ANSWER KEY

**Economic Systems of Latin America**

Study Guide

1. Fill in the chart with a definition and an example of the 4 types of economic systems:

|  |  |  |
| --- | --- | --- |
| **Economic System** | **Definition** | **Example** |
| **Traditional** | Based on customs and beliefs | Tribal villages in Africa & South America  |
| **Command** | Government makes all of the economic decisions | Cuba, former Soviet Union |
| **Market** | Private businesses make all of the economic decisions  | No pure – US, UK, Singapore |
| **Mixed** | Private businesses are in charge, but government regulates them | Most democratic countries |

2. Most **democratic** countries have which type of economic system?

mixed

3. Most **communist** countries have which type of economic system?

command

4. What are the 3 basic questions that every economic system must answer?

What to produce?

How to produce?

Whom to produce it for?

5. Which Latin American country has a Command economy?

Cuba

6. How does literacy rate impact the standard of living?

The higher a country’s literacy rate, the higher the country’s standard of living (and vice versa)

7. What is NAFTA and what are its functions?

 North American Free Trade Agreement between US, Canada, Mexico – eliminates trade barriers between member countries

8. Fill in the chart below with a definition of the 3 types of economic trade barriers:

|  |  |
| --- | --- |
| **Economic Trade Barrier** | **Definition** |
| **Tariff** | Tax on imported goods |
| **Quota** | Limit on imported goods |
| **Embargo** | Complete ban on trading |

9. Fill in the chart below with a definition and an example of the 4 factors that contribute to economic growth:

|  |  |  |
| --- | --- | --- |
| **Factor** | **Definition** | **Example** |
| **Human Capital** | Education, healthcare, training  | College, nurse, band practice |
| **Capital Goods** | Things that you sell or produce | Technology, factories, machines, space crafts |
| **Natural Resources** | Gifts of nature | Timber, oil, coal |
| **Entrepreneurship** | Someone who starts a business | Walt Disney |