

energy generated by falling water. Do you have a solar-powered calculator? If so, you know that the sun can provide energy to run people's machines. Solar energy is power produced by the heat of the sun. Making use of this energy on a large scale requires huge pieces of equipment. As a result, this energy source is not yet economical to use.

Nonrenewable Resources Minerals found in the earth's crust are also resources. They are nonrenewable resources because the earth provides limited supplies of them and they cannot be replaced. These resources were formed over millions of years by forces within the earth. Thus, it simply takes too long to generate new supplies.

One major nonrenewable source of energy is fossil fuels—coal, oil, and natural gas. People burn oil and gas to heat homes or run cars. They burn fossil fuels to generate electricity. Oil and coal are also used as raw materials to make plastics and medicines.

Another nonrenewable energy source is nuclear energy. Nuclear energy is power made by creating a controlled atomic reaction. Nuclear energy can be used to produce electricity, but some people fear its use. Nuclear reactions produce dangerous waste products that are difficult to dispose of. Still, some countries rely on nuclear energy to generate electricity. France and Japan are examples.

Reading Check List three fossil fuels.

Economic Systems

People and nations use natural resources to produce and exchange goods and services. A country's economic system sets rules for deciding what goods and services to produce, how to produce them, and who will receive them. There are four main types of economic systems: traditional, command, market, and mixed.

Traditional Economies In a traditional economy, economic decisions are based on customs handed down from generation to generation. For example, if your grandparents and parents fished for a living, you will fish for a living. You will probably use the same fishing tools. To get other products you need, you may barter, or exchange part of your catch, instead of using money.

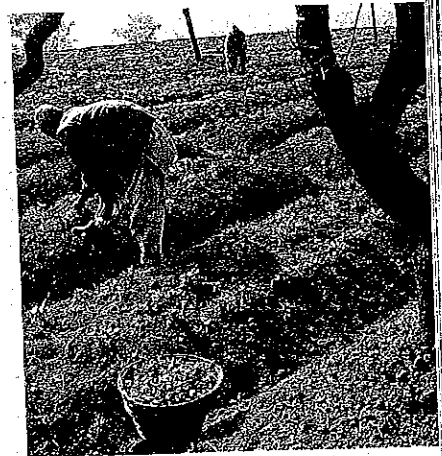
Command Economies Under a command economy, the government makes all economic decisions. Individuals have little or no say about what goods and services to produce and how to produce them. The government decides how much something will cost and which people receive training for particular jobs. The term "communism" applies to command economies.

Market Economies In a market economy, individuals make their own decisions about what to produce, how to produce it, and for whom to produce it. People and businesses make what they think customers want (supply). Consumers have choices about which goods or services to buy (demand). Prices are determined by supply and demand.

Believe It or Not!

Saffron— A Valuable Resource

A resource does not have to produce energy to be valued. The people in the Indian region of Kashmir are picking a resource that is precious to cooks—crocus flowers. Inside each crocus are three tiny orange stalks. When dried, the stalks become a spice called saffron. Cooks use it to add a delicate orange color and flavor to food. Saffron—the world's most expensive spice—is in short supply, though. Producers need nearly 4,700 flowers to produce just 1 ounce (28 g) of saffron!





Analyzing the Chart

This chart shows economic systems in theory. In reality, most nations have a mixed economy.

Economics Who owns or controls resources in each type of system?

Economic System	WHAT, HOW, and FOR WHOM to produce	Examples (in theory)
<p>Traditional</p>	Customs and traditions determine what and how to produce. Resources are usually shared. Many traditional systems use bartering to exchange goods and services.	<ul style="list-style-type: none"> • Inuit • Some parts of Africa and South America
<p>Command</p>	Government owns resources and controls production, prices, and wages. Shortages of consumer goods occur because government sets prices low and resources are often used for military goods.	<ul style="list-style-type: none"> • China • North Korea • Former USSR
<p>Market</p>	Individuals own resources and determine what and how to produce. Prices and wages are determined by producer supply and consumer demand.	<ul style="list-style-type: none"> • United States
<p>Mixed</p>	Individuals own most resources and determine what and how to produce. Government regulates certain industries.	<ul style="list-style-type: none"> • Most nations

A market economy is based on "free enterprise." This is the idea that you have the right to own property or businesses and to make a profit without the government interfering. Capitalism is another name for a market or free enterprise economy.

Mixed Economies Most nations have a mixed economy. China, for example, has mostly a command economy, but the government has allowed some free enterprise. In the United States, most decisions are made by individuals, but the government regulates certain areas. Government agencies, for example, inspect meat and other products.

✓ Reading Check What is free enterprise?

World Trade

Resources, like people, are not distributed evenly around the world. Some areas have large amounts of one resource. Others have none of that resource but are rich in another one. These differences affect the economies of the world's countries. The competition for scarce resources may also lead to conflict.

Look at the map on page 95. Do you see the centers of manufacturing in the northern and eastern United States? There are large supplies of coal in the region and deposits of iron ore nearby. These areas became industrial centers because the people here took advantage of the resources they had.

In the western United States, you see another picture. People use much of the land for ranching. The soil and climate are well suited to raising livestock. Commercial farming—or growing food for sale in markets—occurs throughout much of the United States.