Environment and Economics Test Study Guide

1. What economic system is least likely to be found in Europe today? **Traditional**
2. Define entrepreneur. **A person who has an idea and starts a new business**
3. What is a tariff? Provide an example. **A trade barrier that places a tax or fine on imports.** **Ex: Oil coming from Saudi Arabia into the United States.**
4. What is a quota? Provide an example. **A trade barrier that places a number limit on a specific imported good. Japan brings 25% of their cars into the United States.**
5. What is an embargo? Provide an example. **The United States stops all trade with Cuba during the Cold War.**
6. Briefly describe and provide **two** examples of what it would be like to live in the following economic systems:

* Traditional – **THE OLD WAY! What you produce and make is based on the past.** **Ex #1: You are a farmer because your parents and grandparents were also. Ex #2: You fix wagons for your community.**
* Command – **THE GOVERNMENT WAY! What you produce and make is decided by the government. Ex #1: You make cars. Ex #2: You make potatoes and apples.**
* Market – **THE GET RICH WAY! What you produce and make is based on supply and demand of the consumers. Ex #1: I will make basketball shoes for athletes and set a price to make profits. Ex #2: I will make cell phones for anyone that will buy them.**
* Mixed – **THE COMBINED WAY! You can produce what you want but the government has strict rules. I will make toys for children, but will provide instructions for use and safety. Ex #2: I will sell meat in supermarket, but provide ingredients and expiration dates.**

1. What does it mean to exchange currency? What is a problem? **A rate between two currencies specifies how much one currency is worth in terms of the other. The problem is there are fees.**
2. Define natural resource. Provide **three** examples. **Natural resources are gifts from nature. Ex: trees, rivers, coal, and oil.**
3. What is a way that entrepreneurs help increase the Gross Domestic Product (GDP) of a country**? An entrepreneur starts a business and produces a product or service, use human resources which creates income toward a country’s GDP.**
4. What is an example of investing physical capital by a company? **Ex: Building a factory or using machines to make cars.**
5. Define the following:

* Income - **The money that comes in.**
* Expense - **The money that you pay out.**
* Capital - **A pile of money.**
* Human Capital - **The potential power of workers.**
* Literacy Rate - **The percentage of the population that can read at a fourth-grade level.**
* Life Expectancy – **How long the average person lives in a certain country.**
* Physical Capital - **Equipment for business**. **Roads, factories, ports, railroads, airports, mines, buildings, technology**.
* Entrepreneur - **A person who has an idea and starts a business.**
* Gross Domestic Product (GDP) - **The total value of all goods and services produced within one country in one year.**
* Per Capita - **Per person or “for each head”**
* Per Capita Gross Domestic Product (GDP) - **How much a country produces *per person*.**

1. What is a continuum? Draw a continuum that that will show **five** countries and where they would be place between command and market economic systems. **A line going from one extreme to the other extreme.**

**Hong Kong**

**90%**

**United Kingdom**

**Germany 79%**

**71%**

**North Korea Russia**

**O 1% 51% 100**

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**COMMAND MARKET**

1. Define literacy rate. How does it affect the per capita GDP? **Percentage of the population that can read and write. Increase in people that can read and write in a country will increase the per capita GDP because there are more entrepreneurs, skilled workers and better production of goods and services.**
2. What is surplus? Provide an example. Too much of something. **Ex: A cow produces more milk than a farmer needs.**
3. What type of trade barrier involves stopping trade with a country in order to punish that country or force change? **Embargo**
4. What is the final use of a product known as in economics? **Consumption**
5. What is it called when a country buys products or services from another country? **International Trade**
6. What is scarcity? Provide an example. **Not enough of something. Mr. Taylor does not grow enough potatoes for the winter.**
7. What is the currency for most European Union (EU) COUNTRIES? **Euro**
8. Explain the Europe environments issues below:

* London – When did it happen? What happened? What are possible solutions? **In 1956, fog and smoke created smog pollution in London which caused low visibility, increased crime, sickness and death. The government poshed for better ways to burn coal, created smoke free zones (ride bikes, walk) and designed a 250 mile subway.**
* Chernobyl, Ukraine - When did it happen? What happened? What are possible solutions? **In 1986, A nuclear power plant exploded and caught on fire causing radioactive materials to leak into the environment causing sickness, deaths, destruction to the plants, animals, rivers, etc. The government buried the plant underground in cement and pass strict laws for safety in nuclear plants.**
* Germany - When did it happen? What happened? What are possible solutions? **In 1950, pollution form factories and automobiles mixed with clouds creating acid rain. This caused destruction to rivers, trees, buildings, etc. The government created better ways to produce energy such as green energy (wind and solar power).**

1. What is the European Union (EU) and why was it created? **27 nations in Europe have joined together to support each other’s economies through free trade and use of a common currency. The has EU made European countries completive with leading countries such as the United States, Japan and China.**