

## ACTIVITY 16.1

**PREDICTING LEVELS OF ECONOMIC FREEDOM AND INCOME**

**Directions:** Read about each of the four economies below. Discuss the information with others in your group. Try to determine a level of economic freedom for each economy; place each economy into one of the following categories: **Repressed, Mostly Unfree, Mostly Free, or Free**. Note that not all of these rankings will be used and that a given ranking may be used more than once. Then predict a level of per capita GDP for each economy; rank the **highest** per capita GDP economy as **4**, the **next highest** as **3**, and so forth. Be ready to discuss your answers.

**Economy A**            **Category of Economic Freedom = \_\_\_\_\_**  
**Ranking of Per Capita GDP = \_\_\_\_\_**

This country has a market economy that is highly engaged in international trade. It has a vast amount of imports and exports including re-exports to and from third countries. It has a rapidly growing service industry and is now emerging as a world financial center. Many new businesses are launched on its stock exchange. It is experiencing a boom in tourism.

**Economy B**            **Category of Economic Freedom = \_\_\_\_\_**  
**Ranking of Per Capita GDP = \_\_\_\_\_**

This country once had a centrally planned economic system, largely closed to international trade. It has now changed. It has a rapidly growing private sector and is a major player in the global economy. Collectivized farms have been phased out. Price controls have been removed. Managers of state enterprises are allowed to make local decisions and retain some of the benefits that follow when they perform their jobs effectively. The economy has developed stock markets and some rapidly growing non-state enterprises, and it participates increasingly in foreign trade and investment.

**Economy C**            **Category of Economic Freedom = \_\_\_\_\_**  
**Ranking of Per Capita GDP = \_\_\_\_\_**

This country uses traditional village farming, modern agriculture, handicrafts, and a wide range of modern industries and services. It has a well-educated workforce. Services are the major source of this economy's economic growth. It has become a major exporter of software services and software workers. The government has reduced controls on foreign trade and investment. Increases in foreign investment have been permitted in a few key areas, such as telecommunications. Over the past few years, several government-owned industries have been turned over to private owners. However, high tariffs remain in place in some sectors of the economy, including agriculture.

**Economy D**            **Category of Economic Freedom = \_\_\_\_\_**  
**Ranking of Per Capita GDP = \_\_\_\_\_**

In this country, most economic decisions are made by private individuals and business firms. National and state governments buy their goods and services predominantly from the private marketplace. Business firms enjoy broad measures of freedom in decisions they make about building new plants, laying off workers, and developing new products. This economy is among the world's leaders in production of computers and medical, aerospace, and military equipment. Substantial gains in labor productivity have contributed to this economy's economic growth.