Sectors of Industry and the Economy

7th Grade Social Studies, Geography #6

Introduction

- Economic activities are divided into sectors and industry is divided into sectors of industry.
  - Sectors of the economy explain the nature of the institutions.
  - Sectors of industry explain the relationship between an institution and the land resource.

Four Sectors of the Economy

- Four sectors of the economy are:
  - Public -- government
  - Private -- business
  - Voluntary -- non-profit institutions such as religious organizations or secular charities
  - Household -- individuals and families

Public Sector

- The public sector is the government.
  - The government is a large part of the economy.
  - The government collects taxes and borrows money from the private and household sectors.
  - The government pays for contracts with the private sector and pays salaries and entitlements to the household sector.
  - The headquarters of government agencies are usually located near the seats of government (such as Washington D.C. for the federal government) with offices located near constituents served by the agencies.

The Private Sector

- The private sector includes for-profit businesses from small family-operated stores to multinational corporations.
- The private sector is the engine that powers the economy.

Voluntary Sector

- Non-profit (or not-for-profit) institutions such as churches, private schools, synagogues, mosques, temples, fraternal lodges, and charities form the voluntary sector.
- The voluntary sector is driven by issues rather than profits.
- The voluntary sector is funded by donations and fund-raising sales.
- Voluntary sector institutions locate near the people that need them.

Household Sector

- Households, whether a single person in an apartment or an extended family living on a large ranch form the household sector.
- Households usually exchange labor for money with the other sectors (public, private, and voluntary) through the employment of family members.
- Some households participate in the private sector through home-based businesses.

Sectors of Industry

- Sectors of industry categorize institutions by their relationships to the land resource.
  - “Land,” in economics, refers to the land itself, bodies of water, and all natural resources.

Primary Sector of Industry

- The primary sector of industry involves the gathering or extraction of natural resources. It is primary (first) because it is closest to the land. Divisions include:
  - Genetic Industries
  - Extractive Industries

Genetic Industries

- Industries that produce materials with genes are the genetic industries. These include:
  - Farming
  - Fishing
  - Logging
- Do not confuse this with genetic engineering. Most genetic industries still do without genetically modified organisms (GMOs).

Farms and Agribusiness

- Farms, ranches, and related businesses are called “agribusinesses.”
- These private sector institutions provide food, fiber (e.g., cotton, wool), and other renewable resources to the economy.
- Farming is primary sector genetic industry.
- Farms are located in areas where land costs less money.

Fishing

- Fishing (and for some nations, whaling) involves catching aquatic animals, such as fish, shrimp, and lobsters for use as food or raw materials for manufacturing.
- Modern industrial fishing methods have depleted many species that once provided food for millions of people. Cod fish are the best example of a species depleted by overfishing.
- Fishing is primary sector genetic industry.
- Fishing fleets are based out of ports capable of handling the ships.

Logging

- Logging harvests trees for use as lumber or pulp.
  - Lumber is used in buildings and furniture.
  - Pulp is used in paper and cheap furniture.
  - Logging is primary sector genetic industry.
  - Logging requires a lot of land and a climate that helps trees grow. Logging operations are located where land is inexpensive and the climate favors the species of trees to be grown.

Extractive Industries

- Mines extract solid mineral resources from the earth.
  - Examples of mined resources include gold, silver, coal, diamonds, lignite, tin, halite (salt crystals), and iron.
- Wells extract liquid or gaseous resources from the earth.
  - Examples of such resources include crude oil, natural gas, water, and sulfur.
- Mines and wells are located where the minerals are found.

Secondary Sector of Industry

- Businesses that create a tangible product (one that may be touched) are the secondary sector of industry. The secondary sector takes raw materials extracted or harvested by the primary sector and uses them to create products. These are divided into light and heavy industry. The three parts of the secondary sector of industry are:
  - Manufacturing
  - Construction
  - Power generation

Manufacturers

- Manufacturers process raw materials into products used by other businesses, government agencies, or households.
  - For example, a steel mill processes iron, tin, and coke into steel. An automobile manufacturer buys the steel and produces cars. Businesses, government agencies, and families buy the cars.
  - Factories are often located near the resources needed to produce the goods, such as iron mines. However, low shipping costs permit many factories to be located where the cheapest labor may be found.

Construction

- Construction is part of the secondary sector of industry.
- Construction is the creation of relatively permanent, immovable structures and infrastructure (e.g., roads, railroad tracks, and bridges).
- Very cold climates may require that construction be completed during the warmer seasons when the ground is not frozen.

Power Generation

- Electric utilities, such as AEP-SWEPCO, produce electricity to power the other sectors of the economy.
- Households and businesses that generate their own electricity are often described as “off the grid” if they are not connected to the electric system.
- Most electric utilities in the U. S. are private sector.
- Power generation may be located near the mines or wells that produce the fuel for the generators, but they must be relatively near the consumers that use the power.

Light or Heavy?

- Secondary sector industries may be further divided into light and heavy industries.
  - Light industry produces smaller, less durable items such as clothing or computers.
  - Heavy industry produces durable goods (such as cars) or large quantities (such as gasoline refined from crude oil).

The Tertiary Sector of Industry

- Services
  - Tertiary institutions use finished goods from the secondary sector to perform services. For example, a restaurant takes food grown by a farmer, cooks the food, and serves it to people dining at the restaurant.
  - Service companies provide intangible (non-touchable) services, such as banking, food service (restaurants), legal services, entertainment, healthcare, retail stores, wholesale warehouses, transportation, and insurance.
  - Services may be private or public sector.

The Tertiary Sector of Industry

- They locate near consumers that need the services or in states or countries with favorable laws. Lawyers tend to locate near courthouses to reduce driving time. The availability of transportation routes may influence where some businesses locate.

Conclusion

- Institutions may be categorized into the sectors of the economy and the sectors of industry.
  - The sectors of the economy are public, private, voluntary, and household.
  - The sectors of industry are primary, secondary, and tertiary.

Standard

- Geography 6. Illustrate how primary, secondary, and tertiary economic activities have specific functions and spatial patterns.

Standard

- Comparing one location to another for production of goods and services
    - Examples: fast food restaurants in highly accessible locations, medical offices near hospitals, legal offices near courthouses, industries near major transportation routes

Standard

- Analyzing the impact of economic interdependence and globalization on places and their populations
  - Examples: seed corn produced in Iowa and planted in South America, silicon chips manufactured in California and installed in a computer made in China that is purchased in Australia

Standard

- Explaining why countries enter into global trade agreements, including the North American Free Trade Agreement (NAFTA), the Dominican Republic-Central America Free Trade Agreement
    - (DR-CAFTA), the European Union (EU), the Mercado Común del Sur (MERCOSUR), and the Association of Southeast Asian Nations (ASEAN)