

Government and Economy

SECTION

3

If YOU lived there...

You live in Raleigh, North Carolina. Your class at school is planning a presentation about life in the United States for a group of visitors from Japan. Your teacher wants you to discuss government and economics in the United States. As you prepare for your speech, you wonder what you should say.

How do government and economics affect your life?

BUILDING BACKGROUND Although you probably don't think about them every day, your country's government and economy have a big influence on your life. That is true in every country in every part of the world. Governments and economic systems affect everything from a person's rights to the type of job he or she has.

Governments of the World

Can you imagine what life would be like if there were no rules? Without ways to establish order and ensure justice, life would be chaotic. That explains why societies have governments. Our governments make and enforce laws, regulate business and trade, and provide aid to people. Governments help shape the culture and economy of a country as well as the daily lives of the people who live there.

Democratic Governments

Many countries—including the United States, Canada, and Mexico—have democratic governments. A **democracy** is a form of government in which the people elect leaders and rule by majority. In most democratic countries, citizens are free to choose representatives to make and enforce the laws. Voters in the United States, for example, elect members of Congress, who make the laws, and the president, who enforces those laws.

What You Will Learn...

Main Ideas

1. The governments of the world include democracy, monarchy, dictatorship, and communism.
2. Different economic activities and systems exist throughout the world.
3. Geographers group the countries of the world based on their level of economic development.

The Big Idea

The world's countries have different governments and levels of economic development.

Key Terms

democracy, p. 91

communism, p. 92

market economy, p. 94

command economy, p. 94

gross domestic product (GDP), p. 95

developed countries, p. 95

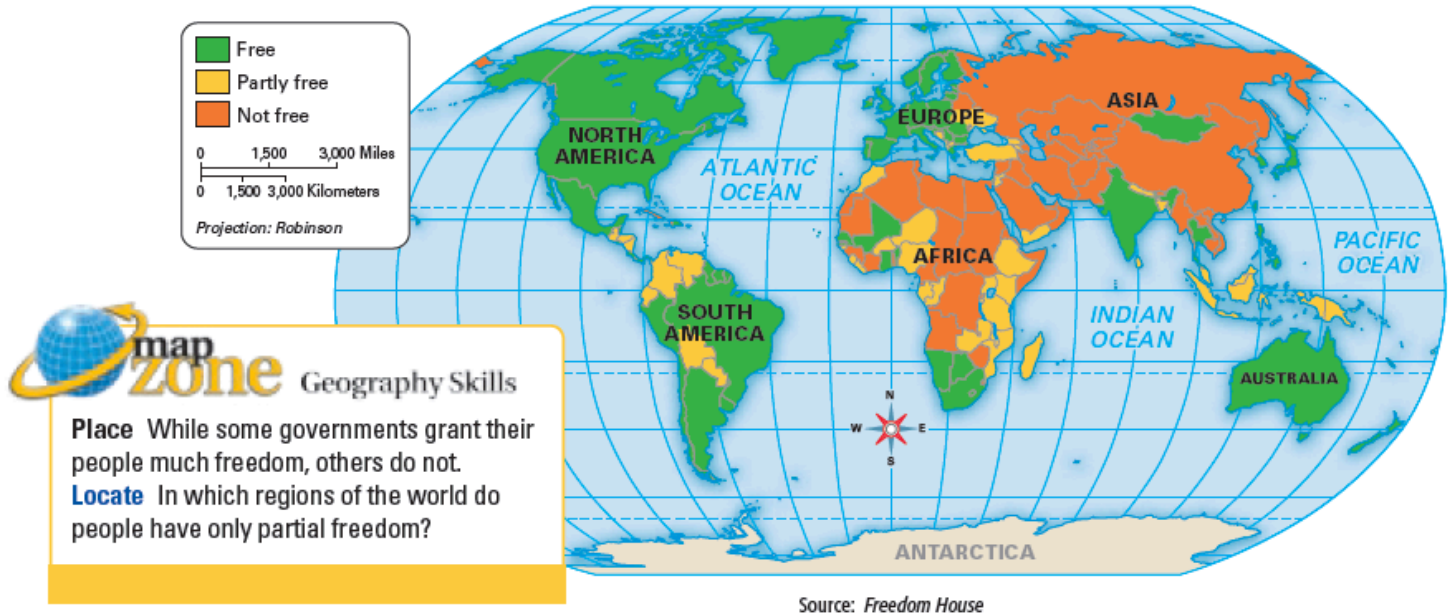
developing countries, p. 95

TAKING NOTES

As you read, use a chart like this one to take notes on the different types of governments and economies.

Government	Economy

Governments of the World



FOCUS ON READING

Main ideas are not always stated in the first sentence. Which sentence in this paragraph states the main idea?

Most democratic governments in the world work to protect the freedoms and rights of their people, such as the freedom of speech and the freedom of religion. Other democracies, however, restrict the rights and freedoms of their people. Not all democratic governments in the world are completely free.

Other Types of Government

Not all of the world's countries, however, are democracies. Several other types of government are found in the world today, including monarchies, dictatorships, and Communist states.

Monarchy is one of the oldest types of government in the world. A monarchy is ruled directly by a king or queen, the head of a royal family. Saudi Arabia is an example of a monarchy. The Saudi king has executive, legislative, and judicial powers. In some monarchies, power is in the hands of just one person. As a result, the people have little say in their government. Other monarchies, however, like Norway and Spain, use many democratic practices.

Dictatorship is a type of government in which a single, powerful ruler has total control. This leader, called a dictator, often rules by force. Iraq under Saddam Hussein was an example of a dictatorship. People who live under a dictatorship are not free. They have few rights and no say in their own government.

Yet another form of government is communism. **Communism** is a political system in which the government owns all property and dominates all aspects of life in a country. Leaders of most Communist governments are not elected by citizens. Rather, they are chosen by the Communist Party or by Communist leaders. In most Communist states, like Cuba and North Korea, the government strictly controls the country's economy and the daily life of its people. As a result, people in Communist states often have restricted rights and very little freedom.

READING CHECK Supporting a Point of View Why might people prefer to live in a democracy as opposed to a dictatorship?

Economies of the World

One important function of government is to monitor a country's economy. The economy is a system that includes all of the activities that people and businesses do to earn a living. Countries today use a mix of different economic activities and systems.

Economic Activity

Every country has some level of economic activity. Economic activities are ways in which people make a living. Some people farm, others manufacture goods, while still others provide services, such as driving a taxi or designing skyscrapers. Geographers divide these economic activities into four different levels.

The first level of economic activity, the primary industry, uses natural resources or raw materials. People in these industries earn a living by providing raw materials to others. Farming, fishing, and mining are all examples of primary industries. These activities provide raw materials such as grain, seafood, and coal for others to use.

Secondary industries perform the next step. They use natural resources or raw materials to manufacture other products. Manufacturing is the process in which raw materials are changed into finished goods. For example, people who make furniture might take wood and make products such as tables, chairs, or desks. Automobile manufacturers use steel, plastic, glass, and rubber to put together trucks and cars.

In the third level of activity, or tertiary industry, goods and services are exchanged. People in tertiary industries sell the furniture, automobiles, or other products made in secondary industries. Other people, like health care workers or mechanics, provide services rather than goods. Teachers, store clerks, doctors, and TV personalities are all engaged in this level of economic activity.

Economic Activity

Primary Industry

Primary industries use natural resources to make money. Here a farmer sells milk from dairy cows to earn a living.



Secondary Industry

Secondary economic activities use raw materials to produce or manufacture something new. In this case, the milk from dairy cows is used to make cheese.



Tertiary Industry

Tertiary economic activities provide services to people and businesses. This grocer selling cheese in a market is involved in a tertiary activity.



Quaternary Industry

Quaternary industries process and distribute information. Skilled workers research and gather information. Here, inspectors examine and test the quality of cheese.



The highest level of economic activity, quaternary industry, involves the research and distribution of information. People making a living at this level work with information rather than goods, and often have specialized knowledge and skills. Architects, lawyers, and scientists all work in quaternary industries.

Economic Systems

Just as economic activities are organized into different types, so are our economic systems. Economic systems can be divided into three types: traditional, market, and command. Most countries today use a mix of these economic systems.

One economic system is a **traditional** economy, a system in which people grow their own food and make their own goods. Trade may take place through barter, or the exchange of goods without the use of money. Rural and remote communities often have a mostly traditional economy.

The most common economic system used around the world today is a market economy. A **market economy** is a system based on private ownership, free trade, and competition. Individuals and businesses are free to buy and sell what they wish. Prices are determined by the supply and demand for goods. This is sometimes called capitalism. The United States is one of many countries that use this system.

A third system is a **command economy**, a system in which the central government makes all economic decisions. The government decides what goods to produce, how much to produce, and what prices will be. While no country has a purely command economy, the economies of North Korea and Cuba are close to it. The Communist governments of these nations own and control most businesses.

READING CHECK Summarizing What economic systems are used in the world today?

ACADEMIC VOCABULARY

traditional
customary,
time-honored


THE WORLD ALMANAC
Facts about Countries

A Developed and a Developing Country	
Australia	Afghanistan
Per Capita GDP (U.S. \$): \$30,700	Per Capita GDP (U.S. \$): \$800
Life Expectancy at Birth: 80.4	Life Expectancy at Birth: 42.9
Literacy Rate: 100%	Literacy Rate: 36%
Physicians Per 10,000 People: 25	Physicians Per 10,000 People: 1.9
	
Contrasting How does the quality of life in Afghanistan differ from that in Australia?	
go.hrw.com KEYWORD: SK7 CH4	

Economic Development

Economic systems and activities affect a country's economic development, or the level of economic growth and quality of life. Geographers often group countries into two basic categories—developed and developing countries—based on their level of economic development.

Economic Indicators

Geographers use economic indicators, or measures of a country's wealth, to decide if a country is developed or developing. One such measure is gross domestic product.

Gross domestic product (GDP) is the value of all goods and services produced within a country in a single year. Another indicator is a country's per capita GDP, or the total GDP divided by the number of people in a country. As you can see in the chart, per capita GDP allows us to compare incomes among countries. Other indicators include the level of industrialization and overall quality of life. In other words, we look at the types of industries and technology a country has, in addition to its level of health care and education.

Developed and Developing Countries

Many of the world's wealthiest and most powerful nations are **developed countries, countries with strong economies and a high quality of life**. Developed countries like Germany and the United States have a high per capita GDP and high levels of industrialization. Their health care and education systems are among the best in the world. Many people in developed countries have access to technology.

The world's poorer nations are known as **developing countries, countries with less productive economies and a lower quality of life**. Almost two-thirds of the people

in the world live in developing countries. These developing countries have a lower per capita GDP than developed countries. Most of their citizens work in farming or other primary industries. Although these countries typically have large cities, much of their population still lives in rural areas. People in developing countries usually have less access to health care or technology. Guatemala, Nigeria, and Afghanistan are all developing countries.

READING CHECK Analyzing What factors separate developed and developing countries?

SUMMARY AND PREVIEW The world's countries have different governments, economies, and levels of development. Next, you will learn how people are linked in a global community.

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Online Quiz

KEYWORD: SK7 HP4

Section 3 Assessment

Reviewing Ideas, Terms, and Places

- a. Identify** What are some different types of government?
b. Elaborate Under which type of government would you most want to live? Why?
- a. Describe** What are the levels of economic activity?
b. Evaluate Which economic system do you think is best? Explain your answer.
- a. Define** What is **gross domestic product**?
b. Contrast In what ways do **developed countries** differ from **developing countries**?

Critical Thinking

- Categorizing** Draw a chart like the one here. Use the chart and your notes to identify the different governments, economies, and levels of economic development in the world today.

Types of Government	Economic Systems	Economic Development

FOCUS ON WRITING

- Thinking about Government and Economy** What kind of images and words might you use to present the main ideas behind the world's governments and economies?