Standards

SS7E8 The student will analyze different economic systems.
a. Compare how traditional, command, market economies answer the economic questions of (1) what to produce, (2) how to produce, and (3) for whom to produce.
b. Explain how most countries have a mixed economy located on a continuum between pure market and pure command.
c. Compare and contrast the economic systems in China, India, Japan, and North Korea.

SS7E10 The student will describe factors that influence economic growth and examine their presence or absence in India, China, and Japan.
a. Explain the relationship between investment in human capital (education and training) and gross domestic product (GDP).
b. Explain the relationship between investment in capital (factories, machinery, and technology) and gross domestic product (GDP).
c. Describe the role of natural resources in a country’s economy.
d. Describe the role of entrepreneurship.
Teachers

Print off the following pages for each student. They should complete the chart while discussing the presentation.
## Comparing Asian Economies: China, India, Japan, & North Korea

**Directions:** Fill in the chart below while discussing the presentation.

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<thead>
<tr>
<th>Country</th>
<th>Economic System</th>
<th>Natural Resources</th>
<th>Arable Land &amp; Agricultural Products</th>
<th>Industries</th>
<th>Specialization (Exports)</th>
<th>Literacy Rate</th>
<th>Unemployment Rate &amp; Poverty Rate</th>
<th>GDP &amp; GDP Per Capita</th>
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Comparing Asian Economies

China, India, Japan, & North Korea
Do you remember the three questions that every country must answer when developing its economic plan?

1. What goods/services will be produced?
2. How will goods/services be produced?
3. Who will consume the goods/services?

The way a country answers these questions determines what kind of economic system it will have:

- Traditional
- Command
- Market
Traditional Economy

• All economic decisions are based on customs, traditions, & beliefs of the past.

• People will make what they always made & do the same things their parents did.

• The exchange of goods is done through bartering.
  • **Bartering** = trading without using money

• Some examples: villages in Africa & South America, the Inuit in Canada, Aborigines in Australia
All economic decisions are made by the Government.
- The government owns most of the property, sets the prices of goods, determines the wages of workers, plans what will be made...everything.

This system has not been very successful. More and more countries are abandoning it.

This system is very harsh to live under; because of this, there are no PURE command countries in the world today.
- Some countries are close: Cuba, former Soviet Union, North Korea, former East Germany, etc.

All of these countries have the same type of government: Communist! The government is in control of everything.
Market Economy

- Economic decisions are made based on the changes in prices that occur as buyers & sellers interact in the market place.

- The government has no control over the economy; private citizens answer all economic questions.

- In a truly free market economy, the government would not be involved at all. Scary...
  - There would be no laws to make sure goods/services were safe. *Food! Medicine!
  - There would be no laws to protect workers from unfair bosses.

- Because of this, there are no PURE market economies, but some countries are closer than others.
  - Some Examples: US, UK, Australia, etc.
Since there are no countries that are purely command or purely market, what does that make them?

Most democratic countries have some characteristics of both systems, so we keep it simple and call them: MIXED

Of course, most countries’ economies are closer to one type of system than another.
There are 4 factors of production that influence economic growth within a country:

1. Natural Resources available
2. Investment in Human Capital
3. Investment in Capital Goods
4. Entrepreneurship

The presence or absence of these 4 factors determine the country’s Gross Domestic Product (GDP) for the year.
GDP is the total value of all the goods and services produced in that country in one year.

- It measures how rich or poor a country is.
- It shows if the country’s economy is getting better or worse.
- Raising the GDP of a country can improve the country’s standard of living.
"Gifts of Nature"

Natural resources are important to countries because without them, countries must import the resources they need (can be costly).

A country is better off if it can use its own resources to supply the needs of its people.

If a country has many natural resources, it can trade/sell them with other countries.
Capital Goods

- To increase GDP, countries must invest in capital goods:
  - All of the factories, machines, technologies, buildings, and property needed by businesses to operate.

- If a business is to be successful, it cannot let its equipment break down or have its buildings fall apart.

- New technology can help a business produce more goods for a cheaper price.
To increase GDP, countries must invest in human capital.

Human capital is the knowledge and skills that make it possible for workers to earn a living producing goods and services.

This includes education, training, skills, and healthcare of the workers in a business or country.
People who provide the money to start and operate a business are called entrepreneurs.

- These people risk their own money and time because they believe their business ideas will make a profit.

Entrepreneurs must organize their businesses well for them to be successful.

- They bring together natural, human, and capital resources to produce goods or services to be provided by their businesses.
Specialization

• Not every country can produce all of the goods and services it needs.
  • Countries specialize in producing those goods and services they can provide best and most efficiently.
  • They look for others who may need these goods and services so they can sell their products.
  • The money earned by such sales then allows the purchase of goods and services the first county is unable to produce.

• In international trade, no country can be completely self-sufficient (produce all the goods and services it needs).

• Specialization creates a way to build a profitable economy and to earn money to buy items that cannot be made locally.
China
• China is transitioning from a command economy that was completely controlled by the Chinese Communist government to a mixed economy that is overseen by the Communist government.
  • China calls its economy a “socialist market economy”.

• During the 1970s, China’s government began to reorganize the economy with a plan called the Four Modernizations.
  • These reforms have led to excellent growth in China’s economy.

• China is gradually reducing government control and allowing more foreign investment.
  • Today, China’s economy continues to be growing and strong, and many Chinese enjoy a higher standard of living than ever before.
China’s GDP is $12.26 trillion (US dollars).
- It is ranked 3rd in the world (after the US and EU).
- China’s GDP goes up about 8% every year.

The GDP per capita (value of goods and services produced per person) is $9,100.
The massive country of China has an abundance of natural resources.

What are China’s major natural resources?
- coal, iron ore, petroleum, natural gas, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, rare earth elements, uranium, hydropower potential (world's largest)

Even though much of China’s land is not arable (good for farming), the country’s land and rivers provide a good foundation for China’s industry and economic growth.
What percentage of the land is **arable** (capable of being farmed)?
- 11.6%

China is the world leader in gross agricultural output.

What are the major agricultural products?
- rice, wheat, potatoes, corn, peanuts, tea, millet, barley, apples, cotton, oilseed, pork, fish
Longji Rice Terraces, China
China has made important capital investments that serve as the foundation for its growing GDP. It has poured lots of money into its manufacturing sector, which accounts for 46% of its GDP.

It is the world leader in gross value of industrial output.

What’s produced in China’s factories?

- mining and ore processing, iron, steel, aluminum, and other metals, coal, machine building, armaments, textiles and apparel, petroleum, cement, chemicals, fertilizers, consumer products - including footwear, toys, and electronics, food processing, transportation equipment - including automobiles, rail cars and locomotives, ships, & aircraft, telecommunications equipment, commercial space launch vehicles, satellites
China has become a leader in exporting consumer goods to the world market.

China’s chief exports include:
- electrical and other machinery, including data processing equipment, apparel, radio telephone handsets, textiles, integrated circuits
Literacy Rate

- What percentage of the population over the age of 15 can read and write?
  - 95%

- How long are students expected to stay in school?
  - Most students drop out of school when they are 12 years old.
Chinese Middle School
Unemployment Rate

- What percentage of people do not have jobs?
  - 6.5% of China’s workforce is unemployed.

- What percentage of people live in poverty?
  - 13.4% of China’s population live below the poverty line and cannot meet basic needs.
• The Chinese government did not let people start their own businesses until the late 1970s, so entrepreneurship is still relatively new.

• The government realizes that the country has to be more competitive in the world market, so they have decided to let entrepreneurs help lead the way.
  • Now, private business is the fastest growing segment of China’s economy.

• Many Chinese people today have small businesses of their own, even though the government still has final authority.
India
After India’s independence in 1947, the government set up a command economy.

Starting in 1991, India began to lift some government control and allow citizens a role in running some of India’s industries.

Today, India has a mixed economy that is moving away from a command system.

India’s government makes some decisions about agriculture and industry, but free enterprise and entrepreneurship are very common.
India’s GDP is $4.7 trillion (US dollars).
- It is ranked 4th in the world.
- The country’s GDP has been growing at a rate of about 8.5% per year.

The GDP per capita (value of goods and services produced per person) is $3,800.
India’s fertile land and ample water supply are its most valuable resources.

What are India’s major natural resources?
- Coal, iron ore, manganese, mica, bauxite, rare earth elements, titanium ore, chromite, natural gas, diamonds, petroleum, limestone, & arable land

India has the fourth-largest coal reserves in the world.
India’s Coal Mines
What percentage of the land is arable (capable of being farmed)?
• 47.9%

About half of India’s land can be farmed, and its most important crops are rice and wheat.

What are the major agricultural products?
• rice, wheat, oilseed, cotton, jute, tea, sugarcane, lentils, onions, potatoes, dairy products, sheep, goats, poultry, & fish
Indian Wheat Fields
India has invested heavily in the factories, modern machinery, and technology that make up what is known as capital goods.

- Now, India is one of the world’s top ten industrial nations.

- What’s produced in India’s factories?
  - textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software, & pharmaceuticals

- Service industries are also booming in India, with thousands of people employed to handle technology questions, airline reservations, and customer service help for customers around the world.
India has a booming industrial and technological economy. This specialization makes it possible for India’s economy to focus on the businesses that are the most profitable in the world market.

India’s chief exports include:
- petroleum products, precious stones, machinery, iron and steel, chemicals, vehicles, & apparel
What percentage of the population over the age of 15 can read and write?
- 62.8% (Male – 75%, Female -- 50%)

How long are students expected to stay in school?
- Most students drop out of school when they are 11 years old.

India has made investment in human capital a major priority over the past few decades.
- Although India’s literacy rate is low, the rate among children is much higher.
- India’s investment in human capital will benefit the economy greatly in the future as educated children enter the workforce.
What percentage of people do not have jobs?
- 8.5% of India’s workforce is unemployed.

What percentage of people live in poverty?
- 29.8% of India’s population live below the poverty line and cannot meet basic needs.

In 2011, India had the largest concentration of people living below the international poverty line of $1.25 of all Asian countries.
Entrepreneurship is rising dramatically in India.

India has a high rate of entrepreneurship, partly because the government supports new business owners with training and facilities.
Japan
Economic System

- Japan has one of the most technologically advanced economies in the world.
- Japan has a mixed economy; the Japanese government has a close and cooperative relationship with major industries in the country.
  - The government owns few businesses other than the country’s major TV network, but does oversee many aspects of the economy like banking and trade.
- Japan has few natural resources and little farmland, but it has one of the strongest economies in the world because it built its economy on manufacturing.
Japan’s GDP is $4.56 trillion (US dollars).
- It is ranked 5\textsuperscript{th} in the world.

The GDP per capita (value of goods and services produced per person) is $35,900.
Natural Resources

• Japan has very little farmland and few natural resources.
  • It imports the raw materials that it needs for industry.
  • Japan is the world’s largest importer of coal and natural gas, and the second largest importer of oil.

• What are Japan’s major natural resources?
  • Very few mineral resources & fish
What percentage of the land is arable (capable of being farmed)?
- 11.3%
- Because there is so little arable land, crops are often planted in terraces carved out of hillsides.

What are the major agricultural products?
- rice, sugar beets, vegetables, fruit, pork, poultry, dairy products, eggs, & fish
- One of Japan’s largest industries is the fishing industry.
Terraced Rice Field
Investment in capital goods makes Japan a world leader in industrial production and in providing the wide range of services demanded by the world market.

What’s produced in Japan’s factories?
  - motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, & processed foods

Japan is among the world’s largest and most technologically advanced producers of motor vehicles and electronic equipment.

Industrial production and work in providing services account for almost 98% of Japan’s GDP.
Specialization

• Japan is a country with very few natural resources, so specialized industries have been developed to earn money needed to buy food and raw material from other countries.

• Japan’s chief exports include:
  • motor vehicles, semiconductors, iron and steel products, auto parts, plastic materials, & power generating machinery
Nissan Motor Vehicles Plant
Literacy Rate

- Japan places a high emphasis on education; the Japanese are among the most highly educated people in the world.
- What percentage of the population over the age of 15 can read and write?
  - 99%
- How long are students expected to stay in school?
  - Most students drop out of school when they are 15 years old.
Japanese Middle School
Unemployment Rate

- What percentage of people do not have jobs?
  - 4.4% of Japan’s workforce is unemployed.

- What percentage of people live in poverty?
  - 16% of Japan’s population live below the poverty line and cannot meet basic needs.
Japan has one of the lowest rates of entrepreneurship of the world’s top economic powers.

Japanese entrepreneurs face difficulties getting business loans from banks and there is very little training on how to run a business.

Japanese companies typically guarantee lifetime employment, so it is very rare for a person to leave a job to start a new business venture.
North Korea
North Korea has one of the least open and most government-controlled economies in the world today. The Communist party controls the government and the economy, though most of power lies with the dictator, Kim Jong-il.

North Korea has a command economy. The government controls all the resources and decided what is to be produced.

The North Korean economy has serious problems, and the government is finally making some reforms and relaxing some of its controls.
North Korea’s GDP is estimated at $40 billion (US dollars).
  It is ranked 103rd in the world.

The GDP per capita (value of goods and services produced per person) is $1,800.

*North Korea does not post reliable income data so these amounts are estimated.
What are North Korea’s major natural resources?
- coal, lead, tungsten, zinc, graphite, magnesite, iron ore, copper, gold, pyrites, salt, fluorspar, & hydropower
What percentage of the land is **arable** (capable of being farmed)?
- 19%
- Farms are owned and organized by the government: farmers are told what to grow and how much.

What are the major agricultural products?
- rice, corn, potatoes, soybeans, cattle, pigs, pork, & eggs

Agriculture in North Korea does not produce enough food to feed its people.
- Food aid from other countries has been needed to avoid widespread starvation.
Kim Jong-il Inspecting A Farm
Industries

- Premier Kim Jong-il has tried to build up North Korea’s industries in recent years.

- The production of steel and machinery are leading industries in the country.

- What’s produced in North Korea’s factories?
  - military products, machine building, electric power, chemicals, mining (coal, iron ore, limestone, magnesite, graphite, copper, zinc, lead, and precious metals), metallurgy, textiles, & food processing
“Farming Simulator – How North Korea Trains Future Farmers”
Specialization

- North Korea’s chief exports include:
  - minerals, metallurgical products, manufactures (including armaments), textiles, agricultural & fishery products
What percentage of the population over the age of 15 can read and write?

100%
North Korea Middle School
What percentage of people do not have jobs?
North Korea’s government does not make this information available.

What percentage of people live in poverty?
North Korea’s government does not make this information available.
Currency exchange is the price of one country’s currency compared to another.

- 1 US dollar = 6 Chinese yuan
- 1 US dollar = 62 Indian Rupee
- 1 US dollar = 103 Japanese yen
- 1 US dollar = 131 North Korean won

What does this mean?
• China’s economy is the strongest of the Asian countries, but the US’s economy is stronger than China’s.
Directions: Answer the questions below with information that you have learned about China, India, Japan, and Korea's economies.

1. Which country has a command economy?

2. Which country has few natural resources but still has a strong economy?

3. Nearly half of this country's land is arable, which is a tremendous resource.

4. What is the total value of all goods and services produced within a country in a single year?

5. Which country has the highest GDP? What does this say about the country's economy?

6. Which country has the highest GDP per capita? What does this say about the country's economy?

7. The ability of people over the age of 15 to read and write is called?

8. Which country has the lowest literacy rate?

9. Who makes the majority of the economic decisions in North Korea's economy?

10. China's economy can be described as?
Answer Key

1. North Korea
2. Japan
3. India
4. Gross Domestic Product
5. China – economically strong
6. Japan – high standard of living for citizens
7. Literacy rate
8. India
9. government
10. mixed
**eEconomy.com Profile**

Finding Trading Partners in the World Market – One Country at a Time...

**Directions:** Have you heard of eEconomy.com? It’s a helpful new site that lets countries create economic profiles in order to encourage international trade. Create a personal ad for one of the countries that we have studied—use your chart to help you! Be creative!

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**About Me**

**Name:**

**System Status:**

**Education Level:**

**Annual Salary:**

---

**Icebreakers**

**What is the most important quality that you are looking for in a trading partner?**

---

**Other than your appearance, what is the first thing other countries notice about you?**

---

**What is one thing that other countries don’t notice about you right away but you wish they would?**

---

**One thing I don’t want others to know about me (something you’re NOT proud of)**

---

**Favorite Foods:**

---

**Special Talents:**

---

**Things I Can’t Live Without:**

---

**My Best Features:**

---

**Friends:**

---
Directions: Create a business card to represent the economy of one of the Asian countries that we have studied—China, India, Japan, or North Korea. The purpose of the card will be to encourage international trade. Your card should include: country’s name, a creative logo, brief description of economy, an award that the country has received, and a list of things that your country has to offer. Why should other countries trade with you?

Description:

Name:
System:
Email:

Awards:

Available Products:

Slogan:
Favorite Foods:
_____________________________________________

Special Talents:
_____________________________________________

Things I Can’t Live Without:
_____________________________________________

My Best Features:
_____________________________________________

Friends:
_____________________________________________

Name: _______________________
System Status: _______________________
Education Level: _______________________
Annual Salary: _______________________
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