

# Economic Systems

## Before you read

Discuss these questions with your partner.

Imagine a world without money.

- How do you think society would be run?
- Would there be an economy as we understand it?
- Can you think of any examples of situations where people don't use money, either from the past or now?
- Do you know what a traditional economy is?

## A Vocabulary

Choose the correct answer A, B or C from the list below.

- 1 Although we can buy meat in the shops, some people still like to ..... animals as a hobby.
- 2 ..... is another word for extra things that are not needed.
- 3 There are still ..... of people living traditional lives in the rainforests of South America.
- 4 In most modern societies, ..... like celebrations and dances have disappeared.
- 5 Corn and wheat are two ..... that farmers grow in their fields.
- 6 One of the ..... of playing sports is that you keep fit.
- 7 One of the ..... of living in a city is the noise.
- 8 Many African countries suffer from regular ..... when no rain falls for months.
- 9 Heavy rain causes ..... in many parts of Europe each year.
- 10 East Asian countries are well known for their ..... industries such as computers and cameras.
- 11 Exercises and sports at school are sometimes called ..... education.

- |                   |                 |              |
|-------------------|-----------------|--------------|
| 1 A chase         | B hunt          | C eat        |
| 2 A surplus       | B goods         | C shortage   |
| 3 A customs       | B tribes        | C pygmies    |
| 4 A parties       | B patterns      | C customs    |
| 5 A crops         | B animals       | C foods      |
| 6 A goods         | B disadvantages | C benefits   |
| 7 A drawbacks     | B benefits      | C customs    |
| 8 A floods        | B droughts      | C hurricanes |
| 9 A floods        | B droughts      | C hurricanes |
| 10 A agricultural | B heavy         | C technology |
| 11 A physical     | B mental        | C fun        |



## Reading 1

### The traditional economy

It's hard to imagine our lives without coins, banknotes and credit cards. Yet for most of human history people lived without money. For thousands of years human societies had very simple economies. There were no shops, markets or traders. There were no employers, paid workers or salaries. Today, we call this kind of economy the *traditional economy*, and in some

parts of Asia, South America and Africa this system still exists.

People who live in a traditional economy don't have money because they don't need it. They live lives of subsistence. That means they hunt, gather or grow only enough food to live. There is almost no surplus in the traditional economy, and there is almost no property. Families may own simple accommodation, but land is shared by all the tribe. Economic decisions are taken according to the customs of the tribe. For example, every family may need to give some of the crops they grow to the tribal leader, but keep the rest for themselves. They don't do this because it makes economic sense. They do it because the tribe has always done it. It's simply a custom.

Custom, also, decides what jobs people do in the traditional economy. People generally do the jobs that their parents and grandparents did before them. Anyway, there aren't many jobs to choose from in the traditional economy. Men are hunters, farmers or both. The woman's place is at home looking after children, cooking and home-making. This division of labour between men and women is another characteristic of the traditional economy. Whatever the work is, and whoever does it, you can be sure it's hard work. This is because traditional economies have almost no technology. Physical strength and knowledge of the environment are the tools for survival.

Like any other economic system, the traditional economy has its benefits and drawbacks. Probably the biggest benefit is that these are peaceful societies. People consume almost everything they produce and own practically nothing. They are equally poor. For all these reasons, war is almost unknown in these societies.

However, people who live in traditional societies are among the poorest people in the world. Because custom decides what people do, nothing in these societies ever changes. Because there is no technology, people depend on nature to survive. They have no protection from environmental disasters like droughts and floods. They are always in danger of hunger and disease.

But the traditional economy is in danger itself. There are only a few examples left on the planet. In 100 years from now, it may have disappeared forever.

## B Comprehension

Now read the text again and match each paragraph with the correct heading.

- PARAGRAPH 1 .....
- PARAGRAPH 2 .....
- PARAGRAPH 3 .....
- PARAGRAPH 4 .....
- PARAGRAPH 5 .....
- PARAGRAPH 6 .....

- A Life without money
- B The advantages of the traditional economy
- C The future of the traditional economy
- D The disadvantages of the traditional economy
- E The importance of tradition
- F Work in the traditional economy

## Before you listen

Discuss these questions with your partner.

- What kind of people do you think still live in a traditional economy today?
- Where do they live?
- What are their lives like?

## C Listening

Now listen and complete the notes about the Mbuti. Use one to three words for each gap. Then listen again and check your answers.

### Pygmies

- Pygmies live in parts of Africa and (1) .....
- Pygmies are known for their (2) .....
- They live in societies that still have a (3) .....

### The Mbuti

- The Mbuti live in central (4) .....
- They live in houses made from (5) .....
- (6) ..... do the hunting.
- (7) ..... build houses.
- (8) ..... look after the children.

## Before you read

Discuss these questions with your partner.

- Do you think most countries have a market which is free from government management?
- Can you think of any examples supporting or disagreeing with this idea?

## D Vocabulary

Complete each sentence with a word or phrase from the box.

■ advertise ■ afford ■ competition  
 ■ controlled ■ costs ■ incentive  
 ■ limit ■ prepared ■ profit ■ raise  
 ■ reduce ■ role ■ street market  
 ■ theoretical

- 1 Every Saturday this road becomes the local ..... where people come to buy fruit and vegetables.
- 2 Businesses ..... their products in the media to attract more customers.
- 3 My ..... in the business is to meet customers and find out what they want.
- 4 Making money is the main ..... to work.
- 5 I bought this old camera for €50 and sold it for €75. That's €25 .....
- 6 If there's only one producer in the market, there's no .....
- 7 Production ..... are the amount of money companies spend to make a product.
- 8 The idea that life exists on other planets is ..... Nobody knows for sure.
- 9 A ..... economy is one where a government decides what can be bought and sold and/or how it is done.
- 10 The speed ..... on this road is 90 kilometres per hour.
- 11 When there is a demand we ..... prices but we ..... them if we want to sell something quickly.
- 12 I can't ..... that car – it's far too expensive.
- 13 People are ..... to pay a lot for services if they are of a good quality.

## Reading 2

# The market economy

Have you ever walked through a busy street market? People push their way through crowds of others in order to reach the stalls first. The air is full of deafening shouts. Stall owners yell to advertise their goods. Buyers cry out their orders. It's hard to imagine, but behind this noisy confusion is a very logical economic theory: the *market economy*.

The market economy is sometimes called the *free market*. A free market is not controlled in any way by a government. It is also free from the influence of custom or tradition. In a free market, the only reason why things are bought and sold is because there is a demand for them. Prices for goods and services are simply what people are prepared to pay. The market economy is not really controlled by anyone. It controls itself.

The street market where we began has many of the characteristics of the free market. Customers arrive at the market with a shopping list of things they need. They also come with an idea of how much they are prepared to pay. Stall owners sell what customers demand, and try to get the highest price they can for it. Supply and demand control what is on the market and how much it sells for. In the wider economy, we are all customers, and the stall owners are like companies.

The role of the company in the free market is to supply what people want. However, companies need an incentive. The incentive is profit. There are two ways for companies to make a profit. The first way is to raise their prices. The second way is to reduce their production costs. And this brings us to two more features of the market economy: *competition* and *technology*.

Competition exists in a free market because, theoretically, anyone can be a producer. This means that companies have to compete with each other for a share of the market. Competition is good for consumers because it helps to control

prices and quality. If customers aren't happy with a product or service, or if they can't afford it, they will go to a competitor.

Technology exists in a free market because producers need ways to reduce their costs. They cannot buy cheaper raw materials. Instead, they must make better use of time and labour. Technology is the use of tools and machines to do jobs in a better way. This helps companies produce more goods in less time and with less effort. The result: more profit.

People often think that most economies are free markets. However, at the macroeconomic level, a truly free market economy does not exist anywhere in the world. This is because all governments set limits in order to control the economy. Some governments set many limits, other governments set very few, but they all set some. For this reason, a true market economy is only theoretical. Nevertheless, many of the features of the market economy do exist in most societies today.

### E Comprehension

Now read the text again and answer these questions in your own words in the space provided below.

- 1 Who controls a market economy?
- 2 Who decides what products are for sale in a free market?
- 3 What do companies want?
- 4 Why is competition a good thing?
- 5 Why does technology exist in the market economy?
- 6 Why are there no true market economies in the world today?

Notes:

## Before you listen

Discuss these questions with your partner.

- Do you think the free market is a good idea?
- Is it good for society? Why / Why not?

### F Listening

Now listen and choose the correct answer.

**Adam Smith's *invisible hand* theory:**

- 1 People are naturally **selfish / helpful**.
- 2 The free market only demands what is good for **society / producers**.
- 3 When people work for their own good, they do good for **consumers / society** also.

**In the real economy:**

- 4 In the free market there is a demand for goods which are not **expensive / necessary**.
- 5 There is also demand for goods which are **good / bad** for us.
- 6 **The market / Advertising** can create demands that do not normally exist.

## G Speaking

Discuss these questions with your partner.

- Why do you think the traditional economy has almost disappeared?
- Would you like to live in a traditional economy? Why / Why not?

### Task

You are the leader of a scientific expedition to the forests of Central Africa. You spend six months living with the Mbuti. Give a short presentation about your expedition. Use the space below to make your notes.

Talk about:

- why you went
- why the Mbuti are important people to study
- what the environment is like
- the Mbuti lifestyle
- their economic system
- what we can learn from the Mbuti

Notes:

## H Writing

Write an essay comparing the traditional economy with the market economy. Discuss the advantages and disadvantages of each economy. Decide which is best in your opinion.

Remember, you should organise your ideas logically. These phrases will help you: firstly, secondly, furthermore, however, on the other hand

### Discursive essay

#### PARAGRAPH 1

Introduce the subject by saying what a traditional economy is, and what a market economy is.

#### PARAGRAPH 2

Say what the advantages and disadvantages of the traditional economy are.

#### PARAGRAPH 3

Say what the advantages and disadvantages of the market economy are.

#### PARAGRAPH 4

Conclude by saying what you think the best system is.

Write 200-250 words