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| ***Business structure – activity and sectors*** |

**Introduction:**

* Classify industries into **levels** of economic activity – **primary**, **secondary** and **tertiary**
* Differences between **public sector** and **private sector**
* The differences between Mixed, Free-market and Command/Planned economies

Firms provide a vast range of different **goods** and **services**, but it is possible to turn these into **threebroadtypes** of category.

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| ***\_\_\_\_\_\_\_\_\_\_\_ sector*** | ***Extractive*** *industries such as fishing, forestry, farming, mining and quarrying* |
| ***\_\_\_\_\_\_\_\_\_\_\_\_ sector*** | *Often described as* ***‘industry’*** *– consists of firms involved with* ***manufacturing*** *and* ***construction*** |
| ***\_\_\_\_\_\_\_\_\_\_\_ sector*** | *Organisations supplying* ***services*** *– both commercial services such as banking, finance and retail, as well as direct service providers e.g. health* |

**Industrialisation** is the term used to describe the growing importance of the secondary-sector **manufacturing industries** in developing countries.

Relative importance can be measured in terms of **OUTPUT** or **EMPLOYMENT** levels

Shift from ***Primary*** *sector* to ***Secondary*** *sector*:**Industrialisation**

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| Benefits | Problems |
| GDP increases – raises **st\_\_\_\_\_\_\_\_\_\_ds** of living  Lower \_\_\_\_\_\_\_ and Higher \_\_\_\_\_\_  Expanding manufacturing: more **jobs** created  More \_\_\_\_\_ paid to the government  ‘Value’ is added to the raw materials | Movement of **p\_\_\_\_\_\_\_\_\_\_** to towns and cities  Increased **im**\_\_\_\_\_\_\_\_\_\_ of raw materials and components  Growth is often attributed to MNCs and the accompanying problems associated with this |

Shift from ***Secondary*** *sector* to ***Tertiary*** *sector*: **Deindustrialisation**

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| Benefits | Problems |
| Increased in spending on tertiary sector (services)  Substantial growth in **tou\_\_\_\_\_\_m**, hotels, restaurant and financial services etc. | Developed countries’ manufacturers have to compete with lower cost developing country manufacturers  Therefore, rising imports take markets away from domestic companies  Many industries have **collapsed** in the USA/EU due to this.  Increase in **low skilled** workers being unemployed |

**Free-Market economy:**

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**Command/Planned economy:**

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**Mixed economy:**

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In many **mixed-economy countries** important goods and services are provided for by the state (government): What are these good and services?

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**‘Strategic’ industries are: energy, telecommunications, public transport**

**Public goods are: fresh air, street lighting, knowledge**

**P\_\_\_\_\_\_\_\_\_\_\_\_ SECTOR** firms are set up by individuals who seek to make a **pro**\_\_\_\_\_ from their business **act\_\_\_\_\_\_\_\_s**. Although many private sector firms are **controlled** by entrepreneurs, they may be **owned** by different people or organisations, for example companies owned by private or institutional (organised-based) **inv\_\_\_\_\_\_\_\_\_\_s**. This can lead to a conflict between **ownership** and **control**.

* This is called an **AGENT-PRINCIPAL** problem.

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| What does this mean? |

**P \_\_\_\_\_\_\_\_\_\_ SECTOR** consists of organisations **owned** and/or **financed** by central and local **government**.

* This sector provides \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_ to the **community** through public corporations, local government and other statutory agencies (e.g. NHS = National Health Service – Government-funded healthcare).
* The **profit motive** is not so prominent – the emphasis in the **p\_\_\_\_\_\_\_\_** sector is on providing for the community by the community, using funding (money) supplied through **t\_\_\_\_\_\_\_\_** and government **borrowing**.

Many countries also have a substantial **voluntary sector** which consists of organisations such as charities and religious bodies.

* Such organisations may have some **commercial** aims and seek to generate incomes (e.g. through charity shops) their main purpose is to carry out **charitable** or other activities.

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| **KEY POINT:**  **Exclusively** market or planned economies do not exist in practice, and countries use a mixed economy to allocate their scarce resources. |

***Worksheet summary quiz and activity:***

1. A movement for a country from the *Primary* sector to *Secondary* or *Tertiary* sector is considered a **success** for a country. Briefly explain.

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1. In your opinion, should governments **be involved** in the economy? Briefly explain.

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True or False (Mark an **X**)

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|  | **True** | **False** |
| 1. Planned economies are very **efficient**. |  |  |
| 1. Taxes from individuals and businesses fund the **private sector** |  |  |
| 1. **Charities** are involved in the public sector |  |  |
| 1. Both principal and agent have the **same goals** |  |  |
| 1. Deindustrialisation is a movement **towards** more manufacturing |  |  |

**Summary of the worksheet in your own words (in English and Chinese):**

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*Vocabulary check:*

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| **English** | **Chinese** |
| **Deindustrialisation** |  |
| **Extract (v)** |  |
| **Construction** |  |
| **Retail** |  |
| **Profit motive** |  |
| **Conflict** |  |
| **Substantial** |  |