



3.3 Economic Geography

Main Idea People produce, buy, and sell goods in a variety of ways.

Singapore became a trading colony of the British Empire in 1824. Today, it is an independent country, but trade is still an important part of its economy.

An **economy** is a system in which people produce, sell, and buy things.

Economic Activity

The production of goods and services is known as economic activity. Geographers divide this activity into different sectors. The primary sector involves taking raw materials from the soil or water. It includes mining, farming, fishing, and forestry. The secondary sector involves using raw materials to manufacture products, such as cars. The tertiary, or third, sector includes services, such as banking and health care.

Factors of Production

Geographers study where economic activity occurs and how this activity is connected around the world. A country is more likely to have a strong economy if it has all four factors of production—land, labor, capital, and entrepreneurship. Land includes all the natural resources used to produce goods and services. Labor involves the size and education level of the workforce. **Capital** is a country's wealth and infrastructure. The fourth factor, **entrepreneurship**, involves the creativity and risk needed to develop new goods and services.

Economic Systems

Economic systems are ways in which countries organize the production of goods and services. Four main systems are found around the world:

- In a traditional economy, people trade goods and services without money.
- In a **free enterprise economy**, privately owned businesses create goods that people buy in markets. This is also called a market economy or capitalism.
- In a command economy, the government owns most parts of the economy and decides what will be produced and sold.
- A mixed economy has elements of a free enterprise and command economy.

Economic Indicators

The strength of a country's economy can be measured by several indicators, or signs. One is **gross domestic product (GDP)**. It is the total value of the goods and services that a country produces. The GDP per capita is the value of products that a country produces per person. Other indicators include income, literacy rate, and life expectancy.

Economies fall in one of two categories. Countries with high GDPs are more developed countries. Most of their economic activity is in the tertiary sector. Countries with low GDPs are less developed countries. Most of their activity is in the primary or secondary sector.

Before You Move On

Summarize What are four ways in which countries organize the production of goods and services?

ECONOMIC INDICATORS OF SELECTED COUNTRIES*

Country	Population	GDP (in U.S. dollars)	GDP Per Capita (in U.S. dollars)	Life Expectancy	Literacy Rate (percent)
Afghanistan	29.1 million	10.6 billion	366	44	28.0
Brazil	191.9 million	1.6 trillion	8,536	72	90.0
China	1.3 billion	4.5 trillion	3,422	73	93.3
Ethiopia	80.7 million	25.9 billion	321	55	35.9
Germany	82.1 million	3.7 trillion	44,525	80	99.0
Haiti	9.8 million	6.4 billion	649	61	62.1
Mexico	106.3 million	1.1 trillion	10,249	75	92.8
Singapore	4.8 million	193.3 billion	39,950	81	94.4
United States	304.3 million	14.4 trillion	47,210	78	99.0

Sources: The World Bank and the United Nations

*All figures are for 2008 with the exception of literacy rate, which is for 2007.



Critical Viewing This shipping terminal in Singapore is busy all day and all night. Based on the photo and the chart, what type of country is Singapore—a more developed or a less developed country?

ONGOING ASSESSMENT

DATA LAB

- Interpret Charts** Which country has the largest population? the largest GDP per capita? What can you conclude about the relationship between the two?
- Synthesize** What sector is probably the main source of Haiti's economic activity? Explain.
- Region** In the region in which you live, what is an example of an economic activity from each of the three sectors?