

Economics Test Study Guide Answer Key

Define the following:

Literacy rate: the percentage of adults in a country that can read and write

Human Capital: what a person brings to the business as a worker (education, skills, training, healthcare)

Capital Goods: goods that are made to make things (factories, tools, machinery)

Natural Resources: items naturally found on Earth that are used to make goods (sunlight, water, gas)

Tariff: tax on imported goods

Quota: a limit placed on imported goods

Embargo: a government ban on trade with another country

Physical Trade Barrier: mountains, no access to ocean, etc.

- 1) What type of economy is based on customs, beliefs, carrying on the traditions of your ancestors, and they use bartering? **traditional**
- 2) What type of economy is controlled by the government? **command**
- 3) What type of economy is controlled by businesses and individuals that own them? **market**
- 4) What are the three basic economic questions?
*****What to produce?, How to produce?, For whom to produce?**
- 5) Countries invest in human capital because: it makes their workers more qualified and educated
- 6) If a country's literacy rate is high, their standard of living is **high**.
- 7) Overall, does Europe have a high or low literacy rate? **high**
- 8) A communist country will most likely have a **command** economy.
- 9) What type of economic system do they have in the UK? **mixed**
- 10) What is it called when a company or country focuses on providing the goods/services they are the best at? **specialization**

11)What is the name of a person who uses all of the resources we have discussed to produce/provide goods and services (business starters/owners)? entrepreneurs

12)What is the name for the money used for trading? currency