

**Economic  
Factors  
Matching Pair  
Activity**

# Use your Economic Factors in Europe Graphic Organizer to summarize the important information from the lesson.

Economic Factor	Influences on Europe
<b>Trade</b>	
<b>Investments in Capital [Human and Physical]</b>	
<b>Natural resources</b>	
<b>Entrepreneurship</b>	
<b>GDP Per Capita and GDP Growth Rate</b>	

# Trade



Because every country does not use the same type of money, international trade requires a system for exchanging currencies between nations.



**The European Union simplified currency exchange when it established the euro as the common currency for its member nations.**



**This one common currency has made trade and travel much easier within Europe.**

# Trade Barriers



- ❧ Countries sometimes set up trade barriers to restrict trade because they want to sell and produce their own goods
- ❧ Tariff: a tax placed on imported goods
- ❧ Quota: a restriction on the amount of a good that can be imported
- ❧ Embargo: trade is forbidden with another country

# TRADE BARRIERS



**Tariffs: higher price on imports = lower demand on imports = higher demand on domestic goods**



**The European Union (EU) was primarily established to set up free trade among countries in Europe.**



**Products produced in Europe can now move freely, without tariffs, to other EU member nations.**

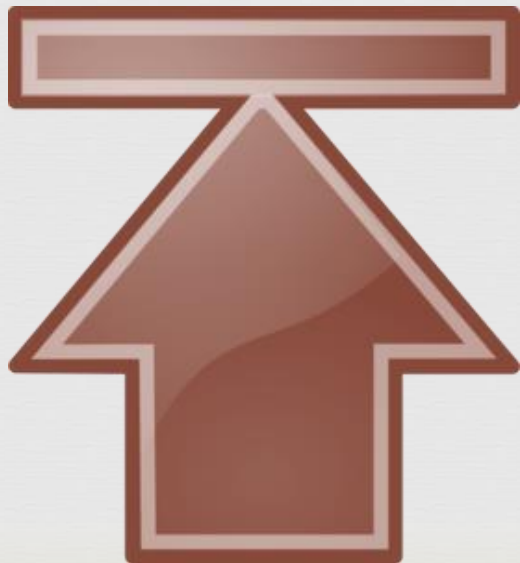
**This free trade leads to huge cost savings for European consumers and businesses.**



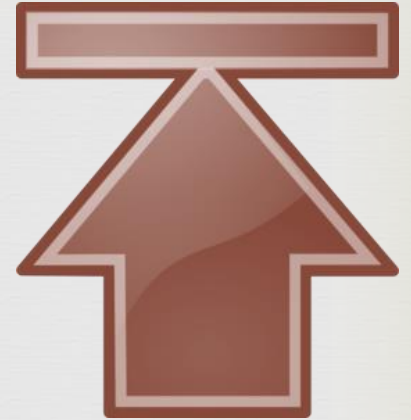
# TRADE BARRIERS



Quotas: “supply shortage” = higher price on imports = higher demand on domestic goods



**In order to protect its members,  
the EU sometimes establishes  
quotas on trade with other  
nations and within the EU.**

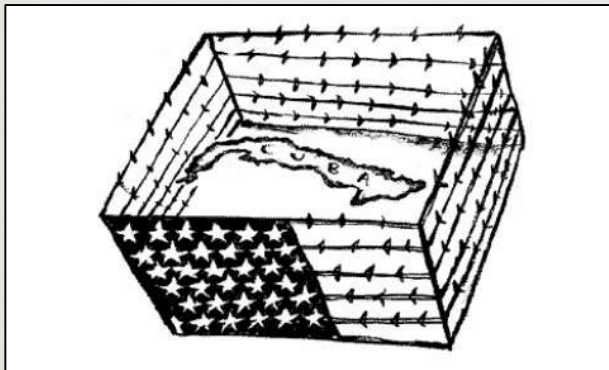


**Examples:**

- **The EU placed quotas on clothing imports from China when EU members with strong textile industries complained about cheap import prices.**
- **The EU strictly limits the amount of fish a boat can bring to port in order to give EU countries equal fishing advantage.**

# TRADE BARRIERS

## Embargoes: NO trade at all!



- The EU will embargo imports from foreign countries if that country doesn't follow specific quota rules.
- Embargoes are sometimes put in place for safety reasons (for example, an embargo against African fish products due to unsanitary water conditions).
- The EU may also embargo imports from countries for political reasons (for example, an embargo against a country that violates its citizens' human rights).

# In Short...

The EU has eliminated tariffs to increase free trade among its member nations.

The EU uses quotas to protect its member nations from other countries and each other.

The EU imposes embargoes to protect its member nations and punish other countries for political reasons.



# Investments in Human Capital



Education and the abilities it develops create a smarter and more productive workforce, which leads to greater economic growth.



# Think, Pair, Share

Examine the table below. In which country would you most prefer to live? Why? Least prefer? Why?

Country	Literacy	GDP per capita (person)	Life Expectancy	Unemployment Rate
Germany	99%	\$45,900	81	5%
Guatemala	82%	\$7,500	72	4%
Haiti	61%	\$1,800	64	41%
Kenya	78%	\$3,100	64	40%
Lebanon	94%	\$18,000	77	N/A



**There is a relationship between literacy and human capital in terms of people's ability to produce income and have a better life.**

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Based on current data taken from the CIA World Factbook in 2015

# Human Capital, Literacy Rate, and Standard of Living



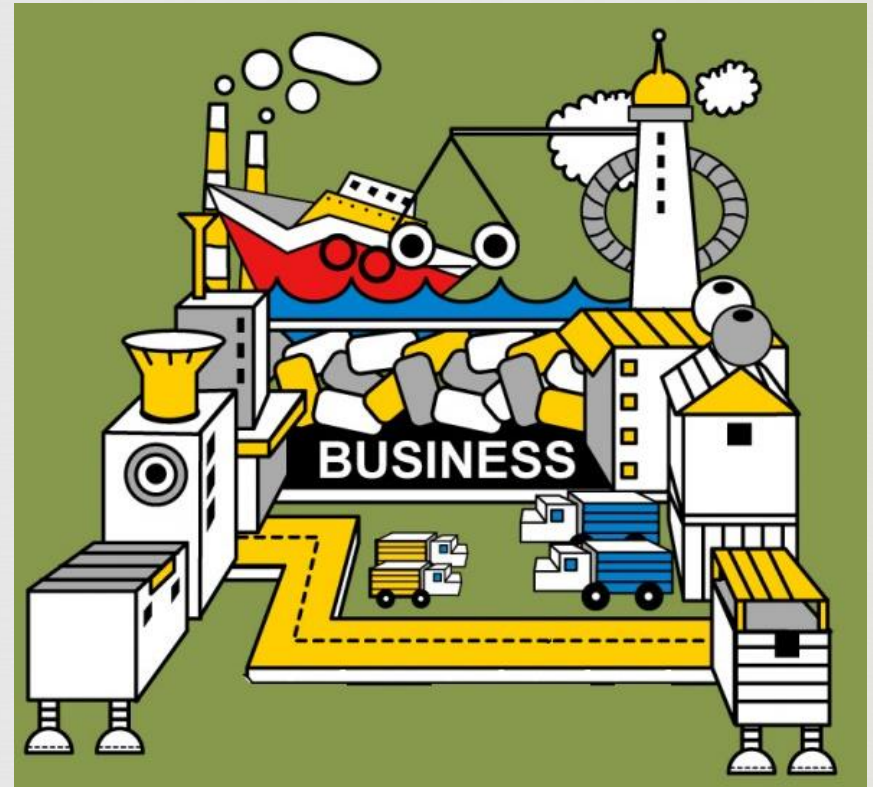
If you can read, you can learn. If you can learn, you can improve your work skills, and get a better job that pays a better salary. If you have a better salary, you can improve your standard of living.

A country that improves the literacy rate among its citizens will improve the standard of living within that country and improve its economy. Educated and skilled workers are an important factor in a country's economic growth.

# Investment in Capital



Capital: Factories,  
Machinery,  
Technology, Roads,  
Equipment, etc.



Investment in capital helps economic growth  
by providing workers with the best and  
newest tools which makes them more  
productive, and increases a country's GDP.



**Most European countries have  
good education systems and  
strong capital investment.**



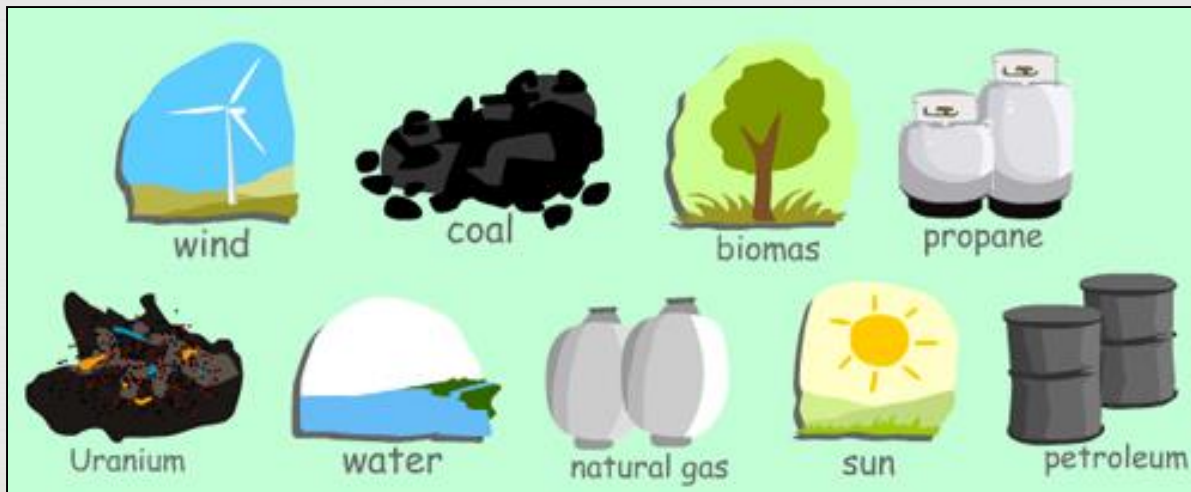
# What could the countries of Haiti and Kenya do to make their economies stronger and more like the economy of Germany?

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# Natural Resources



Natural resources are materials or substances that occur in nature and can be used for economic gain.



Natural resources are the fuel for industry and a source of income when exported to other countries.





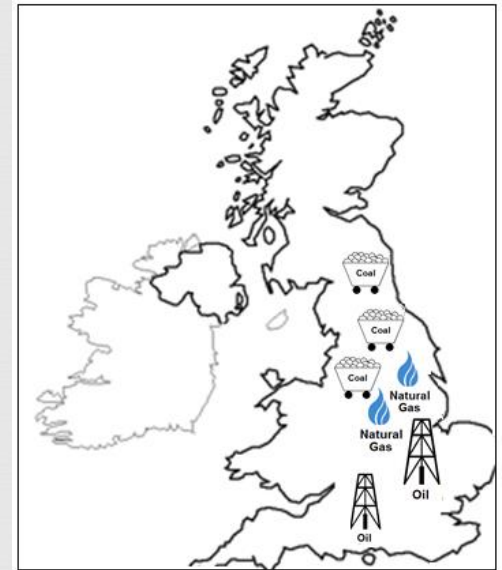
# From our geography studies, which countries in Europe have many valuable natural resources?



Germany



Russia



United Kingdom

# Natural Resources in Europe



- ❧ The UK (United Kingdom) has a successful economy in part because of its valuable reserves of coal, oil, and natural gas.
- ❧ Germany has a successful economy in part because of its valuable rivers, forests, and large deposits of coal and iron ore.
- ❧ Russia has many natural resources, but they are located in remote areas and it is difficult and expensive to collect them.



Entrepreneur: someone who has an idea for a good or service and takes the risks to produce it. They use human, capital, and natural resources to produce their product.

- ∞ Entrepreneurship creates jobs and better materials, products, technologies, etc.
- ∞ The more entrepreneurs a country has, the higher the country's GDP



# Investigating Entrepreneurship in Europe Activity

**European countries do not have as much entrepreneurial activity as the United States because of high taxes, lots of regulations, and job security.**



**The EU is encouraging its members to reduce taxes and regulations on small businesses, and helping set up training programs on how to run a business.**

# Gross Domestic Product (GDP)



Economic growth in a country is measured by the country's Gross Domestic Product (GDP) in one year



# Gross Domestic Product (GDP)

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GDP = the total of goods and services produced in one year within a country





**GDP per capita is a measure of the total output of a country that takes the GDP and divides it by the number of people in the country.**



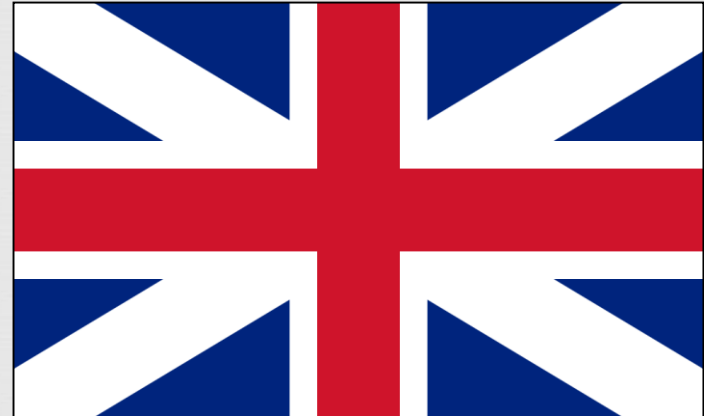
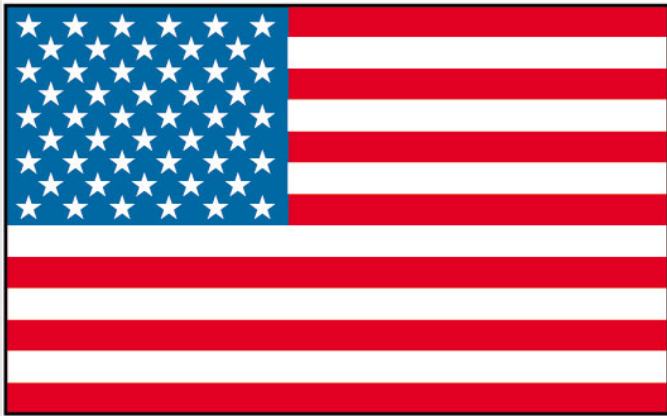


**Get with a seat partner. Each partner should share a ~~1-2~~ sentence explanation of GDP.**

Economic growth is usually measured by calculating the percent increase in GDP from one year to the next. This is known as the GDP Growth Rate.



**GDP per capita and GDP growth rate can be useful when comparing one country to another because it shows the relative performance of the countries.**



# GDP Review Videos [select one]



Gross Domestic Produce: The  
Economic Lowdown [7:51]

What Exactly is GDP? [from  
economics unit]

**Think, Pair, Share**  
**Examine the table below. Which country has the strongest economy? Why? Weakest? Why?**

<b>Country</b>	<b>GDP per capita (person)</b>	<b>Growth Rate</b>
<b>Germany</b>	<b>\$45,900</b>	<b>1.6%</b>
<b>Italy</b>	<b>\$35,500</b>	<b>-0.4%</b>
<b>Russia</b>	<b>\$24,800</b>	<b>.06%</b>
<b>Ukraine</b>	<b>\$8,700</b>	<b>-6.8%</b>
<b>United Kingdom</b>	<b>\$39,500</b>	<b>2.6%</b>

**Countries such as Germany and the United Kingdom have two of the strongest economies in Europe; therefore, they have high GDPs.**



**Other European countries such as Russia and the Ukraine are slowly transitioning from a command economy (during the Soviet Union era), so they have lower GDPs.**

# Summarizer

Economic Factors in Europe

Name \_\_\_\_\_ Date \_\_\_\_\_ Period \_\_\_\_\_

1. Investment in human capital has a \_\_\_\_\_ effect on a country's economy because \_\_\_\_\_

\_\_\_\_\_

2. Investment in capital [physical] has a \_\_\_\_\_ effect on a country's economy because \_\_\_\_\_

\_\_\_\_\_

3. Natural resources are \_\_\_\_\_ to a country's economy because \_\_\_\_\_

\_\_\_\_\_

4. Entrepreneurship is \_\_\_\_\_ to a country's economy because \_\_\_\_\_

\_\_\_\_\_

5. How has the European Union (EU) positively affected trade in Europe? \_\_\_\_\_

\_\_\_\_\_

6. Germany has a stronger economy than Russia. Use GDP and the following economic factors to explain why: trade, investment in capital, natural resources, and entrepreneurship.

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