



Economic Geography

Main Ideas

- Economic activities depend on the resources of the land and how people use them.
- The level of economic development can be measured in different ways.

Places & Terms

- economy
- economic system
- command economy
- market economy
- natural resources
- infrastructure
- per capita income
- GNP
- GDP

BASICS

A HUMAN PERSPECTIVE One of the most valuable of natural resources—petroleum—wasn't always used as a source of energy. Until the world began to run on gasoline-powered machinery, oil was used for a variety of purposes. Native Americans, for instance, used "rock oil" for medicinal purposes. Egyptians used oil as a dressing for wounds. Ancient Persians wrapped oil-soaked fibers around arrows, lit them, and fired them into the city of Athens in 480 B.C.

Sometimes a resource only becomes valuable after the technology to use it is developed. In today's world, petroleum is vital to providing power for industry, commerce, and transportation. Petroleum plays a powerful role in the economies of nations that supply it and consume it.

Economic Systems

An **economy** consists of the production and exchange of goods and services among a group of people. Economies operate on a local, regional, national, or international level. Geographers study economic geography by looking at how people in a region support themselves and how economic activities are linked across regions.

TYPES OF ECONOMIC SYSTEMS The way people produce and exchange goods and services is called an **economic system**. In the world today, there are four basic types of economic systems:

- **Traditional Economy** Goods and services are traded without exchanging money. Also called "barter."
- **Command Economy** Production of goods and services is determined by a central government, which usually owns the means of production. Production does not necessarily reflect the consumer demand. Also called a planned economy.
- **Market Economy** Production of goods and services is determined by the demand from consumers. Also called a demand economy or capitalism.
- **Mixed Economy** A combination of command and market economies provides goods and services so that all people will benefit.

Economic behaviors and activities to meet human needs take place within these economic systems.

PLACE A woman sells goods on a Moscow street. Russia is changing from a command economy to a market economy.

Is the activity in this photograph an example of a command or market economy?



Economic Activities

People may choose from a variety of methods to meet their basic needs. Some groups simply raise enough food or animals to meet their need to eat, but have little left over to sell to others. This is called subsistence agriculture. In other areas, market-oriented agriculture produces crops or animals that farmers sell to markets.

In some places, industries dominate economic activities. Small industries often involve a family of craftspersons who produce goods to be sold in a local area. Since they often take place in the home, these businesses are referred to as cottage industries. Finally, commercial industries meet the needs of people within a very large area. Economic behaviors are related to the economic activities described below.

LEVELS OF ECONOMIC ACTIVITY No matter how small or large a business is, it operates at one of four economic levels. The four levels of economic activity describe how materials are gathered and processed into goods or how services are delivered to consumers.

Primary Activities involve gathering raw materials such as timber for immediate use or to use in the making of a final product.

Secondary Activities involve adding value to materials by changing their form. Manufacturing automobiles is an example.

Tertiary Activities involve providing business or professional services. Salespeople, teachers, or doctors are examples.

Quaternary Activities provide information, management, and research services by highly-trained persons. 

The more developed an economy is, the greater the number and variety of activities you will find.



Making Comparisons

A Into which level of activity would insurance sales fit?

Economics of Pencil Production

Making a pencil brings together economic activities and natural resources from around the world. The gathering of the raw materials (primary activity), transforming them into a pencil (secondary activity), and selling the pencil to you (tertiary activity) happen in different parts of the globe.

Pencil lead is a mixture of graphite and clay.



Pigment in the enamel paint is made from mineral powders.

Cedar wood is shaped with steel tools made from iron ore.



Brass eraser holder is made from copper and zinc.



Eraser is made from rubber hardened with sulfur.



SKILLBUILDER: Interpreting Graphics

- MOVEMENT** What natural resources must come to the pencil factory from other continents?
- LOCATION** Why might the pencil factory be located on the east coast of North America?

The Economics of Natural Resources

An important part of economic geography is understanding which resources a nation possesses. **Natural resources** are materials on or in the earth—such as trees, fish, or coal—that have economic value. Materials from the earth become resources only when the society has the technology and ability to transform those resources into goods. So, iron ore is useless until people have the technology to produce steel from it.

Natural resources are abundant but are not distributed equally around the world. As a result, when geographers study the economy of a country, they look closely at the location, quality, and quantity of its natural resources. They also divide natural resources into three basic types:

- **Renewable**—These resources can be replaced through natural processes. Examples include trees and seafood.
- **Non-renewable**—These resources cannot be replaced once they have been removed from the ground. Examples include metals, such as gold, silver, and iron, and non-metals, such as gemstones, limestone, or sulfur. Also included are fossil fuels, petroleum, natural gas, and coal. They are the basis of energy production.
- **Inexhaustible energy sources**—These resources, which are used for producing power, are the result of solar or planetary processes and are unlimited in quantity. They include sunlight, geothermal heat, winds, and tides. **B**

Natural resources are a major part of world trade. This is especially true of the fossil fuels, since industry relies on them for both power and raw materials in manufacturing. The value of a natural resource depends on the qualities that make it useful. For example, trees can provide lumber for building or pulp for paper. Countries trade for raw materials that they need for energy and to manufacture products.



Making Comparisons

B What advantage do inexhaustible energy sources have over fossil fuels?



Family Possessions

Levels of economic development are measured in goods and services available in a country. In this graphic, the possessions of three families reflect economic development levels.

DEVELOPING NATION

Mali (family of 11)

- 5 ceramic pots
- 2 water kettles
- 2 sieves for sifting grain
- 1 bicycle
- 1 radio



NATION IN TRANSITION

Cuba (family of 9)

- 4 bicycles
- 3 televisions
- 2 stereos
- 3 radios
- 1 VCR



Economic Support Systems

Producing and distributing goods and services requires a series of support systems. The most important of these services is infrastructure.

INFRASTRUCTURE A nation's **infrastructure** consists of the basic support systems needed to keep an economy going, including power, communications, transportation, water, sanitation, and education systems. The more sophisticated the infrastructure, the more developed the country.

One of the most important systems in the infrastructure is transportation. Geographers look at the patterns of roads and highways, ports, and airports to get an idea of how transportation affects economic growth. For example, the country of Honduras has only one major north-south highway. The highway leads to port cities where a major export, bananas, is shipped out of the country. Areas not accessible to the major highway remain undeveloped.

Communications systems give geographers an idea of how a country is linked internally as well as with the outside world. Countries with a strong economy are linked internally and externally by high-speed Internet and satellite communications.

The level of available technology and access to it is also an indicator of the development of a country. A country may have valuable natural resources but be unable to profit from them because its people lack the skills to make use of them. Technology may be available, but a country may lack educated workers to run and maintain sophisticated equipment.

Measuring Economic Development

Geographers use a variety of standards to make comparisons among economies. One is **per capita income**, the average amount of money earned by each person in a political unit. Another way of comparing economies examines levels of development based on economic activities such as industry and commerce. Still others use a standard of living that reflects a society's purchasing power, health, and level of education.

GNP AND GDP A commonly-used statistic to measure the economy of a country is the **gross national product (GNP)**. The **GNP** is the total value of all goods and services produced by a country over a year or some other specified period of time.

Because economies have become so interconnected, the GNP may reflect the value of goods or services produced in one country by a com-

DEVELOPED NATION

Japan (family of 4)

- 3 bicycles
- 3 radios
- 1 telephone
- 1 television
- 1 microwave oven
- 1 motor vehicle
- 1 computer
- 1 VCR



SOURCE: *Material World: A Global Family Portrait* by Peter Menzel

pany based in another country. For example, the value of sport shoes produced in Thailand by an American company is counted as U.S. production, even though the shoes were not produced in the United States. To adjust for situations like this, a second statistic is used—**GDP, or gross domestic product**—which is the total value of all goods and services produced *within* a country in a given period of time.

DEVELOPMENT LEVELS Countries of the world have different levels of economic development. Developing nations are nations that have a low GDP and limited development on all levels of economic activities. These countries lack an industrial base and struggle to provide their residents with items to meet their basic needs.

Developed nations, on the other hand, are countries with a high per capita income and varied economy, especially with quaternary activities such as computer software development. Western European nations, Japan, Canada, and the United States have highly developed economies.

In this chapter, you’ve learned that human geography is a complex mix of human activities and the earth’s resources. As you study the regions of the world, remember that a geographer views those regions by looking at the space and the interactions that take place there.

BACKGROUND

Developing countries that have greatly improved their GDP are called countries in transition.

SECTION 5 Assessment

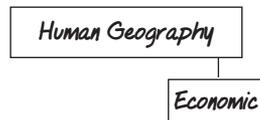
1 Places & Terms

Explain the meaning of each of the following terms.

- economy
- natural resources
- infrastructure
- per capita income
- GDP

2 Taking Notes

PLACE Review the notes you took for this section.



- What are the four basic economic systems?
- What are the three types of resources?

3 Main Ideas

- a. What are the basic activities in each of the four economic activity levels?
- b. What role do natural resources play in the economy of a country?
- c. What systems are a part of a country’s infrastructure?

4 Geographic Thinking

Drawing Conclusions Fossil fuels are non-renewable resources. What does this suggest about worldwide supplies of this energy?

Think about:

- industrial need for power
- alternative sources of power



MAKING COMPARISONS Study the types of economic systems on page 91. Create a series of **illustrations** showing the differences among the systems. Be sure your illustrations show the role of the consumer and the government in determining what goods or services are produced in each type of economy.