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Sweden's Mixed Economic System: Understanding the Advantages and Disadvantages

Denise Aguilar
OKAGE Teacher Consultant, Norman, Oklahoma

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SWEDEN'S MIXED ECONOMIC SYSTEM: UNDERSTANDING THE ADVANTAGES AND DISADVANTAGES

Denise Aguilar, OKAGE TC
Central Middle School
1201 NW Fort Sill Blvd
Lawton, OK 73507
daguilar@lawtonps.org

Grade Level: 6th – 8th Grade

Purpose/Objective:

Students will examine the similarities and differences between various types of economic systems in the world. They will compare the pros and cons of Sweden's mixed market system and discover the types of products that are a part of this type of economic system.

National Geography Standards from *Geography of Life*

Geographic Elements & Standards:

The World in Spatial Terms --

1. How to use maps and other geographic representations, geospatial technologies, and spatial thinking to understand and communicate information

Places and Regions --

4. The physical and human characteristics of place

Environment and Society --

17. How to apply geography to interpret the past
18. How to apply geography to interpret the present and plan for the future

Oklahoma Academic Standards for the Social Studies:

Grade 7 World Geography: Eastern Hemisphere

Literacy Skills Standard 1: The student will develop and demonstrate Common Core Social Studies reading literacy skills.

- A.3. Identify key steps in a text's description of a process related to history/social social studies (e.g., how a bill becomes law, how interest rates are raised or lowered).
- C.7. Integrate visual information (e.g., in charts, graphs, photographs, videos, or maps) with other information in print and digital texts.

Literacy Skills Standard 2: The student will develop and demonstrate Common Core Social Studies writing literacy skills.

- A.2. Write informative/explanatory texts, including the narration of historic events, scientific procedures/experiments, or technical processes.
 - f. Provide a concluding statement or section that follows from and supports the information or explanation presented.

Content Standard 4: The student will analyze the world's peoples and cultures in the context of the human systems in the Eastern Hemisphere.

4. Compare and contrast the market and command economic systems and how governments affect economic activities in such systems including

B. The economic advantages and disadvantages of Sweden's mixed market system.

Geographic Themes: Location, Place, Region

Objectives:

1. Students will define and comprehend vocabulary associated with understanding economic systems.
2. Students will locate Sweden and its bordering countries on a map of Europe.
3. Students will categorize different characteristics of Free Market and Command Economic systems.
4. Students will analyze the characteristics that are part of a mixed market system.
5. Students will examine the pros and cons of a Mixed Market system.
6. Students will discover the types of products of Sweden's mixed market system.
7. Students will design an illustrated map of the economic activity of Sweden's mixed market system. They will also write a descriptive explanation underneath the map of the illustrations and their importance to the success of Sweden's economic system.

Materials:

1. "Sweden's Mixed Economy – Important Terms" worksheet for each student
2. Map of Europe (included)
3. Map of Sweden (included)
4. "Free Market Economic System vs. Command Economic System" Chart & "Mixed Economic System" Chart (printed back to back) for each student
5. Free Market and Command Economy characteristics (mixed-up) worksheet for each student
6. Free Market and Command Economy characteristics (correct) worksheet for each student
7. "Sweden's Economy" article for each student
8. Copies of the *Nystrom Classroom Atlas*
9. Glue or tape
10. Colored Pencils/Markers
11. Pencil

Time Frame: 3 class periods

Procedures:

Day 1

1. Hand out "Sweden's Mixed Economy – Important Terms" worksheet and have students define these words. Discuss the importance of understanding these words to understand this lesson.
2. Inform students that there are different types of economies around the world.
3. Ask students if they have an idea of the type of economic system we use in the United States.

4. Hand out the map of Europe and have students locate and color Sweden using the classroom atlases.
5. Ask students also to locate and label the countries surrounding Sweden.
6. Inform students that the type of economy used in Sweden is what is called a Mixed Economy, a mixture of different types of economies. But first the students have to learn about the types of economies out of which the mixed economy comes.
7. Hand out the “Free Market vs. Command Economy” chart.
8. Define Free Market and Command Economy on the chart together.

Day 2

1. Review the definitions of a Free Market and a Command Economy.
2. Break students into groups of two.
3. Hand out the “Free Market vs. Command Economy Comparison” chart and the sheet of characteristics.
4. Have students cut and place the characteristics in the appropriate economic system box on the chart based on the definitions previously discussed. Allow 10-15 minutes for this activity.
5. Discuss the correct placement of the characteristics. Move the characteristics to the correct place if necessary. Then have students glue them on their charts.
6. Ask students to name any characteristics from each type of economy that would be good to use together or as a “mixture” and list these on the board while they write their choices down on their charts.

Day 3

1. Review the “mixture” choices from Day 2.
2. Have students turn the "Free Market Economic System vs. Command Economic System" chart over to the "Mixed Economic System" side of the chart.
3. Define what a Mixed Economy is on the chart. Inform students that this type of economy is a combination of elements of a Free Market and a Command Economy.
4. Discuss the Pros and Cons of a Mixed Economy based on what was learned about the other two economic systems we have compared.
5. Have students categorize their statements on the Mixed Economic System" chart into Pro and Con columns.
6. Hand out the "Sweden's Economy" article from How Stuff Works.com. Discuss the types of goods that are produced in Sweden and the jobs that are a part of the mixed economic system.

Assessment Options:

1. Have students create an economic activity map of Sweden with illustrations. Be sure that students create a legend on their map labeling the important products vital in Sweden's mixed economic system. Underneath their map, have students explain what a Mixed Market System is in their own words with examples that should state the illustrations used on their maps.
2. Have students design a 3-column comparison chart of a Free Market, Command, and Mixed economic systems (like a Venn Diagram with the Mixed Market in the middle) using pictures. These can be hand drawn, from magazines, or the computer.

Extension and Enrichment/Simplification:

1. Research the type of economy in the United States and compare it to that of the Mixed Market economic system of Sweden. Have students write a comparison paper over the similarities and differences of these two types of economic systems.

Connections: History, Economics

Resources:

A-Level Economics – Theoretical Economic Systems

<http://www.s-cool.co.uk/a-level/economics/free-market-v-command-economies/revise-it/theoretical-economic-systems>

How Stuff works – Sweden's economy

<http://geography.howstuffworks.com/europe/geography-of-sweden2.htm>

Map of Europe

http://d-maps.com/carte.php?num_car=2232&lang=en

Map of Sweden

http://d-maps.com/carte.php?num_car=2638&lang=en

Sweden's Mixed Economy – Important Terms

1. Economy

2. Socialism

3. Capitalism

4. Labor

5. Production

6. Capital

7. Consumer

Free Market vs. Command Economy

Correct Answers

Free Market Economy

Characteristics of this system

1. **Ownership:** Nearly all of the country's **factors of production** are owned privately. Although it might make sense to argue that firms own some of the resources, it is private individuals, or groups of individuals, who own the resources. They then rent them out to the firms so that they can produce the goods and services. Richard Branson is in charge of Virgin, but first and foremost he is a private individual who owns the majority of the shares. He could get someone else to run the company. This brings into play one of the government's limited roles. Through the legal system, the government must uphold the property rights of these private individuals.
2. **Objectives:** Everyone in this system is motivated by pure self-interest. Consumers maximize welfare, firms maximize profits and the private individuals, who own the factors of production, aim to maximize rents (on land), wages (on labor), interest and profit (on capital).
3. **Free enterprise:** Basically, firms can sell anything they want. They effectively respond to the consumers, who are allowed to buy anything that is sold by the producers. Workers can take on any job they want (this may seem obvious, but wait and see what happens in the command economy).
4. **The level of competition:** Very high. Basically, it is assumed that nearly every market is a **perfectly competitive** one, with numerous buyers and sellers and **no barriers to entry or exit**. Firms are competing desperately for customers and the consumers are competing with each other for the goods on offer.
5. **The pricing system:** Nearly all markets are perfectly competitive. You may remember that in these circumstances, the **price mechanism** allocates the economy's resources. The reason why it is called the price' mechanism is because the price acts as a signal and an incentive for producers to act in the required way so as to maximize their gain, which, in turn, optimizes the allocation of resources in the whole economy.

Command Economy

Characteristics of this system

1. **Ownership:** Nearly all of the country's factors of production are owned publicly by the government (or the state). The only factor over which the government does not have total control is labor, but as you will see, they certainly have indirect control over the workers.
2. **Objectives:** The complete opposite of the pure self-interest of the free market system. No one (in theory) thinks of himself (or herself). Consumers, workers and the government are all assumed to be working for the 'common good'. This system is often associated with communist Soviet Union (as it was before 1989), but the fascist Hitler ran a 'planned' economy, albeit rather dictatorially. I'm not sure that system ended up being for the common good! Also, democratic countries often attempt a less severe form of planned economy via socialism.
3. **Free enterprise:** There is none.
4. **The level of competition:** Very little. Certainly, in the former Soviet Union, **black markets** used to develop as a result of shortages in the shops. There would be competition between these racketeers, I suppose. But in theory there was no competition.
5. **The pricing system:** There is no competition, so there is no price mechanism. The authorities set the prices. It is because they set prices at low levels to make sure that everyone can afford the goods that excess demand occurs causing long queues for goods outside shops. Another inevitable consequence is the creation of black markets.
6. **The planning system:** This is an extra characteristic of the command economy. The other five has tried to follow the five given in the 'free market economy' section. As the government runs the system, they have the job of planning how all the resources should be used. They have to decide what should be produced and in what quantities. They must decide how the goods are to be made. What labor should be used and where? What techniques of production shall we use? How will the completed goods be divided between the workers (or consumers)? The key point is that they **directly** set the output levels **and** price levels.

Free Market vs. Command Economy Characteristics

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Sweden's Economy

<http://geography.howstuffworks.com/europe/geography-of-sweden2.htm>

In the mid-19th century the Swedish economy was largely based on agriculture, and Sweden was one of the poorest countries in Europe. Beginning in the 1870's, the country underwent rapid industrialization, which was made possible by Sweden's abundance of two industrially important natural resources, iron ore and timber. Today Sweden is a major manufacturing nation. Its farmers, although using only a tenth of the country's land, manage to provide most of the food supply.

Few nations have reached the economic level enjoyed in Sweden. Personal incomes and the standard of living are among the highest in the world. Poverty and slums are virtually nonexistent.

Sweden has a mixed economy, with elements of both socialism and the private-enterprise system. Most companies are privately owned. The government, however, has an important role in regulating business and industrial activity. In addition, railways, postal and telecommunications services, and most electric utilities are state-owned. Government policies are designed mainly to insure steady economic growth and to provide for the security of every citizen through an extensive social welfare system.

Economic production in Sweden

Economic activities	% of GDP produced	Number of workers	% of all workers
Community, government, & personal services	27	1,615,000	38
Finance, insurance, real estate, & business services	24	632,000	15
Manufacturing	20	679,000	16
Trade, restaurants, & hotels	12	653,000	16
Transportation & communication	7	265,000	6
Construction	4	242,000	6
Utilities	3	27,000	1
Agriculture, forestry, & fishing	2	90,000	2
Mining		6,000	
Total	100	4,209,000	100

Manufacturing

As have many other older industrialized nations, Sweden has been faced with the task of modernizing many of its manufacturing facilities and techniques. Since the mid-1970's, the government has become increasingly involved in revitalizing older manufacturing enterprises. Shipbuilding and the making of steel and textiles are among the large industries with significant levels of government involvement.

The engineering industries are of major importance. They turn out a vast array of products, including automobiles, trucks, aircraft, electrical and communications equipment, and agricultural, mining, and construction machinery. Products such as these account for nearly half of Sweden's exports.

The production of chemicals and chemical products—including pharmaceuticals,

explosives, petrochemicals, and fertilizers—is also important.

Sweden's vast forest resources provide the basis for a large wood-processing industry. Forest products such as paper, pulp, and timber account for about one-fifth of Sweden's exports.

Sweden's iron and steel industry, once a mainstay of the economy, has declined in importance since the mid-1970's. The production of raw steel has in large part given way to the production of high-quality finished steel.

Until the late 1970's, shipbuilding was one of Sweden's principal industries, and Swedish-built ships accounted for about a tenth of the world fleet. For many years the Swedish shipbuilding industry concentrated mainly on the production of bulk carriers such as tankers. Today Swedish shipyards have diversified and produce a variety of vessels and equipment, including ferries, offshore oil platforms, and refrigerated ships.

Traditional Swedish crafts such as glass-making, weaving, and woodworking are still carried on. Ceramic articles and furniture are among the many other finely crafted items for which Sweden is noted.

Mining

Sweden has extensive deposits of iron ore. Most of it comes from Lapland, in the far north. Lapland's deposits, centered at the towns of Kiruna and Gällivare, are considered to be among the world's largest iron ore reserves. Europe's single largest deposit of lead ore is located near Skellefteå, in the north.

Other ores and minerals occur in relatively small quantities. Copper and zinc are mined in the north. Other metals produced include silver, gold, and uranium. Sweden has little coal or petroleum and must rely on imports for these fuels.

Agriculture

Only about one-tenth of Sweden is used for agriculture. The heaviest concentration of farming is in the southern third, where temperatures and rainfall are favorable. Careful land management, combined with the use of fertilizers and crop rotation, results in high yields. Nearly all farms are privately owned. Many have sizable stands of timber that provide additional income.

The principal crops include wheat, oats, barley, rye, sugar beets, and potatoes. Only in the rich plains of the far south is the emphasis strongly on cultivated crops. Here, the land is planted chiefly in wheat and sugar beets. Hogs are raised in the south as well. Elsewhere, emphasis is on the raising of cattle and feed crops such as oats and clover. About three-fourths of all farm income is from the sale of livestock and dairy products.

Forestry

Besides providing much lumber, Sweden's extensive forests furnish raw material for the thriving pulp and paper industry. Particularly important are the slow-growing but valuable pine and spruce trees of the north. Timber cutting in Sweden has become highly mechanized, with wide use of tree harvesters, power saws, and specialized log-handling equipment. Large trucks haul most of the timber directly to the mills, although the traditional method of floating logs downstream is still used in places.

About half of the forested land is owned privately, mostly by farmers. The rest is divided between corporations and the government. Strict conservation programs are carried on, and both the government and private interests conduct research to improve both the quality and the quantity of Sweden's timber.

Other Activities

A small but modern fishing industry is centered on Sweden's southwest coast. Fishing is done mostly in the waters of the Baltic, the Skagerrak, and the Kattegat, and the catch is made up largely of cod, herring, and mackerel. Fishermen market their catch both at home and in nearby foreign ports.

Tourism is also important to Sweden's economy, bringing considerable income to the country.

Transportation and Trade

Sweden has modern, well-maintained networks of roads and railways. A system of paved, multilane highways connects the cities of central and southern Sweden; secondary roads reach smaller communities.

Swedish railways are owned by the government. Like roads, they are mostly in the southern half of the country. Fast, modern passenger trains link Stockholm with Göteborg and most other cities. Many lines are electrified, including the route reaching Lapland. An extension of this line carries iron ore over the mountains to Narvik, Norway.

Sweden cooperates with Norway and Denmark in operating the Scandinavian Airlines System (SAS), a major international carrier. Domestic service is provided to Sweden's larger cities and towns by several airlines. Stockholm has the main international airport; other important terminals are at Göteborg and Malmö.

Ocean shipping is centered at three major ports. Göteborg is the principal port; Stockholm and Hälsingborg handle trade primarily with Baltic and other European nations. Both Stockholm and Göteborg have access to the interior through lakes, rivers, and canals. Winter ice, however, closes these interior routes, as well as most coastal ports north of Stockholm.

Sweden is highly dependent on foreign trade. Much of the trade is with other European nations, especially Germany, Great Britain, Norway, and Denmark. The United States and Japan are also important trading partners. Sweden's principal exports are pulp and paper, machinery, chemicals, and transportation equipment. Imports include fuels, especially petroleum; machinery; and food, particularly fruits and vegetables.





Mixed Economic System -

Pros	Cons

Free Market Economic System

Definition -

Command Economic System

Definition -