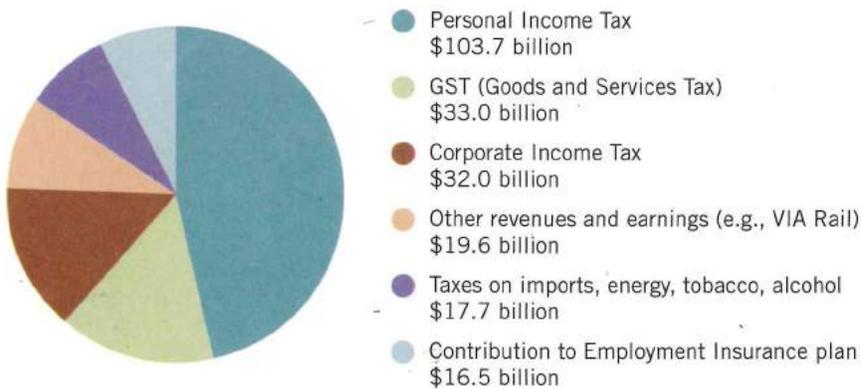
Governments Tax and Spend

All levels of government in Canada affect the economy because they tax and spend. You may not pay income taxes yet, but you contribute to government **revenue** every time you pay the GST (Goods and Services Tax) and the PST (Provincial Sales Tax) on purchases. The federal government in Ottawa collected more than \$220 billion in 2006 from all sources. Ottawa then chooses how to spend this money for the benefit of Canadians and the world.

WORDS MATTER

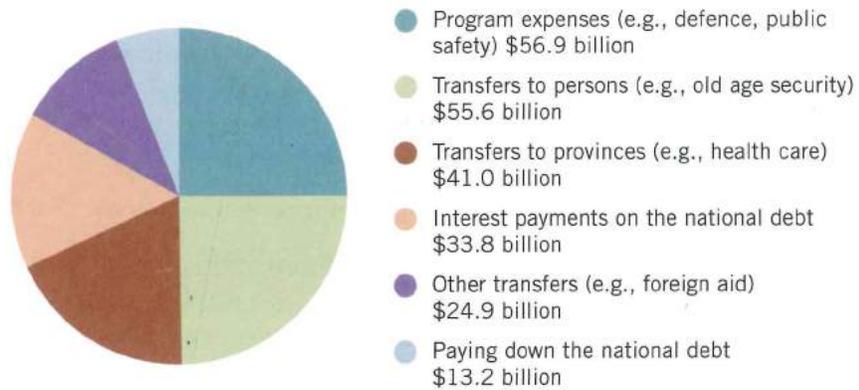
revenue the amount of money a company or government receives as income

Revenue Collected by Canadian Federal Government (2006)



How does government revenue collection affect you?

Spending by Canadian Federal Government (2006)



How does government spending affect you?

WORDS MATTER

consumer a person or organization that purchases and uses products or services

consumer advocate a group or person who protects consumers from fraud, inferior products, false advertising, etc.

WEB LINK

Learn about consumer rights in Canada. Visit our Web site.

Consumer and Producer Groups

Did you ever buy something that didn't work? Was there anything you could do about it? **Consumer** groups in Canada represent the interests of consumers, which includes protecting them from inferior products. At the same time, there are producer groups that look after the interests of sellers. Both meet with governments to influence regulations affecting the economy.

Consumer Groups

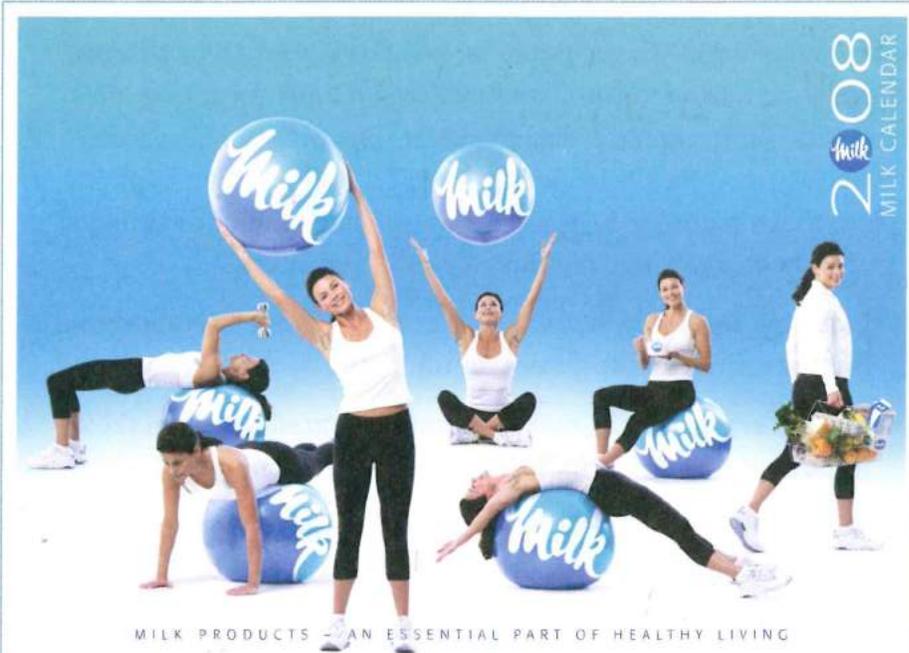
Buyers take a direct interest in the quality, safety, and value of products and services as **consumer advocates**. Organized groups, like the Consumers' Association of Canada (CAC) and the Canadian Toy Testing Council, are more than 50 years old. The CAC tackles food and health issues, as well as product standards and prices. For example, they monitor gas prices, and call for government investigation if prices are too high. The Toy Testing Council tests toys every year and rates them in an annual *Toy Report*. Consumer groups have also pushed CD and video companies to post Parental Advisories on their music and game products. Consumer groups influence the marketplace in Canada's mixed economy.

Producer Groups

Farmers and other producers have organized **marketing boards** to improve product quality while ensuring the income of their members. Suppose farmers brought huge quantities of eggs or milk to market at the same time. They would receive very low prices because of the oversupply of their product. To help prevent this problem, marketing boards organize farmers to regulate the production of their goods. This creates a fairly even supply, which helps stabilize prices. They also use advertising to inform consumers about farm products and to protect the interests of Canadian farmers.

WORDS MATTER

marketing board an organization created by producers to promote their product and to maintain fair prices by controlling supply



Every year, the Dairy Farmers of Canada publish the Milk Calendar, which is distributed free in print and online. Recipes inside the calendar are centred on milk products and are based on Canada's Food Guide. How is this effective advertising?

WEB LINK

For links to producer groups visit our Web site.

THINKING It Over

1. What is a mixed economy? Answer the caption question found with the photos of mixed economy combinations on page G 92. **K E**
2. Examine the two loonies showing Ottawa's revenue and spending on pages G 93 and G 94. **E**
 - a) Identify one fact from each diagram that you found most surprising. Explain why.
 - b) Use examples from your community to explain why government taxing and spending are so important in Canada's economic system.
3. Based on the two loonies, construct circle graphs of your weekly or monthly revenue and spending. How might this graph be useful to you? **E E**

Three Types of Industry

WORDS MATTER

industry work that provides income for people

During READING

Making Connections

Think about where you live. Do you have factories, resources, or tourism in your area? If you have more than one, which one is most important to your area? Discuss with a partner.

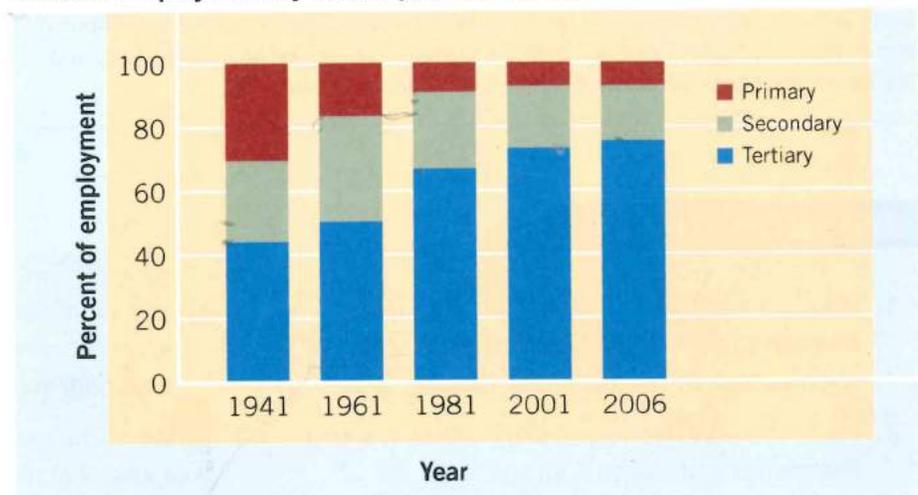
With a compound bar graph, the bar segments are stacked one on top of the other for a particular year. It is a useful way to see overall changes in detailed information.

Everyday life can be very different in various parts of the world. While you are in school, or perhaps spending part of your day helping out in the family business, other young people are working many hours a day. Girls your age are knotting handwoven carpets. Young boys must sometimes work in dangerous conditions in factories. In Canada, most people work in service occupations—for example, electricians, ski instructors, and fashion designers. Education and training are very important in service-based economies.

Most people think of industry and manufacturing as two words for the same thing. To geographers, **industry** is any type of work people do to make money. Carpetmaking and metalworking are industries—they manufacture products. Teaching and designing are also industries—they provide services. If a ski instructor is giving a lesson, that's industry. When she skis on her day off, her skiing is leisure, not work. There are three types of industry:

- **Primary industry** is work based on harvesting natural resources, such as animals, crops, trees, or minerals.
- **Secondary industry** makes commercial products from these resources, through manufacturing or construction.
- **Tertiary industry** provides personal, social, and commercial services, as well as transportation and public utilities.

Canada: Employment by Industry, 1941–2006



Describe the pattern of changes in Canada's industrial employment shown in this graph.

Primary Industry

In Grade 7 Geography you learned about Canada's natural resources and the industries that process them. You might think that these industries make up a large part of the Canadian economy. However, you might be surprised to know that farm, fish, forest, and mineral production accounts for less than 6% of the total value of Canadian goods and services. Only about 1 Canadian employee in 25 works in these activities. Farming, fishing, forestry, and mining are called **primary industries** because each one gathers natural resources, the first stage of industrial production. Use this chart to learn the main characteristics of the four primary industries.

Farms	Forests
<ul style="list-style-type: none"> cultivating, planting, and harvesting crops, raising livestock and farming specialized products such as honey or nursery plants cleaning and packaging fruit and vegetables and other products 	<ul style="list-style-type: none"> harvesting trees for manufacturing or retail sale, as well as planting seedlings includes sawmills, which make building materials (cut lumber and plywood) for construction
Fish	Minerals and Fossil Fuels
<ul style="list-style-type: none"> catching, cleaning, and packaging fish and all varieties of shell fish, such as lobsters or clams, from the wild or from aquaculture processing may be done on "factory ships" 	<ul style="list-style-type: none"> extracting any type of mineral from the earth, from diamonds to gravel, along with petroleum and natural gas includes any refining which purifies minerals before use in manufacturing

Industry Combinations

Sometimes primary industry may combine with another type of economic activity. Clovermead Apiaries, near Aylmer, Ontario, has been owned and operated by the Hiemstra family since 1975. Besides producing honey, they have also created a small pioneer village on their farm that attracts school groups and tourists. Special festivals related to honey production and a country store round out the Clovermead operation. Tourism, education, and retail sales are all services, and examples of tertiary industry. The Hiemstra family business is a combination of industry types.



The annual "bee-beard" competition at Clovermead Apiaries attracts many visitors. Don't try this at home!

Our Environment

Environment and Industry

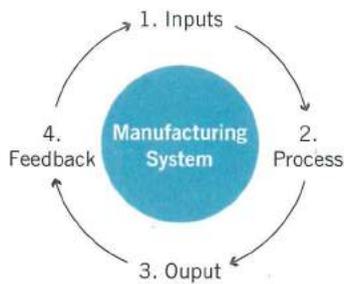
All primary industry takes natural resources directly from the earth. Producers must harvest a **sustainable yield**, leaving plenty for future use. They must also prevent damage to the environment through pollution or waste. Poor farm practices, over-fishing, clear-cut logging, and poisonous mine wastes are all environmental threats.

Create a poster to increase awareness of environmental threats in one primary industry.

WORDS MATTER

sustainable yield the amount that can be taken from a natural resource (e.g., cod stocks) without reducing the resource's ability to maintain itself

primary industry the collecting of raw materials for use in industry



Secondary Industry

If you play or watch sports, you know that a good team uses winning strategies. Before games, players practise strategies. Afterward, the coach reviews what worked and what didn't. Manufacturing follows a similar system. **Input** and **process** steps are like the game plan, while **output** and **feedback** stages are like the game results. Use the information about the clothing industry on this page, and the *Zoom In* feature about the automobile industry on pages G 104–G 105 to understand more about **secondary industry**.

WORDS MATTER

input the first stage of the manufacturing system, in which decisions are made

process the second stage of manufacturing, in which the product is made

offshore companies foreign firms that supply goods and services for export to companies in other countries, such as Canada

output the third stage of manufacturing, in which products are distributed to customers

feedback the last stage of manufacturing, in which the product and process are judged

secondary industry manufacturing and construction activities

Fashion: Input and Process

The manufacturing game plan calls for a new line of clothing. First, several important inputs are required. Company designers study the latest fashion trends before creating their own designs. Suitable fabrics, leather, buttons, and thread are purchased from suppliers. Pattern templates for the cutters to use are prepared in every clothing size. The process of actually making the clothing differs from company to company. Some use mass production methods in order to sell inexpensive garments, while others focus on quality, perhaps having one skilled sewing machine operator produce an entire outfit. Some produce the goods locally, while others use **offshore companies**, such as garment manufacturers in Mauritius or China. The choice to use off-shore companies is usually made because of lower labour costs.

Fashion: Output and Feedback

Clothing manufacturers employ sellers who arrange contracts with stores. If the store buyers like the new products, they place big orders. As a result, manufacturing output is large, and extra labour is hired to increase production. On the other hand, the designers may have misjudged consumer tastes. Fewer sales contracts result in lower manufacturing output for the season. The volume of sales provides company management with important feedback. After discussions with the store buyers, managers may reward successful fashion designers, and let others go. This feedback will help the company have a better game plan for next season. Manufacturers are like coaches—they don't like to lose.

WEB LINK

Explore an interesting Web site about jeans—history, production, and ads. Visit our Web site.

Industrial Factors in the Fashion Industry

Montréal and Toronto are Canada's most important fashion design and manufacturing centres. Industrial factors such as raw materials, labour force, and markets explain why the clothing industry is located in these places.



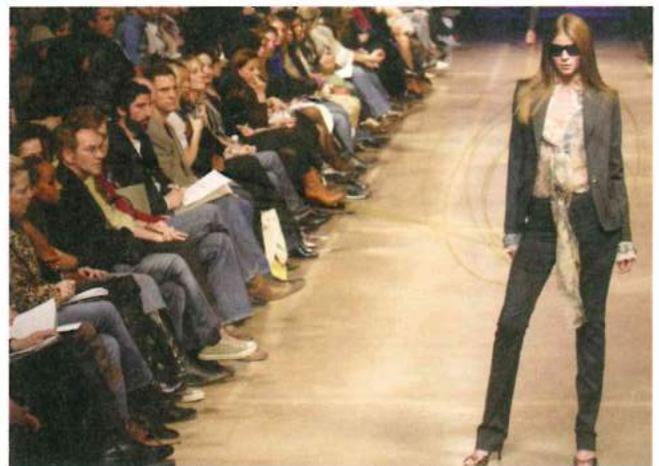
Inputs: Raw Material

Montréal and Toronto are well situated to receive shipments of fabric, leather, and other materials. Highways speed the movement of container freight shipments from around the world. Care must be taken so that the materials do not become damp or musty in transit or storage. Why are quality materials so important in the garment industry?



Process: Labour Force

Canada's two largest cities are leading garment centres based on a large, skilled workforce. Many fabric cutters and sewing machine operators have been immigrant women. Colleges in both cities train designers. What skills would a successful fashion designer require?



Output and Feedback: Market

The large populations of Montréal, Vancouver, and Toronto make them the consumer base of Canada's garment market. Fashion shows are used to present the new lines to store buyers, and their response shapes the production volume for the season. Why do international designs usually get their first Canadian showings in Montréal and Toronto?

During

READING

Checkpoint

Create a chart to organize your notes on the fashion industry. Add your ideas on how input, process, output, and feedback relate to the primary, secondary, and tertiary aspects surrounding the fashion industry.

WEB LINK

Learn about Toronto's fashion industry at our Web site.



Making a guitar: secondary industry. Selling a guitar: tertiary industry. Teaching guitar players: tertiary industry.

Tertiary Industry

The store buyers and models at a fashion show are not producing anything; instead, they are buying and selling the finished products. People behind the scenes are providing services too—truck drivers, stage technicians, advertisers, and caterers. This is different from the designers and machine operators who actually turned the cloth into clothing. In Canada, there are about four service workers for every manufacturing job. All developed countries have economies heavily based on **tertiary industries**.

Now look at tertiary industry in daily life. Do you ride a bus to school? If so, that is tertiary industry: transportation. After school, you might have a guitar lesson, or buy milk, or mail a letter. All personal and commercial services are tertiary industries, as are communications activities like the mail system. It is not hard to understand why about three-quarters of all Canadian employees work in tertiary industries.

A recent trend in tertiary industries is **outsourcing**. Companies that offer services such as accounting or computer support are hired by companies in other countries. Often it is cheaper for companies to outsource these tasks, rather than have their own employees deal with them. How can this affect Canada's tertiary industry? Why is outsourcing often a concern for Canadian employees?

WORDS MATTER

tertiary industry the providing of services, such as customer support, distribution, or retailing

outsourcing sending work to an outside provider, usually to cut costs

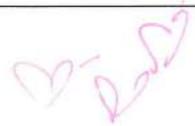


Tertiary Industry in Canada, 2006

Category	Value (% of GDP)
Finance, insurance, real estate	19.2%
Education, health, social services, government	15.5%
Retail and wholesale trade	12.8%
Professional, scientific, and technical services	4.5%
Information and cultural services	4.1%

Value in Canada's Economy, 2006

Industry Category	Value (% of GDP)
Primary Industry	5.8%
Secondary Industry	22.0%
Tertiary Industry	72.2%



H

The Multiplier Effect

Some communities in Canada have economies based almost entirely on tertiary industry. These are tourist centres such as Niagara Falls, Whistler, and Peggy's Cove. They have a high proportion of businesses offering tours and activities, food and lodging, shopping, and souvenirs. Tourists bring money, and the tourism businesses circulate the money through the local economy. Business owners and their employees then use their profits or wages to pay for food, clothing, and shelter. Geographers call this the **multiplier effect**. It occurs in every type of community. Many communities seek manufacturing opportunities because this also results in a high multiplier effect—it promotes other manufacturing and more services. Local economies also prosper when resource industries sell their grain, fish, wood, or minerals.

WORDS MATTER

multiplier effect the effects of spending in a local economy



How is the multiplier effect like throwing a stone into a pool of water?

THINKING It Over

1. Classify each of these activities as primary, secondary, tertiary, or non-economic. Explain your choices. a) delivering newspapers, b) making steel rods for the construction industry, c) working on a ranch, d) fishing with friends, e) making woven carpets, f) babysitting for neighbours. **k**
2. Fashion moves across Canada from Toronto and Montréal. List examples of goods and services that flow into these two cities from each region of Canada (e.g., oil from Alberta). **k**
3. Apply the terms input, process, output, and feedback to an industry such as building construction in an isolated First Nations community. **k a**
4. a) Explain the multiplier effect in your own words. **k**
b) How can the multiplier effect change a region? Discuss how discoveries of precious minerals, such as diamonds, affect Canada's North. **k a**

GEO SKILL

Interpreting Industrial Location from Maps

Area Symbols	
	urban area
	wooded area
Line Symbols	
	elevation contour
	stream
	railway track
	power line
	divided highway
	major street
Point Symbols	
	large buildings

The Chrysler Corporation operates a huge auto assembly plant in Brampton, in the Greater Toronto Area (GTA). Here you will learn to interpret the location factors for this industry from topographic and road maps.

Step 1 Review the Meaning of the Map Symbols

You will need to know how to interpret area, line, and point symbols, particularly those used on a topographic map. Use Chapter 1 to review topographic map reading skills.

Step 2 Locate the Industry on the Maps

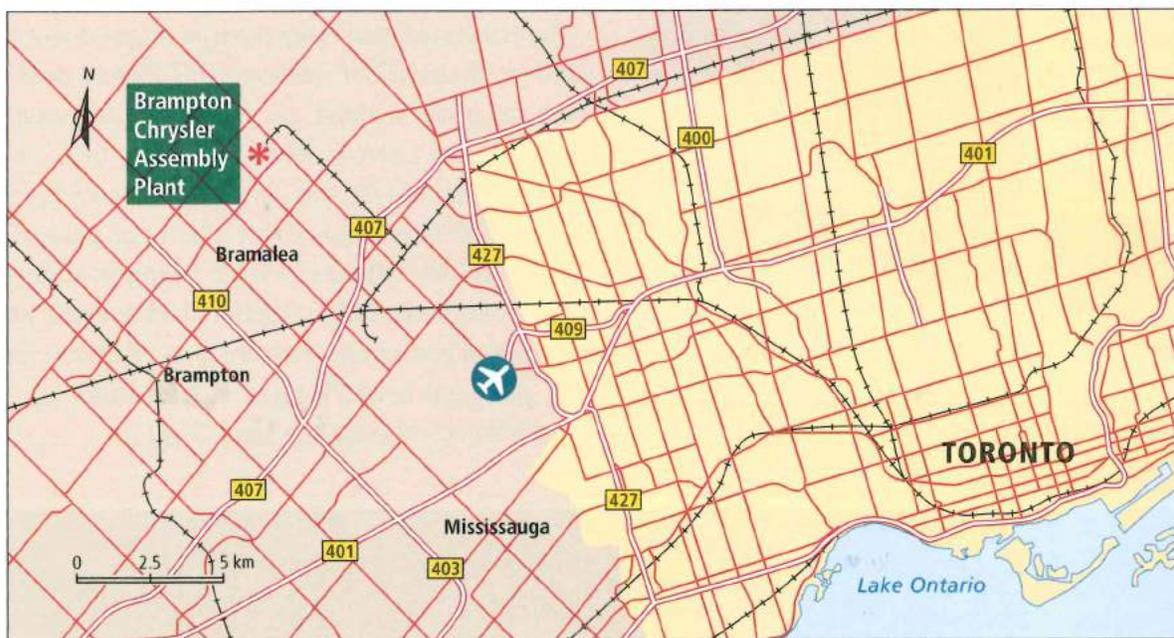
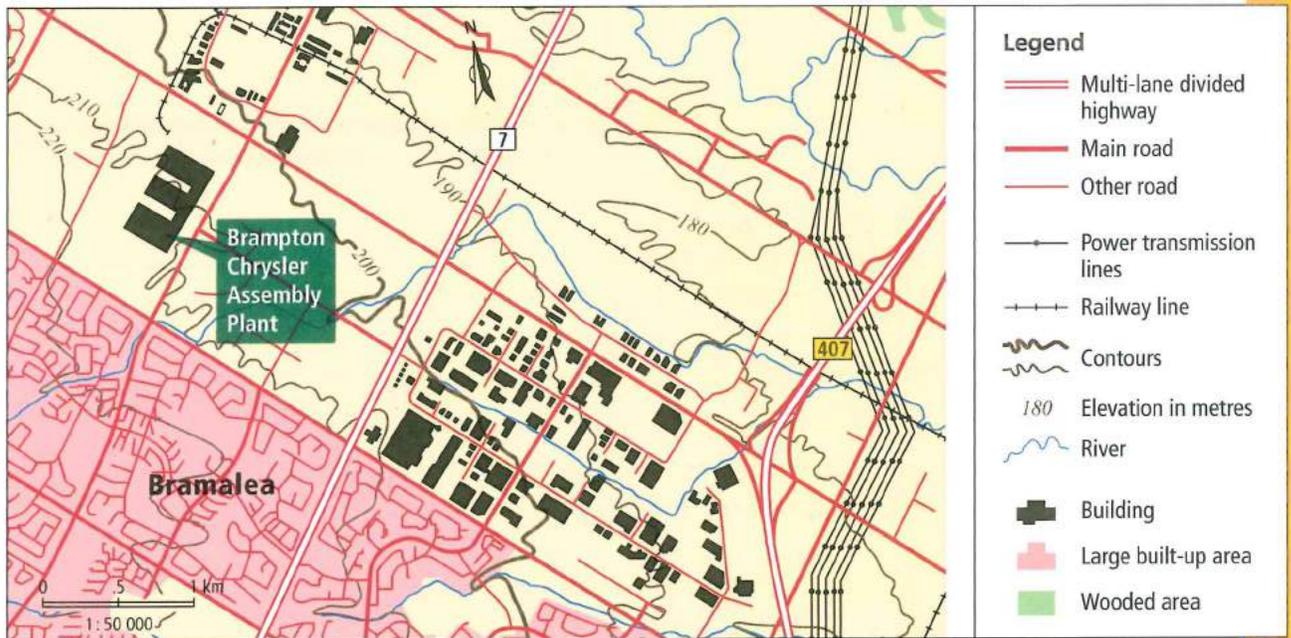
You can spot the assembly plant on the topographic map as a large three-part building near the northeast edge of the Brampton urban area. Find this place on the road map.

Step 3 Find Industrial Location Information on the Maps

- Flat land: a large area with few contour lines (for buildings and completed cars)
- Raw materials: expressways to bring auto parts to the plant in transport trucks
- Labour supply: a large population of workers in the surrounding region
- Market: a large population of customers in the surrounding GTA region, and railway tracks to transport cars to more distant customers

Step 4 Make a Sketch Map

A sketch map is a simple hand-drawn map that shows only certain details related to a topic. Use the topographic map to make a sketch map which shows only the industrial location factors for the industry. Start with a blank page and follow the steps found in “Using and Making Maps” on pages S 14–S 15 of the Skills Tool Kit.



APPLY It

1. Use the maps to record the industrial location information listed in Step Three for the Brampton assembly plant. M
2. Make a simple labelled sketch map to show this location information. M
3. Vehicles are carried from Ontario across Canada by truck or rail. Give examples of raw materials that reach Ontario from specific provinces by a) ship, b) rail, c) transport truck, and d) pipeline. K



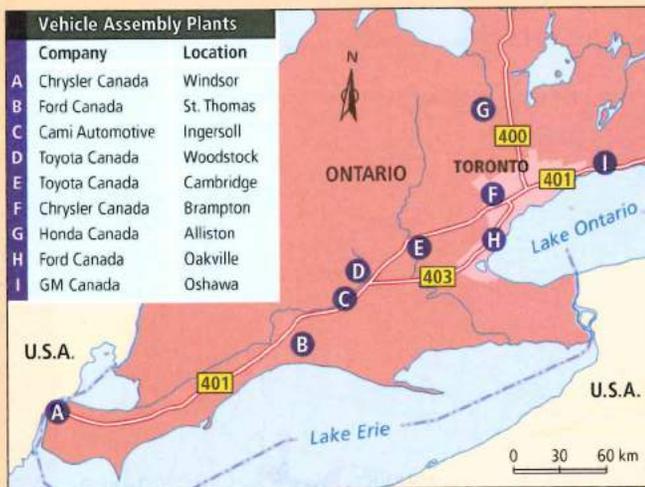
The automobile industry is one of the leading manufacturing activities in Canada. Motor vehicles and parts are Canada's leading export products, greater in value than wheat, lumber, or minerals. The industry is concentrated in southern Ontario, where it has a tremendous effect on the economy of the region. More than a quarter of Ontario's manufacturing employees work in some phase of the auto industry, either producing auto parts or assembling the actual vehicles.

Brampton Assembly Plant: Facts and Figures (2006)	
Floor area:	278 711 m ² (the size of 40 football fields!)
Production:	968 vehicles per day (two shifts)
Employment:	3 500 people
Robotics:	507 robots

Economic Resources

Chrysler Canada was formed in 1925. Today, Chrysler Canada operates two major assembly plants in southern Ontario, one in Windsor, and the other in Brampton. The Brampton plant was built in 1986. It produces the Chrysler 300 and Dodge Magnum sedans for the North American market.

The Brampton assembly plant is huge—more than half a kilometre wide! However, this factory does not make any parts. Instead, car parts manufactured in communities all across southern Ontario (and some in the United States), are assembled into completed cars. Brampton is an excellent site for an assembly plant for several reasons. A large supply of trained labour is available in the Greater Toronto Area, as well as land and capital resources. And as you have seen, the plant is well located in relation to transportation routes. (See page G 103.)



Where are automobile assembly plants located? Why?



The Brampton Chrysler assembly plant

Input and Process

Chrysler has a reputation for progressive designs from their high-tech Design Institute in Detroit, Michigan. Like the fashion industry, new ideas are featured at international auto shows to test public reaction—the input stage of manufacturing. The process stage uses the assembly line. Three separate lines begin moving in different areas of the plant: the engine, chassis (or frame), and body lines. When both the engine and chassis are complete, powerful **robotic** arms fit the engine into the chassis. Later, other robots lower the completed body onto the chassis. Painting, upholstery, glass, tires, and trim are all added along the continuously moving final assembly line.



In what other ways might technology affect industry in the future?

Output and Feedback

A new vehicle rolls off final assembly every few minutes. This output is distributed to Chrysler dealers in two ways. Delivery within a few hundred kilometres is completed using trucks with open trailers that can each carry ten cars. They are a common sight along Highways 407 and 401. More distant delivery uses covered triple-stack railway units, specially designed for the purpose. Consumer feedback is all-important. The popularity of the retro-styled Dodge Charger led Chrysler to develop a similar concept car, the Dodge Challenger. It drew rave reviews and is scheduled for production at the Brampton plant in 2008.

WORDS MATTER

robotics mechanical arms which can repeat simple operations over and over with precision.

THINKING It Over

1. Suggest why robotics are used to a) combine the three assembly lines, b) paint car bodies, c) install windshields. **T**
2. With a partner, make a chart to compare the manufacturing systems for clothing and cars. Consider both similarities and differences. **K E**
3. All of Canada's major vehicle assembly plants are in Ontario. Explain why. Then, look at atlas maps to identify why certain resources or goods are produced in a) British Columbia, b) the Prairies, c) the North, and d) the Atlantic region. **K T**

Technological Change

WORDS MATTER

technology the application of mechanical arts and sciences to producing goods and services

microchip a tiny integrated circuit on which computer technology relies

high technology equipment and methods based upon computers, robotics, and space research

During READING

Checkpoint

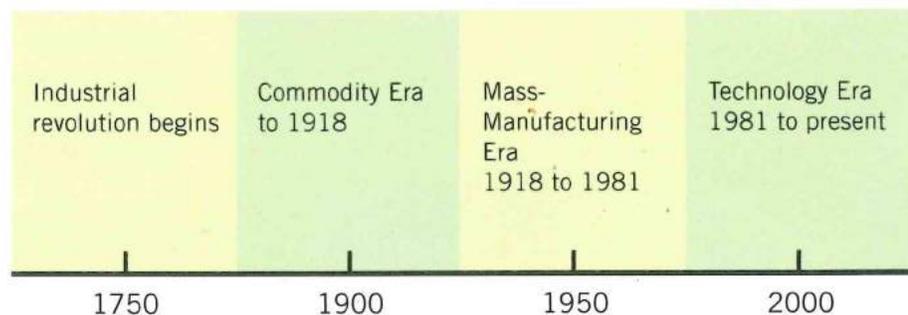
Create a new chart for this section. Use the three economic eras for your column headings.

Would you rather have a cellphone or a land line? An iPod or a portable radio? A laptop or a desktop PC? If you picked the cellphone, iPod, and laptop, it's probably because they are smaller and more portable than the other choices. They also use more advanced **technology**. Twenty-five years ago, people would have been happy with the choices you rejected, because the cellphone, iPod, and laptop were not yet available to consumers. The electronic systems that operate them had just entered the marketplace in the Commodore 64 computer. The age of cheap **microchip** circuits was only beginning in the early 1980s.

Economist Nuala Beck identifies three stages in Canada's economic and industrial development, each with its own technology. The Commodity Economy lasted until 1918, and relied on coal for energy and steel production. Next was the Mass-Manufacturing Economy, with wide-scale secondary industry based on cheap supplies of petroleum. Beck believes Canada entered its third economic stage in 1981, what she calls the Technology Economy. It continues today, driven by inexpensive microchips, computers, and the telecommunications industry. You live in an era with technology that was not available when your parents and grandparents were young.

New technology changes the equipment and methods that society uses to gather and process natural resources. In the past hundred years, Canada and the other developed countries have moved quickly from steam engines to computers. New machines and methods have made it possible to produce more goods using fewer people. **High technology** is being applied to most types of industry. For example, computer-assisted design (CAD) and robotic assembly have become vital parts of the automobile industry. Even the vehicles themselves are controlled by internal computer systems.

Canada's Economic Eras



New Technologies Change Primary Industry



Computerized Mining

Mining takes place throughout Canada, but three-quarters of Canada's metallic mineral production happens in Ontario, British Columbia, Saskatchewan, and Québec. In some Canadian mines, underground equipment is controlled by operators on the surface. Watching television monitors, they control mining equipment using joysticks. Inside the mine, an operator watches over two or three machines in one area. Mining companies also use "virtual reality" simulators to train workers.



Precision Farming

The majority of Canada's grain farming happens in the three prairie provinces. On these large farms, precision farming combines satellite technology and computers. A yield monitor and a global positioning unit are attached to a combine. This equipment records how much grain is harvested from each part of the field. Computer software then makes a yield map, showing which areas were most productive. This allows the farmer to improve the soil with lime or fertilizer only where needed.



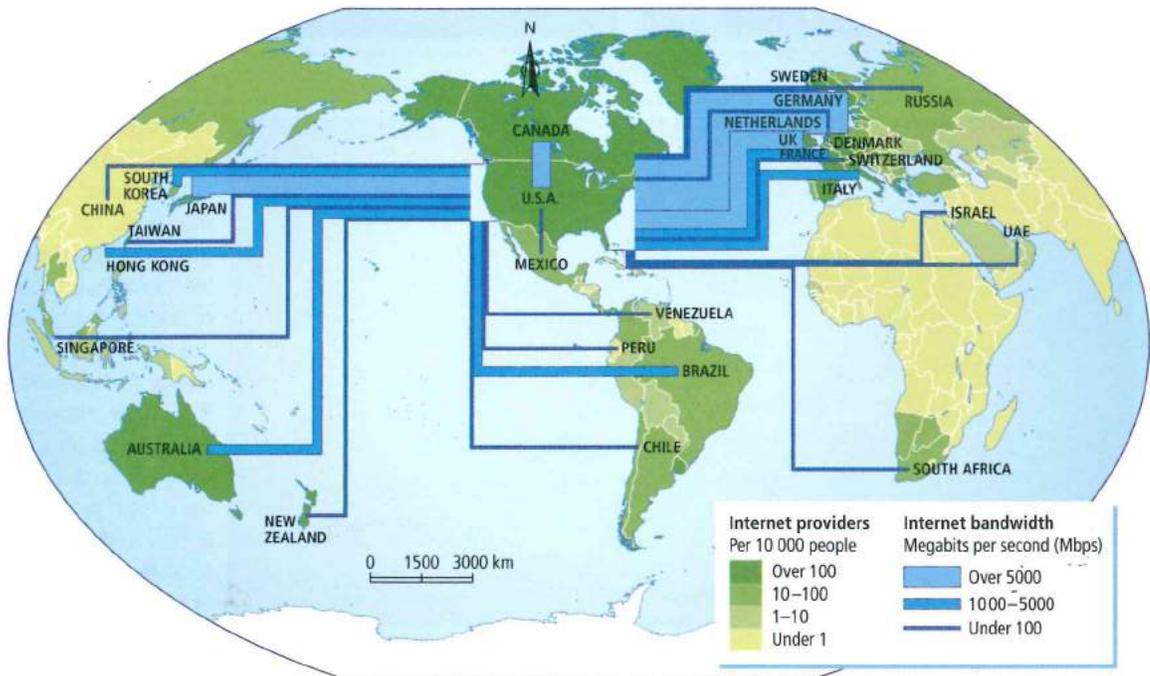
High-Tech Forestry

Cut-to-Length (CTL) logging systems are used to cut more than 30% of the world's wood. This technology is also used in Canada's forestry industries, in such provinces as New Brunswick and British Columbia. The harvester machine grabs a tree and cuts it at ground level. Then a sharp collar strips off the branches before the machine slices it to length. Then a forwarder machine picks up and piles the logs for removal.

Technology and Tertiary Industry

Technology has increased production while reducing the need for workers. This sounds like a recipe for unemployment, but that hasn't happened, because technology creates new jobs too. Skilled technicians are needed to install and repair new high-tech equipment. Increased production has also brought wealth to developed nations, and living standards have risen a great deal. This has led to the rapid growth of tertiary industry, as people use a wider range of services. Internet use is a good measure of the level of technology available in a society. The map below shows that developed nations dominate the Internet.

World Internet Use



With which countries does North America have the most Internet traffic? What does this suggest about technology and living standards?

THINKING It Over

1. Work with a partner to make a chart comparing the benefits and problems of each of the three new technologies in the photos on page G 107. **CC**
2. How might technology change the economy of Canada in the future? Consider a) production, b) jobs, c) living standard. **C**
3. In a small group, discuss the extent to which rapid technological change has been a good thing or a bad thing for the Canadian economy. Rate your personal overall opinion on a scale from 1 (very good) to 5 (very bad). **CC**

PUTTING IT ALL TOGETHER

Canada has a mixed economy that combines market and command characteristics. You examined the importance of government, business, and consumers in this system. You also learned how three types of industry—primary, secondary, and tertiary—operate in this business environment. Finally, you saw how much technology has changed Canadian industry. These ideas were all part of the unit question, **How do economic systems influence industries across Canada and the world?**

After

READING

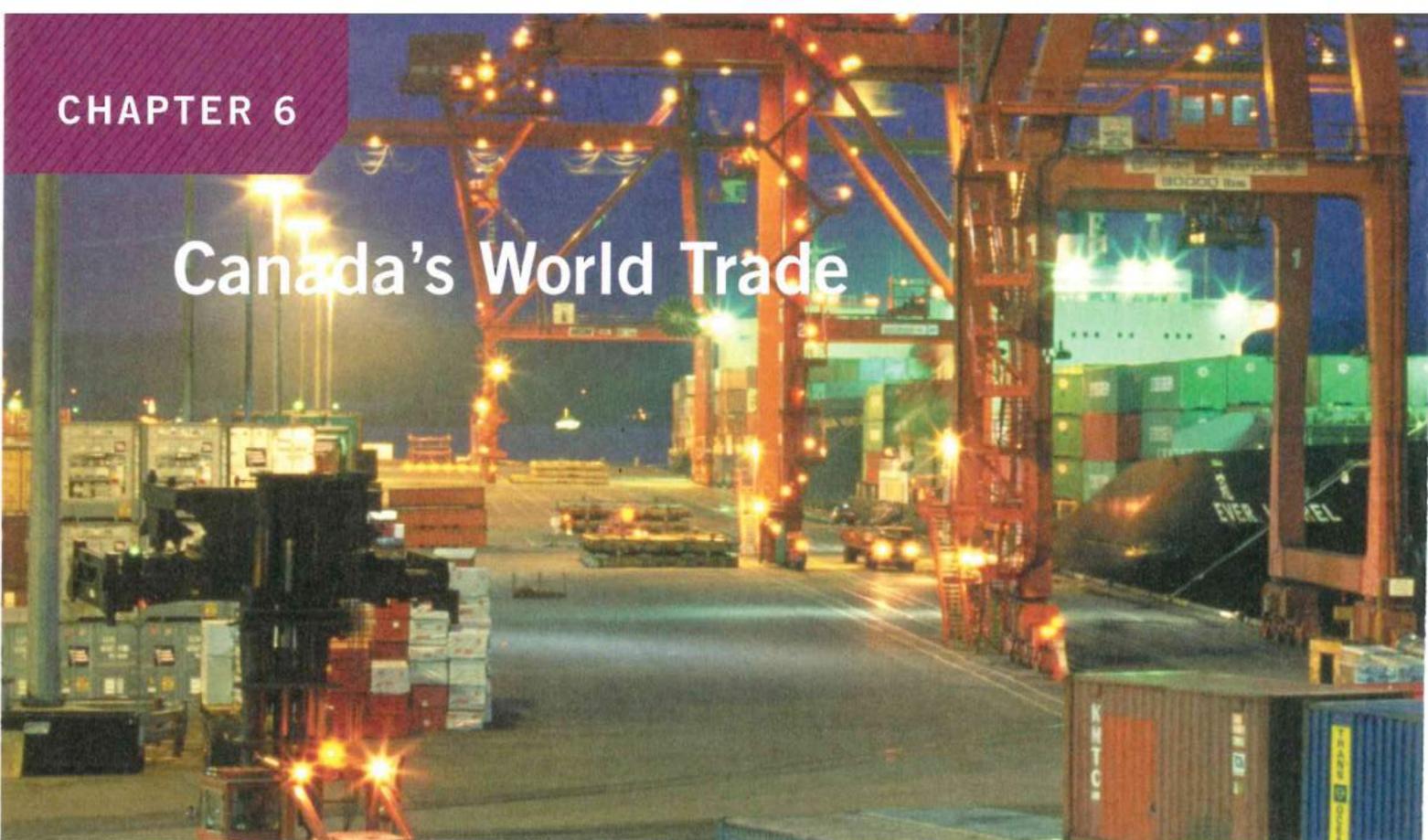
Synthesize Information from the Chart

Consider the unit question. Using the information from your charts (especially in the importance/meaning column), write down what you know about the factors that affect industries. Continue adding to these notes as you read the last chapter of this unit.

THINKING It Through

1. Choose one of the industries listed here as a research topic. Carefully record four good primary and secondary sources of information about your topic. Use charts to support and organize your research. **t**
 2. Prepare a map to show the location of the industry in relation to raw materials, labour, and markets. **m**
 3. Prepare an organized report describing the characteristics of the industry. Answer the question: Why has this industry been successful? Use chapter vocabulary, and apply the concepts of input, process, output, and feedback where you can. **k c a**
- wheat farming in the Prairies
 - nickel mining in the North
 - salmon fishing in British Columbia
 - newsprint manufacturing in New Brunswick or Northern Ontario
 - steel manufacturing in Ontario
 - aerospace manufacturing in Québec
 - a major homebuilder in your local region
 - a major bank in your local region
 - a major retailer in your local region

Canada's World Trade



The Port of Vancouver container terminal. How would having container ports in Vancouver, Montréal, and Halifax affect trade between Canada and other countries?

Before READING

Making Connections

Think about the products that you use at home or at school. Where were these items made? Did any come from other countries? How would these items have made their way to you? Discuss with a partner.

You might be surprised to know that Canada is locked in a continual struggle with other global powers. It isn't a military battle—it is more like a constant strategic game. Like most countries, Canada's businesses and government compete to win export sales contracts. Industries continually aim to improve their efficiency and their products. Government officials (e.g., from Canada's Department of External Affairs) work hard to arrange trade agreements with other nations. Some countries win and some countries lose in these economic battles.

In this chapter, you will evaluate Canada's world trade connections. You will find out how well our country has been faring in the intense competition for export sales. You will also play a board game based on world trade groups. This chapter will complete your exploration of this unit's question: **How do economic systems influence industries across Canada and the world?**



Should consumers buy Canadian products or imported goods? Why?

Questions to Consider as You Read this Chapter

- What economic systems are best suited for successful world trade?
- How can I explain which factors benefit the top trading nations?
- How can I use primary and secondary information sources to describe trade?
- What are the pros and cons of Canada's major trade agreements?
- How can I use a map to draw conclusions about trade between countries?

Thinking About Literacy

Visualize Differences and Similarities

Visualizing differences and similarities can help you make meaning of information. A Venn diagram is a good tool to use when comparing. In this chapter, you will learn how different nations and organizations participate in world trade. Examine the similarities and differences between them using Venn diagrams. Remember to find information from the text, charts, maps, diagrams, and photographs.

What Is Balance of Trade?



WORLD RECORDS

The Largest Trade Deficit

The United States trades more than any other country, but it runs up an enormous deficit every year. In 2006, imports exceeded export sales by more than \$845 billion. Try to imagine owing an extra \$2.3 billion every day! Canada, China, Japan, and Mexico topped the list of 115 countries the U.S. must pay in order to balance its 2006 trade deficit.

WORDS MATTER

balance of trade the relationship between the value of a country's exports and imports; also called trade balance

exports goods or services that are sold to another country

imports goods or services that are brought into the country

trade deficit a negative trade balance (more imports than exports)

trade surplus a positive trade balance (more exports than imports)

First, a few personal questions: Can you keep track of your spending? Do you always seem to owe money to friends or family? Do you have money in the bank earning interest? The governments of countries have to ask themselves similar questions. Like people, some countries have growing debts because they spend more than they earn. Their **balance of trade** is negative because they sell (**export**) fewer goods than they buy. (**import**). This is called a **trade deficit**, and it must be made up with cash payments or loans. Meanwhile, other countries are in better shape with respect to trade. They have a **trade surplus** by exporting more than they import. These countries are profiting from international trade. In this section, you will compare six major trading countries. Here is a sneak preview of two of them:

Trade Item	Canada, 2006 (\$US)	U.S.A., 2006 (\$US)
Value of Exports (sales)	405.0 billion	1024 billion
Value of Imports (purchases)	353.2 billion	1869 billion
Trade Balance	51.8 billion	845 billion
Trade Surplus or Deficit	Surplus +\$51.8 billion	Deficit -\$845 billion

International Carriers

Many different products move between countries. The method of transportation chosen depends upon the locations of the trade partners and the type of material moved. Countries located next to one another or on the same continent can use trucks and trains to move bulky freight. Energy supplies can be carried through pipelines and electric power wires. Trade across the oceans is a different matter. Supertankers, cargo vessels, and container ships transport different types of cargo. Planes also carry a very limited amount of lightweight, high-value goods such as diamonds.



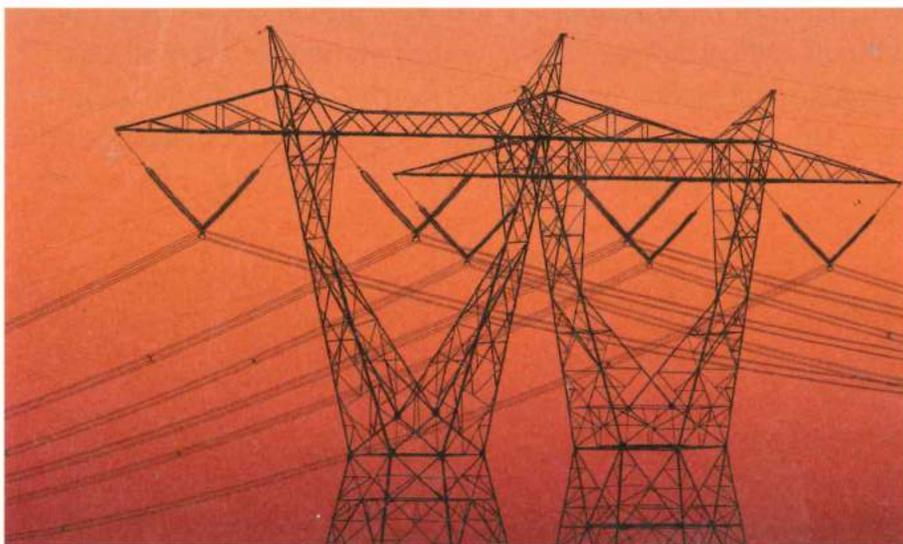
Supertankers

Supertankers are the largest ships ever built. They are sometimes longer than four football fields from end to end! Pipelines may carry oil across continents, but supertankers are used to transport oil across oceans. Their huge capacity makes shipping fairly inexpensive. However, terrible environmental damage occurs when oil carriers run aground. In 1989, the *Exxon Valdez* spilled more than 40 million litres of oil on the Alaskan coast, causing great loss of fish and wildlife. Why is this issue important?



Container Freight

Canada has major container ports on both the Pacific and Atlantic coasts. Standard-sized metal containers are widely used for international cargo because they are secure and flexible. They are easily transferred from ships onto flatbed trucks or rail cars. Loss is minimized because containers can be tracked by using the Global Positioning System (GPS). However, since they are stacked high on the decks of ships, containers occasionally break loose during severe storms. Do you think container ships are a good way to transport goods? Why or why not?



Electric Power Lines

Energy is an important part of international trade. Oil and natural gas flow through pipelines, but electricity can also cross borders. Power plants in Ontario and Québec sell surplus energy to nearby American states. Their systems are connected as a single power grid. In August of 2003, a power failure in Ohio caused a massive blackout across northeastern North America. It continued for several days. Do you predict there will be other cases of power failures in the future, or not? Explain.

The Top Traders

During READING

Checkpoint

Use a Venn diagram to compare two of the top traders. Try comparing a country with a trade balance deficit with one that has a trade balance surplus.

Which type of economic system do you think has been most successful in world trade? Which countries do you think have the best trade balances? After you've guessed, check your answers by skimming over the top five countries profiled in this section. Canada has been included too, but currently ranks ninth in world trade. Not in the top five, but not bad for a country with only a small fraction of the world's population!

The United States

The United States is a large country with many natural resources and huge agricultural production. Its wheat exports are the largest in the world. American industry produces a great variety of products, including technology, automobiles, chemicals, and electronics. However, many U.S. manufacturers cannot compete with less expensive foreign imports. American labour costs are much higher. To counter this, many businesses rely on off-shore companies to produce the goods and services they sell. As well, the U.S. uses more energy than it produces, and must import fuel and electricity at great cost. Huge imports make the U.S. trade deficit a serious problem.

United States (2006)	
Population	301.1 million
GDP per capita (2005)	43 444 \$US
Human Dev. Index	.948 (8th)
Economic System	Market
Value of Exports	\$1024.0 billion
Value of Imports	\$1869.0 billion
Trade Balance	-\$845.0 billion deficit

Germany

The value of German exports is the highest in the world. Although the nation has a limited range of natural resources, it has earned a global reputation for high-quality manufactured products, such as automobiles, machinery, and consumer goods. Its \$216 billion trade surplus proves that the demand for German products is strong. The country must import some raw materials for its steel industry, along with oil and natural gas. The former communist country of East Germany and market-based West Germany united in 1990. Since then, there has been heavy investment to improve outdated factories in the former East Germany.

Germany (2006)	
Population	82.4 million
GDP per capita (2005)	31 095 \$US
Human Dev. Index	.932 (21st)
Economic System	Mixed
Value of Exports	\$1133.0 billion
Value of Imports	\$916.4 billion
Trade Balance	+\$216.6 billion surplus

China

China is almost as large in area as Canada, and has a wide range of natural resources. The government of this command economy has relaxed its tight control since about 1990, with resulting increases in manufacturing output. However, there are still serious human rights violations against people who oppose the communist government's policies. China is different from the other top trading countries in this section. It is a rapidly developing country, with a huge, low-cost labour supply that produces many inexpensive items for export. As a result, China has a large and growing trade surplus. How might this rapid development affect China's trade in the future?

Japan

Japan and Germany are global economic giants, yet both are smaller in size than most Canadian provinces. Japan has to import almost all of its mineral and energy resources, but has developed into an industrial and technological leader. The country's real strength is people—entrepreneurs and workers known for their technical skills, motivation, and teamwork. Manufactured products make up 97% of Japan's exports, particularly high-quality machinery, automobiles, and electronics. Japan is very crowded, but the rate of population increase is low. As a result, Japan has an aging workforce. This has become a growing problem as companies struggle to hire from a shrinking workforce.



As Japan's labour force ages, it might not be able to export as many goods to Canada. What market opportunities might this create for Canadian producers?

China (2006)	
Population	1 321.8 million
GDP per capita (2005)	7 598 \$US
Human Dev. Index	.768 (81st)
Economic System	Command
Value of Exports	\$974.0 billion
Value of Imports	\$777.9 billion
Trade Balance	+\$196.1 billion surplus

Japan (2006)	
Population	127.4 million
GDP per capita (2005)	32 647 \$US
Human Dev. Index	.949 (7th)
Economic System	Mixed
Value of Exports	\$590.3 billion
Value of Imports	\$524.1 billion
Trade Balance	+\$66.2 billion surplus

United Kingdom (2006)	
Population	60.8 million
GDP per capita (2005)	35 051 \$US
Human Dev. Index	.940 (18th)
Economic System	Mixed
Value of Exports	\$468.8 billion
Value of Imports	\$603.0 billion
Trade Balance	-\$134.2 billion deficit

United Kingdom

The United Kingdom has a limited range of natural resources. However, the country has large supplies of energy—oil and natural gas from the nearby North Sea. Its agriculture is very efficient and produces about 60% of the nation's food needs. Many of the United Kingdom's factories are outdated, and this part of the economy is in decline. As a result, the nation buys more automobiles, machinery, and other products from neighbouring European countries than it sells to them. This has caused a large and growing trade deficit.



Traditional products, like these fabrics, are still made in the U.K. Why can Britain no longer rely on such export products in today's world economy?

Canada (2006)	
Population	32.8 million
GDP per capita (2005)	35 494 \$US
Human Dev. Index	.950 (6th)
Economic System	Mixed
Value of Exports	\$405.0 billion
Value of Imports	\$353.2 billion
Trade Balance	+\$51.8 billion surplus

Canada

Canada ranks behind France, Italy, and the Netherlands in world trade. Like many large countries, its natural resources are plentiful. Canada's top exports include lumber, aluminum, natural gas, petroleum products, and hydroelectricity. Canada is also a leading exporter of grain. Its labour force has a greater percentage of college- and university-educated young adults than any other nation. Motor vehicles and parts are Canada's largest single export, most of them sold to the United States. In fact, more than 80% of Canada's exports go to the United States. However, Canadian producers have been hurt by some U.S. policies aimed at blocking competing lumber and farm imports.

Trade and Industry

Now compare the top trading countries. The U.S., China, and Canada are large and have abundant natural resources. Germany and Japan produce high-quality products, while China is a developing country that specializes in low-cost goods. On the map below, all the top traders except China are called “Industrialized high income economies.” The large group of countries with “Agricultural low income economies” plays a very minor part in international trade.

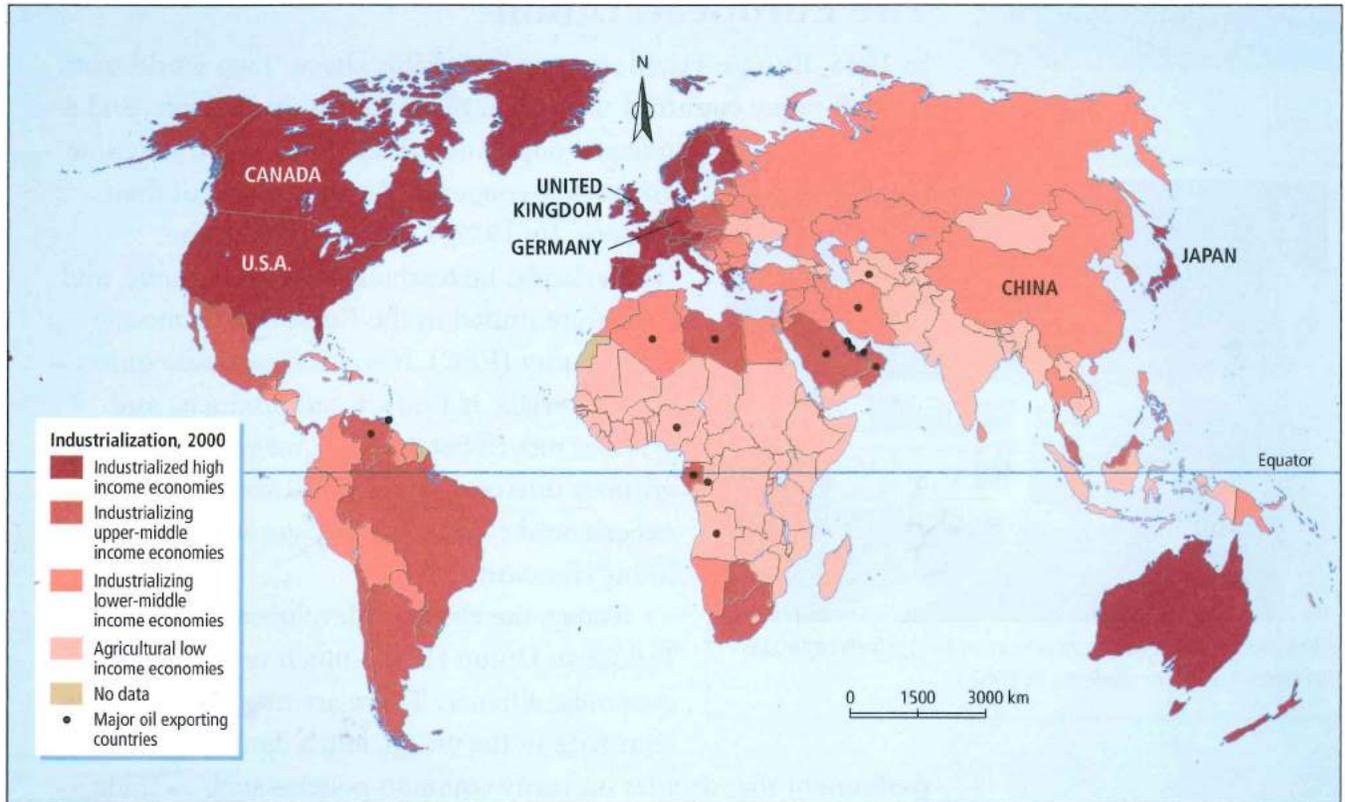
During

READING

Checkpoint

Add information from this page to your Venn diagram comparing two top traders. Remember to include information from the map.

World Industrialization, 2000



THINKING It Over

1. Use a chart to compare the advantages and disadvantages of the international carrier methods described on page G 112. Add your own information for airplanes or pipelines. **K**
2. Use the map to identify the continental locations of a) major international traders, b) minor international traders. What primary and secondary resources could you use to check your answers? **L M**
3. Make a bar graph comparing the trade balances of the six countries in this section. Place deficit bars below the base line. **L**
4. In a small group, prepare final report cards for the six countries described on pages G 114–G 116. Choose three criteria to compare. Include grades, comments, and recommendations. **K C A**

What Effects Do Global Trade Alliances Have?

During READING

Checkpoint

Create a new Venn diagram to compare the EU and OPEC. Add how these alliances affect trade around the world.

There is security in numbers. You may prefer to be with your friends or family when you are in new surroundings. That way, you don't feel alone or vulnerable. In Canada, trade alliances were formed between Aboriginal groups, and later between the First Nations and European traders. Today, alliances are very important in the global trade wars. They also have important effects on the Canadian economy.

The European Union

In 1945, Europe's economy was in terrible shape. Two world wars had left many countries with damaged factories, huge debts, and a

reduced population. Politicians urged longtime enemies to cooperate for the benefit of their citizens. By 1957, France, Belgium, the Netherlands, Luxembourg, West Germany, and Italy were united in the European Economic Community (EEC). It was a **free trade union**—raw materials, manufactured products, and services moved between the member nations without **duties** or **tariffs**. All six countries soon experienced rapid economic growth and rising living standards.

Today, the EEC has developed into the European Union (EU)—much more than an economic alliance. There are now 27 European countries in the group, and a democratic

parliament that decides on many common policies such as trade, development, and security. A common currency—the euro—makes it easier to conduct trade.

The European Union is an example of a **trade bloc**, a large area operating under a free trade agreement. You already learned that Germany, Britain, France, Italy, and the Netherlands are five of the world's top eight international traders. They help make the European Union the world's largest trading power. By uniting economically, the European Union has become a huge trade competitor for Canada. For example, Canadian manufacturers often bid against major European firms for international sales contracts. How is Canada at a disadvantage if the sales contract is for a member of the European Union?



Why would the new European Union be a significant issue to these European students in 1957?

WORDS MATTER

free trade trade without duties or tariffs

duties/tariffs taxes on imported goods

trade bloc a large free-trade area made up of two or more countries

OPEC: Controlling an Energy Resource

Suppose you and a friend were the only ones to bring snacks to a party. You control the snack supply, so you can decide how to distribute it. Countries that produce oil have this kind of power in the world export market. The Organization of Petroleum Exporting Countries (OPEC) is an alliance of twelve nations with economies that rely heavily on crude oil exports. Put together, these countries control more than 70% of the world's petroleum reserves. This is a vital energy resource that every country needs, and OPEC controls much of the supply. This very powerful group of suppliers is called a trade **cartel**.

Before OPEC was formed in 1960, the price of petroleum averaged only about \$2.50 per barrel. In 2007, the price reached more than \$90 US a barrel. These twelve oil producers have unified their oil policies to ensure "a steady income to producers and a fair return." OPEC controls both the price and the supply of oil. This trade strategy has resulted in an economic boom for OPEC's major producers, found in the Middle East and Venezuela.

Canada has the world's second-largest oil reserves. Our economy has benefitted directly from the world price of oil. Although consumers see high gas prices, there are economic benefits for some provinces. How might the environment benefit from higher consumer prices for fossil fuels?



What are the advantages, for producer groups like OPEC, of supplying their products slowly? Would other groups, such as fruit producers, be so successful? Why or why not?

OPEC Members (2007)

Africa	Libya, Algeria, Nigeria, Angola
Asia	Indonesia
Middle East	Qatar, Iran, Saudi Arabia, United Arab Emirates, Iraq, Kuwait
South America	Venezuela

WORDS MATTER

cartel a group of suppliers who agree with each other to maintain high prices and control production

Our Environment

Fossil Fuel Energy

Our society is addicted to fossil fuel energy, especially oil. Canadians use more than one million barrels of oil per day by using gas and products made from oil, such as plastics. Pollution and global warming make our oil addiction a serious environmental concern.

Record five ways you and your family could conserve fossil fuel energy. What could be the environmental impact if everyone made these changes?

GEO SKILL

Interpreting a Proportional Flow Map

WORDS MATTER

proportional flow map a type of thematic map which shows the movement of goods, people, or information

A **proportional flow map** is a special type of thematic map, useful for showing the movement of people, products, or information. The flow arrows on the map are most important. Not only do these arrows show the direction of movement, but also, their widths indicate the volume of flow along the transportation routes. Follow these steps to interpret a proportional flow map of world petroleum.

Step 1 Read the Map Legend

You will see that line and point symbols are used on the map:

- line: fine black lines show national boundaries; brown arrows represent trade in oil
- point: small purple spots show the location and size of oil fields

Step 2 Look Closely at the Flow Arrows

The flow arrows show both the directions of oil export movement and their approximate volume. First of all, the arrowheads point at the countries to which oil is sold. Secondly, the width of each arrow is proportional to the volume of oil transported.

Step 3 Identify the Map Patterns

Use the direction and width of the flow arrows to identify map patterns. These questions will help you to focus on the flow patterns:

- Which countries or regions are major oil exporters? (Hint: They sell, and are the starting point of many wide arrows.)
- Which countries or regions are major oil importers? (Hint: They buy, so the widest arrows end there.)
- What do the arrows indicate about the market for Canadian oil? (Hint: Look for arrows flowing in or out of Canada.)

Step 4 Interpret the Graph and Number Table

Use the information surrounding the map to discuss the present and future place of OPEC members and Canada in world petroleum trade.

Canada's Trade Links



World trade alliances have both advantages and disadvantages for Canada. First the good news: Canada has huge oil reserves and will benefit from OPEC's oil trade policies. The bad news: the European Union is a large and powerful free trade group that sets very high standards. Can Canada meet the EU's challenge? Above all, can fierce global trade competition be fair?

What Is the WTO?

Imagine playing a really intense sports game without a referee. Would the home team decide whether or not a penalty should be called? Should the fans scream out whether or not the pitcher threw a strike? Of course, the result would be chaos. The same thing would happen in the struggle for world trade without the World Trade Organization (WTO). This **trade advisory group** was formed in 1995, and represents 151 countries, including Canada. The WTO promotes free trade by persuading countries to abolish tariffs and other trade barriers. It settles trade disputes between governments and organizes global trade talks. Any country that does not obey WTO rulings faces **trade sanctions**, when other members refuse that country's imports or exports. As a result of the WTO's involvement, world trade competition may be intense, but it is generally fair.

WORDS MATTER

trade advisory group an organization that supervises trade

trade sanctions trade penalties imposed on one country by another

protectionism the policy of adding taxes to imported goods to protect a country's home industries

WEB LINK

Learn about Canada's relationship with the WTO and NAFTA. Visit our Web site.

What Is NAFTA?

Canada's answer to the European Union has been to join in a trade alliance with the United States and Mexico. In the past, Canadian industries were protected from American companies by import tariffs. Any manufactured goods crossing the border from the U.S. into Canada were taxed. This would raise the cost of U.S. products and hopefully encourage people to buy Canadian products instead. This policy of protecting Canadian industry from cheaper imports is called **protectionism**. While it promoted Canadian industry, protectionism made goods expensive for consumers at the same time.

In 1994, the North American Free Trade Agreement (NAFTA) was signed between Canada, the United States, and Mexico. It created a trade bloc to rival the European Union—although the NAFTA countries do not share a common currency or a common political system. Debate about NAFTA was very heated in Canada, because of fears that industries would be lost and the U.S. would dominate trade. Some Canadian manufacturing plants have closed, especially traditional firms making furniture, clothing, and footwear. Other companies in transportation, communication, and high-tech industries have successfully competed against imported goods and have even expanded their exports into the huge U.S. market. The flow of goods between Canada and Mexico is small but increasing.

During READING

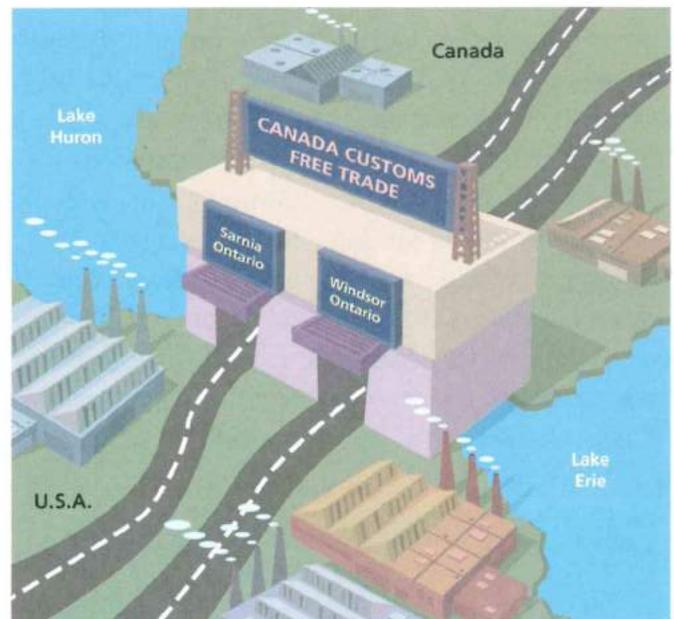
Checkpoint

Reread the text on Canada's trade links. Create a Venn diagram to compare the WTO and NAFTA. Compare the purposes of these organizations. How do they affect Canada's world trade?

Tariffs



Free trade



Tariffs vs. free trade. How would free trade affect the production of goods in Canada?

NAFTA: Divided Opinions		
<p><i>The outflow of business has been phenomenal... We need to abdicate [end] the agreement. Otherwise we will ...become a nation of warehouses [and no factories].</i></p> <p>—Maude Barlow, Chairperson, Council of Canadians</p>	<p><i>Dow Chemical expects to benefit in the long run from a larger free-trade zone. Protectionism [tariffs on imports] creates small, inefficient plants that fail when restrictions are removed.</i></p> <p>—Bob Child, Vice President, Dow Chemical of Canada</p>	<p>Public support for NAFTA: Canada: 70% Mexico: 64% U.S.A.: 47%</p> <p>Who benefits most from NAFTA? Canadians: U.S.A. benefits Mexicans: U.S.A. benefits Americans: Mexico benefits</p>



Canada is a member of the world's most prestigious economic club: the G8. The name stands for "the Group of Eight," the most powerful industrialized democracies in the world. The organization was formed in 1975, and Canada joined a year later. G8 members take turns hosting annual meetings at which foreign policy and economic issues are discussed.

Remember the criticisms of the World Bank you read about in Chapter 3? Meetings of the G8 are also met by protestors who believe that this powerful group wants to dominate world trade policies. The G8 certainly does look after its own interests, but it also deals with global issues like international terrorism and crime. Some critics believe that the G8 should be doing more for developing nations. For example, during the June 2007 meetings in Germany, Irish musician and political activist, Bono, accused Canadian prime minister Stephen Harper of blocking efforts to increase aid to Africa. The prime minister denied the charge, saying that Canada was on target to meet all of its African aid commitments.

G8 Members	
United Kingdom	Italy
Canada	Japan
France	Russia
Germany	U.S.A.

THINKING It Over

1. What are the differences between a trade bloc, a cartel, and a trade advisory group?
2. Make a chart to compare the European Union, OPEC, and NAFTA. Use these four guiding questions: a) Why was the group formed? b) How extensive is the organization? c) Which nations are the leading members? d) How effective is the organization?
3. What is your opinion of NAFTA? Write a paragraph in which you state your opinion and reasons for it. Or, you can express your views by drawing a political cartoon or writing a letter to the editor.
4. Create four questions that could be used to investigate whether or not belonging to the G8 benefits Canada.



A group photo of the G8 leaders in Germany, 2007. Given the information provided, what questions would you like to ask Prime Minister Stephen Harper and political activist Bono to better understand their points of view?

WEB LINK

Read summaries of G8 meetings from Canada's point of view. Visit our Web site.

What You Will Need

- Game board and one die
- Three small coloured moving pieces per player

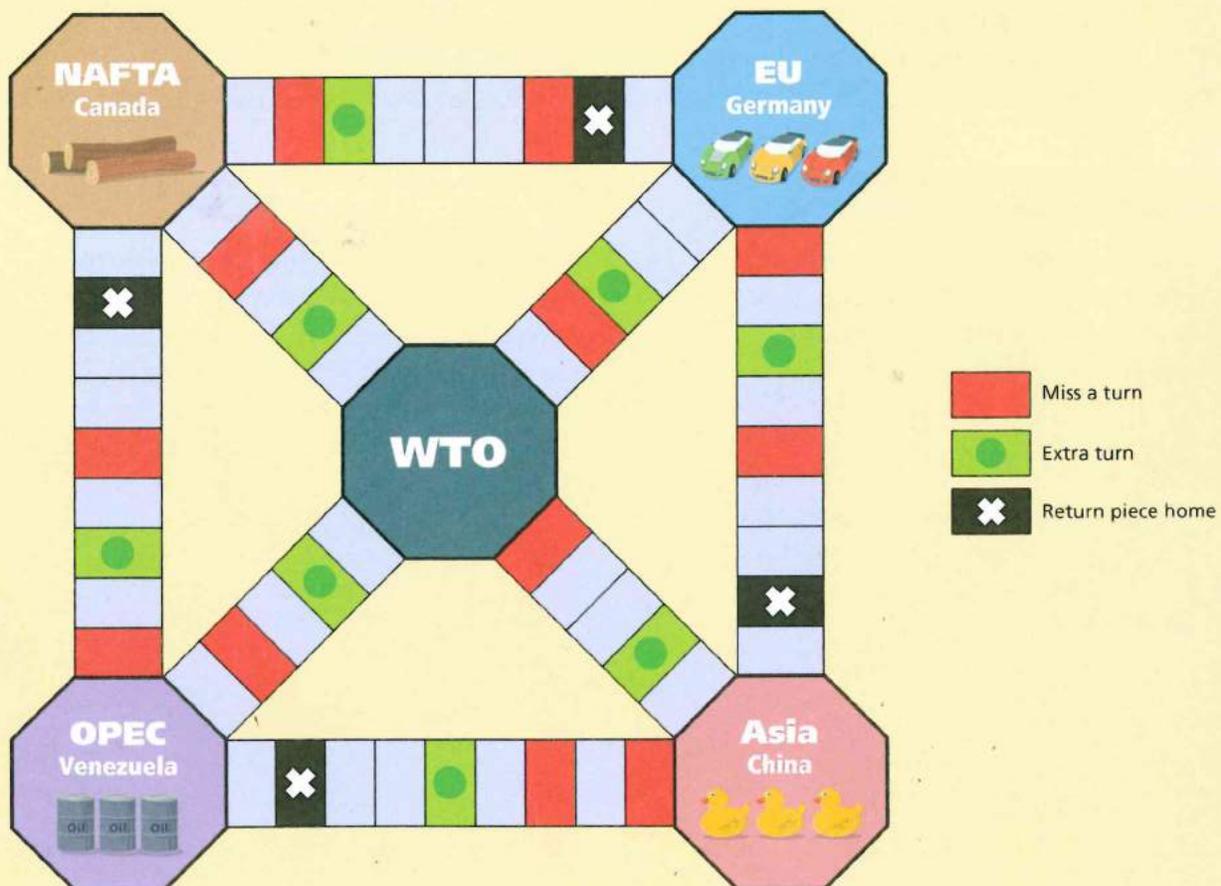
How to Play

1. Four players each start from a different corner of the board. Aim to move one of your trade items to each corner, with an exact roll to land. Deliver all three pieces first to win, then play again.
2. Take turns rolling one die and moving one playing piece in any direction away from your corner. You cannot move pieces back toward your corner. All three pieces can be in play. Each roll counts for only one piece.

3. The trade routes are filled with hazards and rewards on the specially marked spaces. Read the board symbols to lose a turn, gain a turn, or return the piece home.
4. There are fewer hazards through the centre, but if you take that route you must visit the World Trade Organization with an exact roll. Remain there having your trade dispute heard until you roll 1 to exit.

What Do YOU Think?

1. What have you learned in this chapter that connects to the game? 🍀
2. How was the game like the real world? How was it different? 🍀 🍀



PUTTING IT ALL TOGETHER

Canada ranks ninth in world trade even though it ranks only 36th in population. Our country has been successful in global trade competition because of abundant natural resources and a highly educated labour force. The majority of Canada's international trade is with the United States, one of our partners in the North American Free Trade Agreement. Canada is also a member of the G8 and the World Trade Organization, groups that advise and direct member countries. Canada will continue to face powerful economic rivals, including the European Union, and the Organization of Petroleum Exporting Countries. You've learned information that will help answer the unit question: **How do economic systems influence industries across Canada and the world?**

After

READING

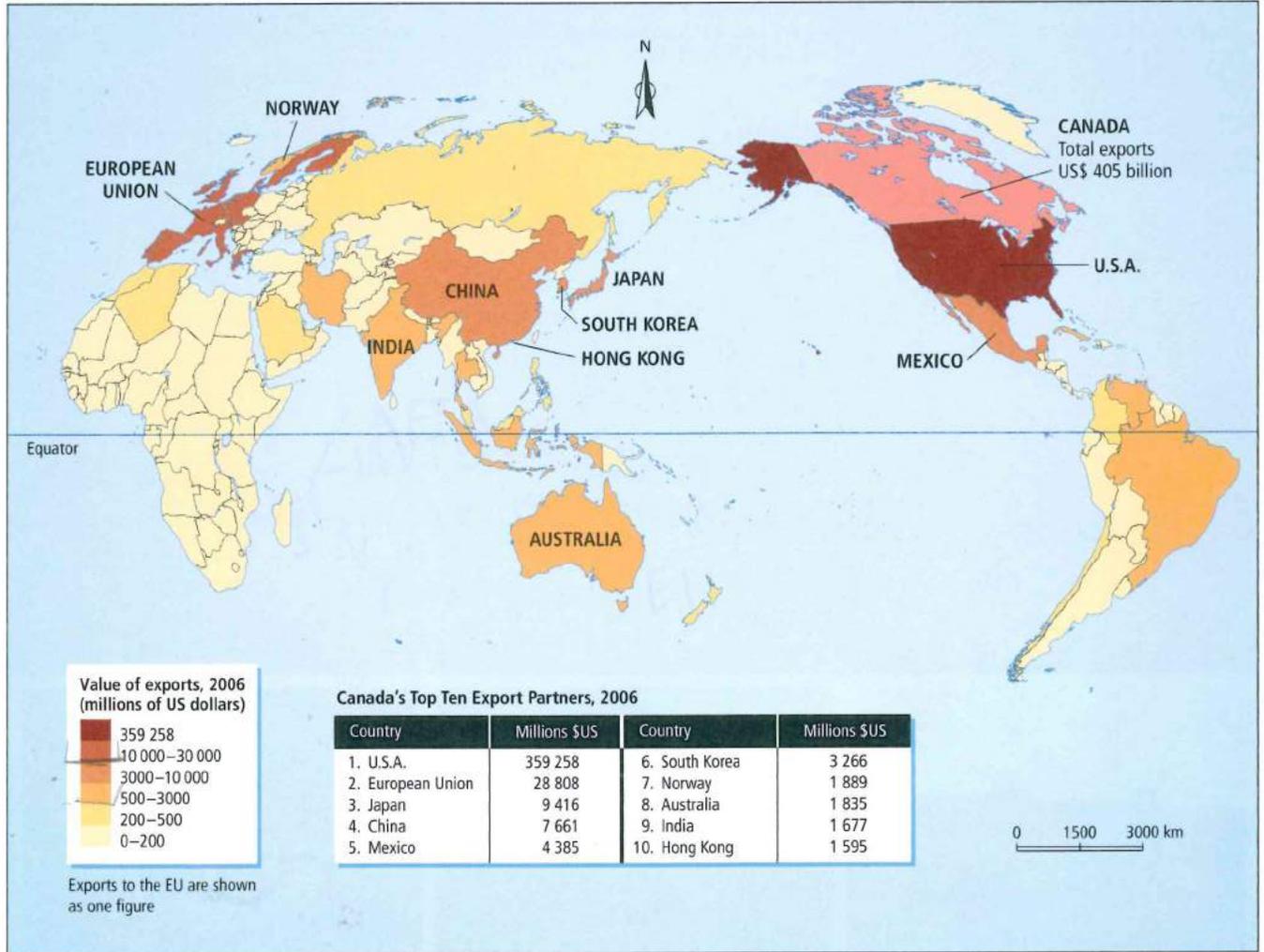
Analyze Differences and Similarities

Analyze each of the Venn diagrams you made for this chapter. What can you infer from these comparisons? Record your ideas by writing a short paragraph below each diagram.

THINKING It Through

1. How is the world map on page G 127 different from others you have seen? Explain why this type of map was chosen after you have answered the other questions. **k m**
2. Use the map to record four important conclusions about Canada's export trade. **m**
3. Based on the information on the map, explain how important each of these groups is to Canada's export trade: a) NAFTA, b) the European Union, and c) OPEC. **k t m**
4. Work on a map provided by your teacher. Use the information in the Top Ten Export Partners chart to draw proportional flow arrows from Canada to each country. Base the width of your flow arrows on the map scale—the more trade, the wider the arrow. Complete your map with a legend and an appropriate title. **m c a**

Canadian Export Partners, 2006



Back to the Big Idea

In Unit 2 you learned that societies make different decisions about making and distributing products and services. Canada has a mixed economy, combining characteristics of the market and command systems. You saw that economic activities in our country are both “free” and “regulated” at the same time. Look back over your notes to review your findings about the Big Idea: **How do economic systems influence industries across Canada and the world?**

- Complete a graphic organizer to compare four different economic systems: traditional, market, command, and mixed.
- Examine your predictions (from page G 67) about the comparisons between Canada's mixed economy and systems in other countries. Were the differences you expected present? What other comparisons did you discover?



How is the price of beef decided in a market economy? How is this decision made in a command economy?



How are economic decisions made in a command economy? What priorities are often apparent in this system?



Which type of economic system is shown here? How are economic decisions made in this system?

Show That You Know

In this unit you learned that industry and businesses are found at locations that meet important requirements. Now, you will work as part of a team to decide whether your local region is suited to a particular type of economic development. You will also assess how the arrival of this business might affect your local community.

Step 1 Choose an economic activity

Work in a small group to consider the four choices given on this page. Choose a topic, either one per person or one per group.

Step 2 Generate ideas

Use a chart organizer like this one to focus on each type of activity.

General Requirements	Best Local Location	Effects on the Community
•	•	•
•	•	•

Step 3 Become an “expert”

Have each member of the group use different types of geographic sources to investigate the topic more closely, using the chart above.

Step 4 Report your findings

- Create a point-form summary of the general requirements for each type of economic activity (or for the one which your group focused on).
- Produce a map to show the best location for this particular business activity.
- Write a page which reviews the possible effects of this type of business on the local community.

Step 5 Compare the possibilities

As a group, decide which of the four activities would be best for the community. You may want to use a comparison organizer to work out this decision.

Activity Choices

- a recreation centre (e.g., swimming, boating, camping, fishing, skiing, theme park, or museum)
- a computer-based business (e.g., video arcade, retail store, Internet provider, or Web page design)
- a manufacturing plant serving the automotive industry (e.g., engine parts, electronics, upholstery, or aftermarket parts)
- an activity suited to the region and decided by the group (e.g., a horse farm, “big box” store, mine, or a fish-based or forest-based industry)

Tip: Use maps of the local area and other information to choose suitable locations for the business.

Tip: Review the skill “Making a Map” on page S 14.

Tip: Consider these effects:

- number of jobs
- number of tourist visitors (if any)
- impact on local merchants
- impact on local schools and other services
- impact on competitors (if any)
- impact on the environment