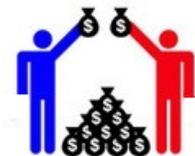


An **economy** is a system for making, moving around, and using good and services. Owners and workers are producers – people who make stuff. They make products, such as baskets or cars. Those products are called goods. Some products are really services that producers do for other people. They may cut hair or heal sick people. Consumers are people who buy and use the goods and services.

There are two types of businesses. *Basic businesses* are necessary for a country to work. They include things like busses, telephones, and electricity. *Non-basic businesses* are “nice but not necessary.” They may make products like DVDs. Services can also be basic or non-basic businesses. Hospitals are basic businesses. Video game makers are non-basic businesses.

Cultures choose the way they want to have their economy. Today, most cultures choose from three types: *capitalism, socialism, and communism*.

In **capitalism**, individuals or corporations own almost every business. When a company sells something, it earns profits, or money. The owners decide how much to pay workers and what to charge for stuff. People do pay taxes to pay for some basic things, like the army. Capitalism is usually the best way to run a strong economy. However, capitalism makes some people rich and some people poor. Capitalism is also called a free-market economy.



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 are just like under capitalism. Socialism is in between capitalism and communism. It 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 basic and non-basic 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. The leaders become corrupt easily. 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 raise money by collecting taxes and/or by borrowing.

## Direct Democracy

In a direct democracy everyone helps run the group. Ancient Greeks had this and all citizens (male landowners) voted on all issues. It is not possible in large countries to do this. It would take too long!



## Representative Democracy

In a representative democracy citizens elect representatives to make laws for them. If you don't like what the representative does, then you don't re-elect them. You can try to change laws you don't like. This system shares power but sometimes slows down when people argue.



## Monarchy

Absolute monarchies used to be the most common type of government. A king or queen rules everything. The ruler 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 their decisions. Under a dictatorship or single party rule, people have very few rights. In order to maintain absolute power, leaders use violence, secret police, and control over 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.

