SS6E7: The student will describe factors that influence economic growth and examine their presence or absence in Europe.

In economics, there are four factors that influence a country's growth: human capital, capital goods, natural resources, 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 all three countries is very well trained and educated.

Capital goods are the factories, equipment, technologies, buildings, and property needed by businesses to operate. If a business is to be successful, it cannot let its machines 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 capital goods, 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 trade 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	profit
needs	forests	human capital (2)	property	equipment	Russia	United Kingdom
money (2)	Germany	capital goods	Entrepreneur (2)			

SS6G11c The student will explain how the literacy rate affects the standard of living in Europe.

Literacy is the ability to read and write. High rates of literacy are usually found in industrialized or developed countries like the Unites States and the majority of Europe. An industrialized country relies more on manufacturing than farming for their Wealth.

A country is considered developing or third-world if they depend more on farming than manufacturing for most of their wealth. These countries often have a large percentage of their population that cannot read and write. In a developing country, kids often have to work because the money they earn is needed to feed and house their family. Most children do not have the opportunity, or money, to go to school. When they grow into adults, they cannot get good paying jobs because they do not know how to read. So their children must work in the fields instead of going to school. The cycle of poverty continues.

In most countries, there is a direct connection between literacy rate and per capita GDP. The gross domestic product (GDP) is the total value of all the final goods and services produced in a country in one year. To find the **per capita** GDP, you take the total value of the final goods and services produced in a country in one year and divide it by a country's total population. Germany and the United Kingdom have high per capita GDPs. Russia's isn't as high due to their country once being the communist country of the Soviet Union.

Per capita GDP is one way to measure how rich or poor a country is and it can also be used to tell if the economy is getting better or worse. As a country raises their per capita GDP, the standard of living often goes up as well. Most countries in Europe have a high literacy rate and a high per capita GDP. This will NOT be true for some of the Latin American countries we study.

While economists (people who study how a country makes/uses its money) look at per capita GDP when studying a country, the literacy rate is the most valued indicator of a country's standard of living.

SS6E6b- 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 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. 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.

trade	euro	GDP (2)	population	developing	exchange
literacy	value	bank	wealth	farming	European Union
wealth	poverty	pound	currency(2)	industrialized	manufacturing
United Kingdom		Soviet Union		standard of living	economists

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