

An **economy** is a system for making, moving around, and using goods and services.

Owners and workers are producers – people who make stuff. They make products, such as cars. Products are called goods. Services are things that producers do for other people. They may cut hair or heal sick people. Consumers are people who buy and use the goods and services.

In **capitalism**, individuals or corporations own most businesses. When a company sells something, it earns profits, or money. The owners decide how much to pay workers and what to charge for stuff. Capitalism is the best way to run a strong economy. Capitalism makes some people rich and some people poor.



In **socialism**, the government owns most basic businesses and runs them to benefit the people in the country. The government decides how much to pay workers and what to charge. It uses taxes to pay for hospitals, electricity, and education.



Non-basic businesses like restaurants and shops are just like under capitalism.

Socialism tries to balance the needs of the individual with the needs of society and not have too many poor people.

In **communism**, the government owns all businesses. It decides what is made, how much it costs, and what workers will be paid. They do this to make it so no one is rich and no one is poor. This sounds good but does not work well in the real world.

Communist countries are usually poorer than capitalist or socialist countries. Very few countries are still communist.

Political Systems

Large groups of people need laws, protection, and help making decisions. **Government** is the system that sets up laws and makes sure people follow them. Governments spend money they borrow or get from taxes.

Direct Democracy

In a direct democracy everyone helps run the group by voting on everything. It is not possible in large countries to do this. It would take too long!



Representative Democracy

In a representative democracy people elect representatives to make laws for them. You can try to change laws you don't like. This system helps share power but sometimes slows down when people argue.



Monarchy

Absolute monarchies are when a king or queen rules everything. The king/queen inherits the throne from a parent. In a monarchy, the ruler often puts their needs before the needs of the people and there is less freedom. Today, most monarchs have changed into constitutional monarchies. This means that an elected group of people runs the government and the king or queen is just a symbol.



Dictatorship/Single Party Rule

There are some countries where one person or a very small group of people makes all the laws. A leader who has total power over a country is called a dictator. In a single party rule, the power is with a small group that does not allow people to argue with them. Under a dictatorship or single party rule, people have very few rights. In order to maintain absolute power, leaders use violence, secret police, and the TV to control the people.



Transitional

Transitional isn't really a type of government. It means that a government is changing from one type of government to another. When this happens, a country is unstable and it hurts their economy. During a transition, the government is weak enough that other groups of people might try to overthrow that government and start a different one. This can lead to violence and chaos.

