

A QUICK GUIDE TO

ECONOMICS

Economic Systems		
System	Description	Example
Traditional	Produce what they need to survive (hunting, farming, or gathering)	Amish
Command	Government control	Cuba
Market	People control based on supply and demand	
Mixed	Mixture of pure Com-mand and pure Market	Brazil, Canada, and US

An economic system must answer three basic questions:

What to produce?

How to produce?

For whom to produce?

Trade Barriers

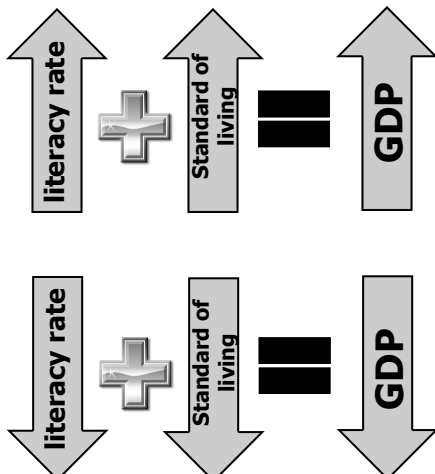
Embargo = *forbids* trade
Tariffs = *taxes* placed on imported goods

Quotas = *restrictions* or *limits* amount of goods imported



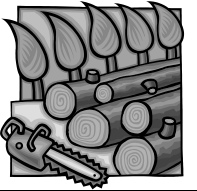

NAFTA

North America Free Trade Agreement

- Signed in 1993
- Canada, US, & Mexico
- Eliminated tariffs
- Removed restrictions
- Removed customs barriers
- Set regulations



Factors that affect GDP

FACTOR	DEFINITION	EXAMPLE
Human capital	People (humans) who perform labor	
Capital goods	items that people need to perform their jobs	
Natural Resources	resources that come from nature	
Entrepreneurs	people with new ideas that are willing to take risks to start a business or make a product	

ECONOMICS VOCABULARY

Word	Definition
<i>supply</i>	how much a person has
<i>demand</i>	what or how much a person wants (demands)
<i>GDP (Gross Domestic Product)</i>	the value of all the goods and service produced in a country in one year
<i>human capital</i>	people who perform labor, invest by training and education
<i>capital goods</i>	items that people need to perform their jobs (factories, machinery, technology), invest in it by updating machinery and new computers
<i>natural resources</i>	resources that come from nature (timber, minerals, etc)
<i>entrepreneurs</i>	people with new ideas that are willing to take risks to start a business or make a product
<i>standard of living</i>	how well citizens live based on good public services, education, health care, good jobs
<i>literacy rate</i>	the ability to read and write, affects standard of living
<i>specialization</i>	specialize in what they do best
<i>opportunity cost</i>	value of what is given up when a choice is made
<i>currency</i>	money (examples: Canadian dollar, Brazilian real, European Union Euros, Mexican pesos)
<i>exchange rate</i>	How much one currency is worth in terms of another