

Economics Milestone Review



ECONOMICS	the study of how people or countries manage (choose to use) their limited resources by producing, exchanging, and using goods and services.
TRADITIONAL ECONOMY	economic system in which social roles and culture decide what will be produced, how it will be produced and how it will be distributed
COMMAND ECONOMY	economic system in which the government decides what will be produced, how it will be produced and how it will be distributed
MARKET ECONOMY	economic system in which the people decides what will be produced, how it will be produced and how it will be distributed
MIXED ECONOMY	economic system in which the government and people share the role in deciding what will be produced, how it will be produced and how it will be distributed
SPECIALIZATION	when a country focuses resources on creating fewer specific products and services than they consume and trade for everything else
TARIFF	tax on imports
QUOTA	limiting the amount of products that can come into a country
EMBARGO	cutting off trade to a certain country because of political reasons

CURRENCY	money
EXCHANGE RATE	the rate at which one unit of the currency of a country can be traded for a unit of the currency of another country
HUMAN CAPITAL	labor that is done by people in order to produce products
CAPITAL GOODS	the machines, tools, factories, land, and technology that are needed to make other products
NATURAL RESOURCES	raw materials used to make products or “gifts of nature”
GDP	the amount of products and services produced in one country in one year
TRADE	voluntary exchange of products and services
IMPORT	a product brought into a country through trade or sale
EXPORT	a product leaving a country through trade or sale
ENTREPRENEURSHIP	bringing together natural, capital, and human resources and take risks to develop businesses
PER CAPITA GDP	An estimate of all the goods and services produced in the borders of one country in one year divided by the population of that nation

PRODUCTIVE RESOURCES

Determine whether each of the following is a human, capital or natural resource.

C computer

N crude oil

H doctor

N onion

H scientist

C tools

H truck driver

C factory

N diamonds

PRODUCTIVE RESOURCES and GDP – FACTORS THAT IMPACT ECONOMIC GROWTH

Why do economists measure GDP?

It's a measure of economic output. The higher the GDP, the better.

What happens to the GDP of a country when they invest in their human Capital?

Give an example of investing in human capital.

- When a country invests in its human capital the GDP goes up
- Training and education

How does the literacy rate affect the standard of living of a country and the economic growth?

Countries that have high literacy rate are countries that have invested in their human capital. These workers are more skilled and can produce goods and services that are more complex and expensive

Example of high literacy rate = engineers, doctors

Example of low literacy rate = farmers, herders

What happens to the GDP of a country when people invest in their capital goods? Give an example of investing in capital resources.

- *When a country invests in its capital goods the GDP goes up*
- *Building new factories and infrastructure; using more advanced technology; better tools and machines*

How would the unequal distribution of natural resources on a continent affect the economic development of individual countries?

Some countries will have a lot of natural resources and others will have none. Countries that have LOTS of natural resources and a STABLE government tend to have better economies, be more developed, and have a higher GDP

How does an entrepreneurship help the economy?

Entrepreneurs create new goods and services which creates new jobs. Countries that encourage entrepreneurship tend to have a better economy and higher GDPs

In Kenya males average 10 years of schooling and females 9 years. The literacy rate for males is 90% and females 80%. In Sudan the literacy rate for males is 61% and for females 50%. What could you conclude about the opportunity for education in the Sudan compared to Kenya?

- A. Females have less opportunity for education in Kenya than in Sudan.
- B. Females in Kenya have the same opportunity for education as males in Sudan.
- C. Females have the same opportunity for education in Kenya as in Sudan.
- D. Females have more opportunity for education in Kenya than Sudan.**

In South Africa it is easy to start a business. In addition, private property rights are well protected. What impact does this have on the role of entrepreneurs in South Africa?

- A. Entrepreneurs are not affected.
- B. The efforts of entrepreneurs are limited because of a lack of government rules.
- C. Entrepreneurs will have no real impact on the economy of South Africa.
- D. Entrepreneurs can make a significant contribution to South Africa's economy.**

In Iran, the economy is highly centralized and there are a lot of regulations about private individuals opening and operating businesses. However, Saudi Arabia has made owning and operating a business very easy compared to the world average. What impact does this have on the role of entrepreneurs in both countries?

- A. Entrepreneurs are not affected by government regulations.
- B. It will limit efforts of entrepreneurs in both Iran and Saudi Arabia.
- C. Entrepreneurs will be able to make significant contributions to Saudi Arabia's economy but not to Iran's economy.**
- D. Both Iran and Saudi Arabia will benefit greatly from the efforts of entrepreneurs.

Nigeria has large deposits of oil and is currently exporting a significant quantity of oil. However, Nigeria has very few industries outside of oil and no other significant natural resources. How does this impact Nigeria's GDP?

- A. Makes the GDP more dependent on agriculture.
- B. Makes the GDP more dependent on oil production.**
- C. Makes the GDP inaccurate because there is little industry.
- D. Makes the GDP inaccurate because there is only one major natural resource in the country.

Saudi Arabia's literacy rate increased from approximately 48% in 1980 to over 78% by 2009. Why is this important for the Saudi Arabian economy?

- A. It has helped increase foreign trade.
- B. It caused a decrease in foreign debt.
- C. It helped to increase the country's GDP.**
- D. It resulted in fewer jobs for Saudi citizens

China's economy is growing at a very rapid pace. Why are entrepreneurs important in the growth and transition of China's economy?

- A. They build new factories.**
- B. They run the government.
- C. They planned the Olympics in 2008.
- D. They provided guidance on education.

Microsoft Corp, the world's largest software company, said that the company will invest \$1.7 billion in India over the next four years to expand its operations. The money will be spent to make India a major hub for Microsoft's research, product and application development, and services and technical support. India's highly skilled software professionals, low-cost operations, a booming economy, good telecommunications links, and a rapidly growing market have made many foreign companies announce plans to expand their operations in India.

Which is an example of human capital in the above passage?

- A. skilled software professionals**
- B. computer factories in New Delhi
- C. research products for Microsoft
- D. loans to local software companies

VOLUNTARY TRADE BENEFITS BUYERS AND SELLERS IN AFRICA

How does specialization encourage trade between countries?

Countries produce less items than their citizens use on a regular basis, but the items they do make are of a higher quality. Specialization forces countries to trade to get all the items the citizens want.

Why does international trade require a system for exchanging currencies between nations?

So that trade can be faster and more efficient

	TARIFF	QUOTA	EMBARGO (Sanctions)
Why would they want the trade barrier?	<i>To protect domestically made jobs and products from foreign competition</i>	<i>To protect domestically made jobs and products from foreign competition</i>	<i>To force a country to meet international demands</i>
Why wouldn't they want the trade barrier?	<i>Free trade = less expensive products for consumers</i>	<i>Free trade = less expensive products for consumers</i>	<i>Could cause war ; bad for business</i>

Nigeria has a new industry that builds tractors for agriculture. To protect this new industry from competition by lower priced foreign built tractors the Nigerian government would use what type of economic trade barrier to raise the price of imported tractors?

- A. Embargo
- B. Quota
- C. Tariff**
- D. Treaty

After the Persian Gulf War, the United Nations imposed an embargo on Iraq. What would be the reason an embargo was used by the United Nations?

- A. To control the Iraqi economy after the War.
- B. To restrict trade with Iraq until they met UN requirements**
- C. Iraqi products to help Iraq's economy
- D. To protect Iraq's domestic industry so it would grow after the war.

In order to protect a nation's car manufacturing industry from foreign car producers, the government charges the importer a fee for each imported car. This is an example of what kind of trade barrier?

- A. Subsidy
- B. Tariff**
- C. Quota
- D. Embargo

Most African nations depend on foreign trade with many nations to provide things which are not made in their country. Which of these makes foreign trade with many nations easier?

- A. Use of a world-wide currency.
- B. A system to exchange currency between countries.**
- C. Trading only with countries that have the same currency.
- D. Trade of products made in their country for needed goods so currency is not needed.

Oil is the major export of Saudi Arabia to many different countries. Saudi Arabia's international trade in oil is made much easier by

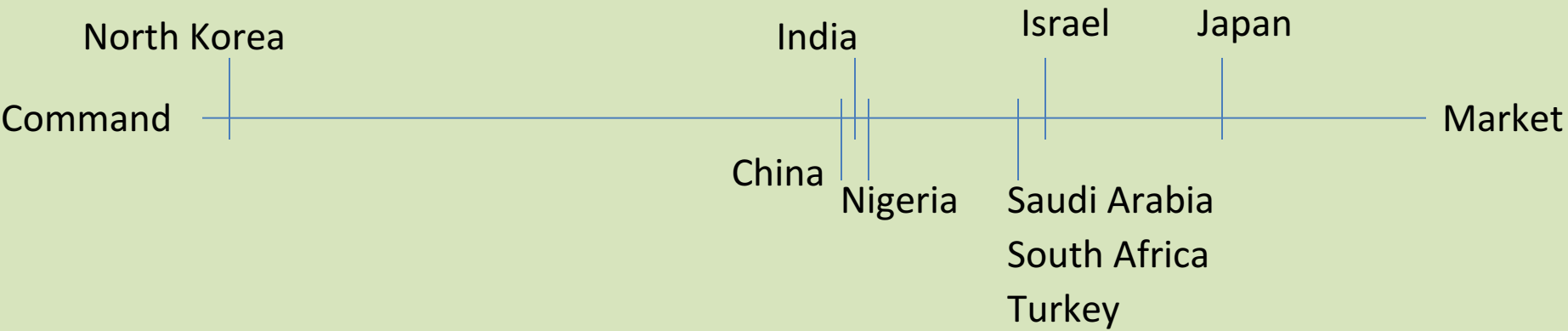
- A. Use of a world wide currency.
- B. A system to exchange currency between countries.**
- C. Trading only with countries that have the same currency.
- D. Trade of oil for other needed goods so currency is not needed.

Jiang wants to sell his products manufactured in his country to consumers in several other Asian countries. This will involve him in international trade. What needs to be in place so Jiang can accurately determine the price of his products in these other nations?

- A. A common Asian currency.
- B. An embargo on the countries he trades with.
- C. A system for exchanging currencies between countries.**
- D. A treaty with each country setting the price for his products.

ECONOMIC SYSTEMS

	Traditional	Command (communism)	Market (capitalism)	Mixed
What to produce?	Whatever is usually produced there/ past generations	Government or central authority determines what is needed	People or businesses produce what they think will make a profit	People decide but the government imposes restrictions
How to produce?	However past generations have produced it.	Government decides who and how will produce items	People or businesses try to find the least cost method	People determine how to produce but the govt sets minimum guidelines
For whom to produce?	Social roles and customs determines who gets what	Government decides through rations / lines	Whoever can/will buy it	Whoever will buy it, but the govt provides welfare benefits



Why do countries have mixed economies?

A. Each part of a country has different types of money.

B. A country's economy has both national and state elements.

C. Each part of a country has a different economy.

D. A country's economy has both command and market elements.

The North Korean government determines:

·What to produce

·How to produce

·For whom to produce

According to the information box, North Korea's economy is MOST LIKE which economic system?

A. Traditional

B. Market

C. Command

D. Bartering

South African economic policy is conservative focusing on controlling inflation, maintaining a budget surplus, and using state-owned enterprises to deliver basic services to low-income areas as a means to increase job growth and household income. However, companies are freed to choose what to produce, how to produce, and for whom to produce. Where does this policy place South Africa on a continuum between pure market and pure command?

A. Almost pure traditional

B. Pure market

C. More market than command

D. Pure command

In this country a single or centralized government authority decides what is produced. Which term identifies this type of economic system?

A. Traditional

B. Command

C. Market

D. Public