

Name: _____

Period: _____

Trade Barriers & Currency Exchange Summarizer

Fill in the missing words using the word bank below.

SS6E8 Analyze the benefits of and barriers to voluntary trade in Europe.

b. Compare and contrast different types of trade barriers such as tariffs, quotas, and embargoes.

Trade is a voluntary exchange of goods and/or services among people and countries. When both parties are willing to trade everyone involved has a chance to benefit. Countries often put limits on trading to keep its citizens happy. These limits are called trade barriers. We have talked about 3 specific economic trade barriers this year. A tariff is a tax on (goods purchased from other countries). A quota is a limit or restriction placed on the number of imports that may enter a country. An embargo is when a government stops trade between one country and another. This is usually done because the two countries are not agreeing about political matters.

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c. Explain why international trade requires a system for exchanging currencies between nations.

Currency is the money people use to make trade easier. In the United States, we use U.S. dollars, but in the European Union most of the member countries use the euro. The United Kingdom is the exception, they still use the British pound as their currency.

When traveling to other countries, often times people must exchange the currency of their home nation with that of the country they are visiting. However, when we exchange the money, the bank charges a fee. Exchange rates are used to determine how much one nation's currency is worth in terms of another's. (e.g., 1.00 U.S. dollar = 0.96 Euros) A business that does a lot of trade with other countries will end up paying large fees. To make trade easier in the European Union the EU's member countries voted to use one common currency. This helps make trade less expensive so people are more likely to want to do business with other countries.

bank	tariff	embargo	pound	European Union
Currency (2x)	3	euro	limit	expensive

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d. Describe the purpose of the European Union and the relationship between member nations.

European Union

The purpose of the EU is for its Members to work together for Advantages that would be out of their reach if each were working alone. The EU is a strong believer that when countries work together they are a more powerful force in the world because they involve: more _____, more _____, and more _____ areas. This helps make small countries more competitive in the world market. The EU helps to level the playing field for small and large countries because when they work together as a team, they are a bigger competitor in the world market.

Members may use a common currency (euro) that makes trade easier. The EU works to improve trade, education, farming, and industry among its members. The euro is the currency of MOST EU countries. Member countries can choose to give up their own currency and exchange them for euros. A common currency makes trade between the countries much easier and less expensive. Currently, there are 12 countries in the European Union that have chosen to not use the euro. For example, the United Kingdom has decided to continue to use the British pound.

There are several European countries that are not members of the EU, including Turkey, Switzerland, Iceland, and Russian.

Brexit

Brexit is a word that has become used as a shorthand way to refer to the United Kingdom's decision to leave the European Union. In June of 2016, the citizens of the United Kingdom held a special election, called a referendum, to vote on whether or not the United Kingdom should stay a part of the EU. The leader of the government, prime minister David Cameron, did not expect the people to actually vote to leave the EU. He felt that it would be a bad decision for the United Kingdom and was surprised at the results of the election. Prime Minister Cameron felt that he could not support this decision and so he resigned or gave up his position as leader of the Parliament. Teresa May was chosen as the new prime minister and told the people that she would support the decision to exit the EU. In March 2017, Prime Minister May officially began the 2 year long process to remove the United Kingdom from the European Union.

Members	Brexit	European Union	Prime Minister (2x)
Turkey	referendum	advantages	euro
pound	United Kingdom	education	easier
exchange	expensive	money	people
land	competitive		

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SS6E9 Describe factors that influence economic growth and examine their presence or absence in the United Kingdom, Germany, and Russia.

In economics, there are four factors that influence a country's growth: natural resources, capital goods, human capital, and the role of entrepreneur.

Human capital is when a country invests in the education and training of its workers in order to produce goods and services. Countries choose to invest in human capital as a way to raise the GDP. A higher GDP means a higher standard of living for the people in the country. Russia, Germany, and the United Kingdom have made large investments in human capital. The workforce in the three countries is very well trained and educated. Currently, Russia is currently spending a lot of money to train workers and educate the youth following their transition from communist Soviet Union to a _____ country.

Capital goods are the factories, machines, technologies, buildings, and equipment needed by businesses to operate. If a business is to be successful, it cannot let its property break down or have its buildings fall apart. This goes along with the idea that "you have to spend money to make money." Germany and the United Kingdom have spent quite a bit of money over the years investing in capital goods, but Russia is having to catch up. While a communist country, the Soviet Union did not make a lot of investments in human capital, and so much of the country is in need of repair now. The government has said they plan to invest around \$1 trillion over the next few years to bring everything up with the rest of Europe.

Natural Resources also known as "gifts of nature" are the resources that a country has within its borders that can help a country be successful. Most countries use their natural resources to take care of the needs of its people, but some countries have enough resources to compete with other countries. If a country has to import natural resources that they need, it adds to the cost of the goods and services they are producing. Examples of natural resources include water, forests, fertile soil, coal, oil and natural gas. Many of the countries in Europe have used up much of their nonrenewable resources and are having to find other ways to make their economies work.

An entrepreneur is a person who provides the money to start and own a business. These people risk their own money and time because they believe their idea will be successful and make a profit. An entrepreneur brings together human capital, capital goods, and natural resources to produce goods or services provided by their business. An entrepreneur plays a vital role in the economy because as their business grows, they hire more workers, giving more people jobs.

machines	education	natural resources (3)	trade	import	oil
needs	forests	human capital (2)	property	equipment	Russia United Kingdom
money	Germany	capital goods	resources	Entrepreneur (2)	

Summarizer for Measurements of Economic Growth

SS6E9 Describe factors that influence economic growth and examine their presence or absence in the United Kingdom, Germany, and Russia.

- Evaluate how **literacy rates** affect **standard of living**.
- Explain the relationship between investment in human capital and **GDP/per capita GDP**.
- Explain the relationship between investment in capital resources and **GDP/per capita GDP**.

1. When a country invests in its human capital and capital goods (AKA capital resources) its citizens often have a high standard of living. This allows them to obtain better jobs, earn more money, afford to send their children to school, and to have enough food to eat while residing in a safe, comfortable home.

2. There are several ways to measure standard of living. One, literacy rate, is the percentage of people, age 15 and above, who can read. The ability to read at an ~~8th~~ 8th grade level or higher, increases the person's chances at getting a job. As a tax-paying citizen they are contributing to the country's wealth via taxes and the spending of their salary. Russia, Germany, and the United Kingdom have high literacy rates.

3. Another way to measure economic growth is to look at a country's gross domestic product (AKA GDP). This statistic is the total value of goods and services produced by a country in a given year.

4. Russia's GDP is lower than the UK's and Germany's because the former Soviet Union did not invest in its capital goods (modern factories, updated machinery...) Russia is playing catch up on that front.

5. GDP is only part of the picture. A country like China makes tons of money in a year, but how many people are in China working for and sharing that money? That's why per capita GDP gives a clearer, easier to understand picture of a country's standard of living. Per capita means per person. To calculate the per capita GDP of a country you divide the GDP by the number of people in the country. This gives one a better picture of a country's standard of living.

calculate	GDP	people	standard of living
Soviet Union	jobs	resources	per capita GDP
literacy rate	money	school	United Kingdom
eighth-grade	services		