
ECONOMIC
GROWTH

Standard: SS6E6 – Describe factors that influence economic growth and examine their presence or absence in Canada.

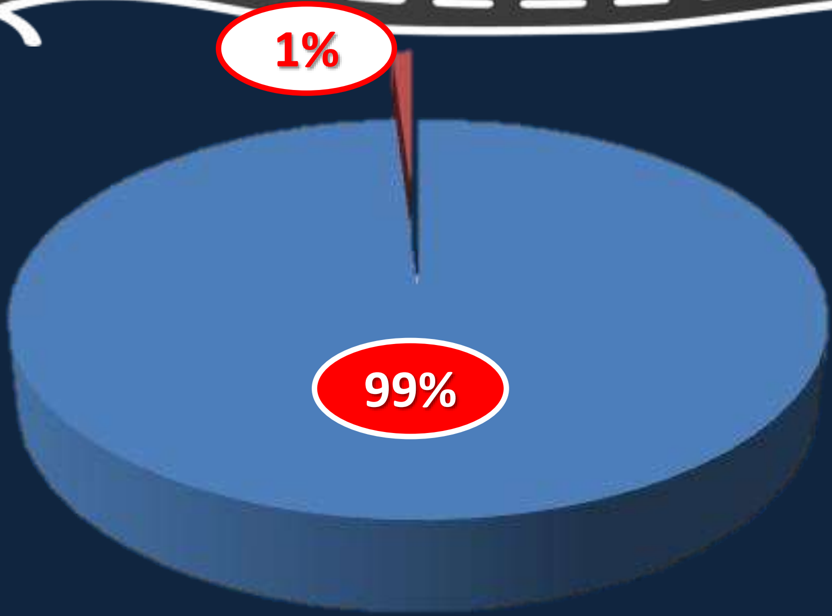
Element: a. Evaluate how literacy rates affect the standard of living.

Literacy Rate

In order for a region to sustain high-quality, well-paying, in-demand jobs, its labor force must be literate. The literacy rate is the amount of people who can read and write.

The literacy rate in Canada, 99%, is one of the highest in the world. This high literacy rate indicates an investment on the part of the Canadian government in human capital. According to a World Economic Forum report, of the 130 nations analyzed for 2016, Canada ranked 9th in the world for human capital investment.

No matter the career, all jobs need citizens to be literate.



Literacy Rate

When countries have high literacy rates it positively affects standards of living. Standard of living generally refers to the level of wealth, comfort, material goods and necessities available to a country. An evaluation of standard of living commonly includes the following factors:

income
quality and availability of employment
poverty rate
quality and affordability of housing
quality and availability of education
life expectancy
incidence of disease
cost of goods and services
environmental quality

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Element: b. Explain the relationship between investment in human capital education and training) and gross domestic product (GDP per capita).

Human Capital and GDP

The economic strength of a nation is determined by measuring its gross domestic product, or GDP . GDP is the estimated total value of the final goods and services produced in a nation in a years time.

To make things simple, GDP represents what a nation is worth.

Canada	
GDP	GDP Per Capita
$1.551 trillion	$45,600

Human Capital and GDP

Nations who wish to compete economically must maintain a competitive GDP relative to other nations' in their region and among their trading partners. One way to ensure a healthy and growing GDP is to invest in human capital.

Human capital refers to the relative health, skills, education, and training of a nation's labor force.

Human Capital and GDP

Unhealthy, poorly educated, and/or untrained workers cannot be expected to support a strong national economy, let alone obtain high quality, well-paying, in-demand jobs. Thus a nation's **GDP** directly correlates to its level of **human capital** investment.

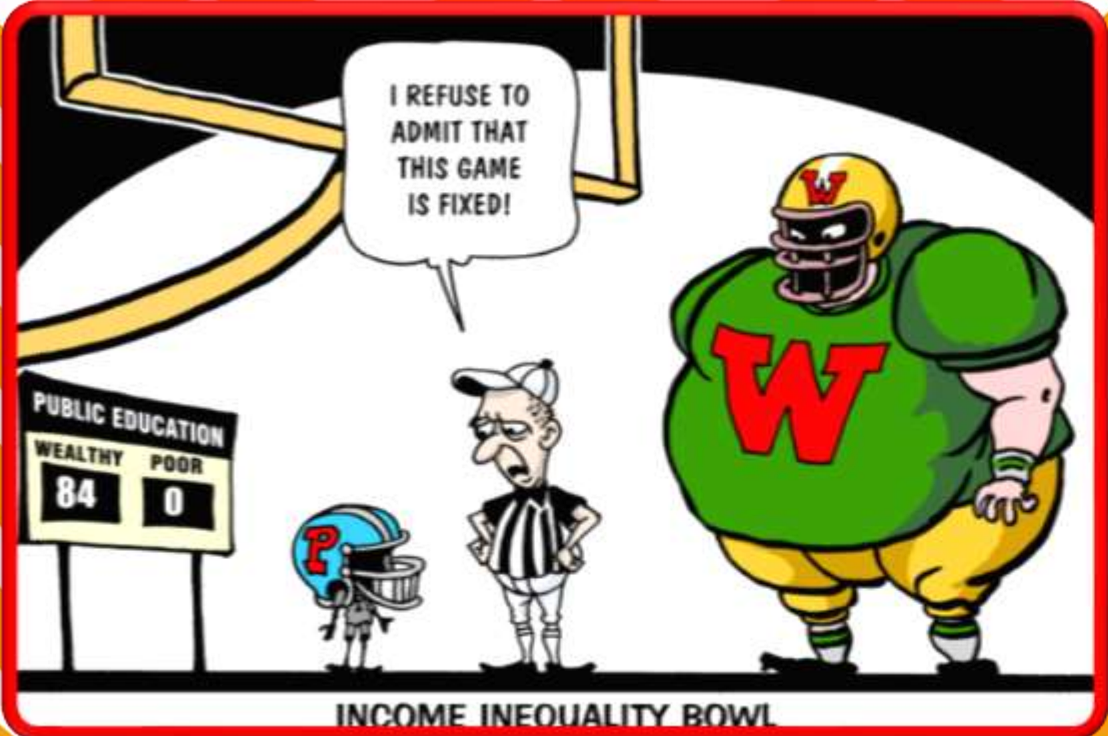
More money spent on human capital, the higher the GDP.

Countries need healthy educated citizens to increase GDP

Human Capital and GDP

Countries who do invest in human capital tend to see a rise in GDP per capita incomes. GDP per capita measures the average annual income of citizens in a given nation. Per Capita can be misleading because when one factor in the gap separating the impoverished, middle class and wealthy are left out.

Income inequality in Canada has increased over the last 20 years.



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Element: c. Explain the relationship between investment in capital goods (factories, machinery, and technology) and gross domestic product (GDP per capita).

CAPITAL GOODS AND GDP

Another factor which can greatly impact a nation's GDP is its level of investment in capital goods (also called physical capital.)

Capital goods are the factories, machinery, technology, etc. that are necessary to sustain a service or industry.

CAPITAL GOODS AND GDP

Older, less efficient factories, antiquated machinery, and obsolete or out of date technology slow production and hamper the growth of national GDP.

Canada's investment in capital goods has mostly been aimed at improving the nation's agricultural output and automotive industries.

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Element: d. Describe the role of natural resources in a country's economy.

Natural Resources

The third factor that increases **GDP** along with **human** capital and capital goods is the abundance of **natural resources**.



Natural resources are materials on or in the earth that has economic value.

Natural Resources

Canada, with a total land area of nearly 4 million square miles, has an abundance of natural resources. These include minerals and rare earth elements – coal, iron ore, silver, copper, nickel, and gold – as well as an abundance of water for hydroelectric power.

Utilizing their many rivers, Canada utilizes their natural resource to help reduce their countries energy needs.

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Element: e. Describe the role of entrepreneurship.

Entrepreneurship

In any given country, public sector (government-owned) industries will maintain a nations GDP, but they **WILL NOT** grow it.

Government owned industries tend to have less **originality** for new and **innovative** products and businesses plus have little if any incentive to do so.

Entrepreneurs need imagination and innovation to be successful.

Entrepreneurship

It is the private sector (owned by citizens) that the most GDP growth occurs. A solid investment in human capital will foster the entrepreneurship necessary to generate private sector growth.

Countries who spend money on human capital have more potential to create jobs and businesses than countries who don't spend money on human capital.

Ever heard of the saying "It takes money to make money?"

Entrepreneurship

Entrepreneurs are citizens who invest their own capital resources toward the creation of a new business or industry, frequently at some financial risk.

Entrepreneurs help a county's **GDP** because they create jobs for citizens to fill and create products/services in order to make money. The top 5 wealthiest countries on Earth all have a high number of entrepreneurs.

Those whose business ideas succeed will **profit**; those whose do not will fail. This is the very essence of the free **market** / **capitalist** system.

More entrepreneurs higher GDP

Less entrepreneurs lower GDP

Entrepreneurship

The cost related to businesses are expenses. If a companies income is greater than its expenses it is said to have a profit. Those companies who have more expenses than what they are earning will not survive. It is simply costing them money that what they are making.

This is the very essence of the free market / capitalist system. In Canada, some 13% of all citizens are entrepreneurs, tying it with Australia. Canada's level of entrepreneurship is second only to the United States.

Roughly 20% of new businesses survive their first year of operation.

Entrepreneurship

The goal of owning a business it to make a profit. Businesses must sell goods or services to generate income.

SAMSUNG

NIKE

Ford

Reebok

UNDER ARMOUR

Recognize any of these companies started by citizens?