

**What affects a country's  
economic growth?**



- **SS6E3, SS6E6 Describe factors that influence economic growth.**

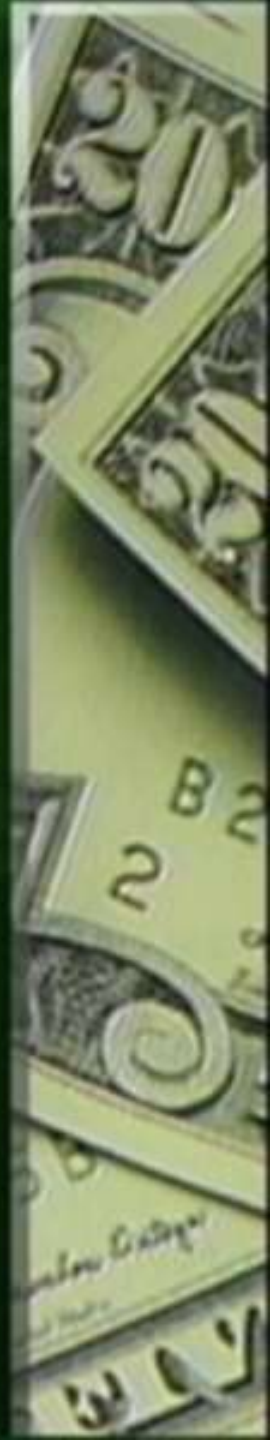
- a. **Evaluate how literacy rates affect the standard of living.**

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

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

- d. **Describe the role of natural resources in a country's economy.**

- e. **Describe the role of entrepreneurship.**



# Use the Factors of Economic Growth Graphic Organizer to take notes during the lesson.

<u>Entrepreneurship</u>	<u>Standard of Living</u>	<u>Literacy Rate</u>
<u>Economic Growth Measured by</u> G      D      P	<b>Factors of Economic Growth</b>	<u>Natural Resources</u>  Examples:
<u>Investment in Human Capital</u>  Examples:		<u>Investment in Physical Capital</u>  Examples:



# How is Economic Growth Measured?

- Economic growth in a country is measured by the country's **Gross Domestic Product (GDP)** in one year
- GDP = the total of goods and services produced in one year within a country



# Gross Domestic Product (GDP)

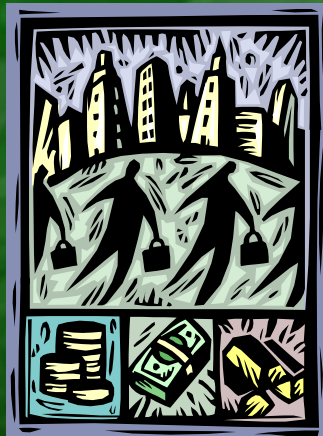
- GDP is a domestic measurement because it measures only what has been produced within a country – this does not include products that are imported.
- It is much better for the economy of a country to produce its own goods and services [this increases the country's GDP].



# Gross Domestic Product

Measuring the GDP each year can:

- Compare one country's economy to another
- Check a country's economic progress over time
- Show if the economy is growing or not



# Economic Growth

There are 4 main factors that influence economic growth within a country:

- Investment in Human Capital
- Investment in Physical Capital
- Land [natural resources] available
- Entrepreneurship

The presence or absence of these 4 factors determine the country's Gross Domestic Product for the year



# Investment in Human Capital

- **Human Capital** refers to the people who perform labor
- When countries invest in Human Capital, they are providing education and/or training for the people who perform the labor
- How would investing in human capital impact the GDP of a country?



# Investment in Human Capital

Studies have shown that investment in the education and skills training of people relates to a higher GDP.

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

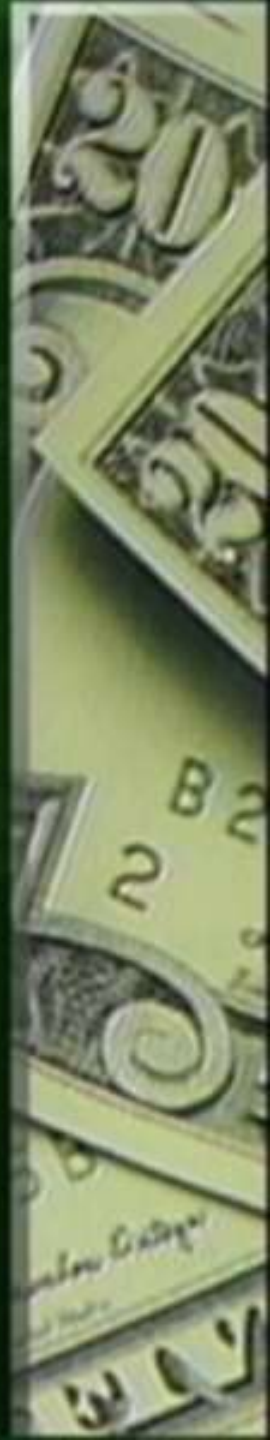


# Human Capital, Literacy Rate, and Standard of Living

There is a relationship between education levels and human capital in terms of people's ability to produce income.

**Literacy Rate** is the number of people in an area that can read and write.

**Standard of Living** is a level of material comfort as measured by the goods, services, and luxuries available to an individual, group, or nation.



# Standard of Living

What are some of the goods, services, and luxuries that someone with a high standard of living might enjoy that someone with a low standard of living might not enjoy?



# Standard of Living

Country	Puerto Rico	Haiti
Literacy Rate	94.1%	52.9 %
GDP per capita	\$18,700	\$1,400
Life Expectancy	78.58	57.56
Unemployment Rate	12%	40.6%

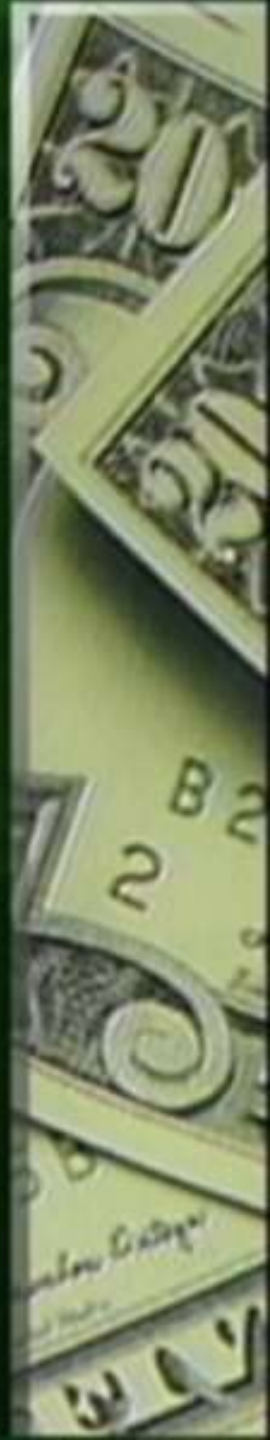
With a seat partner, discuss which country you think has the higher standard of living. Be able to explain your answer.



# 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.



# Human Capital

What is the current investment in your human capital?



# Investment in Capital [Physical]

- Physical Capital refers to the factories, machinery, and technology used to produce goods and services.
- When countries invest in Physical Capital, they are providing better facilities, resources and/or materials for the people who perform the labor
- How would investing in physical capital impact the GDP of a country?



# Investment in Physical Capital

Investment in physical capital relates to a higher GDP.

More advanced factories, machinery, and technology creates a more productive workforce, which leads to greater economic growth [higher GDP].



# Natural Resources

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



# Natural Resources

Countries that have a lot of natural resources are able to use them to produce goods and services cheaper than a country that has to import natural resources.

Therefore, a country with a lot of natural resources USUALLY has a greater GDP than a country with little natural resources.



## Major resources

	Coal		Natural gas
	Uranium		Oil
	Bauxite		Silver
	Copper		Timber
	Fish		Tin
	Gold		Other minerals
	Iron ore		Manufacturing center

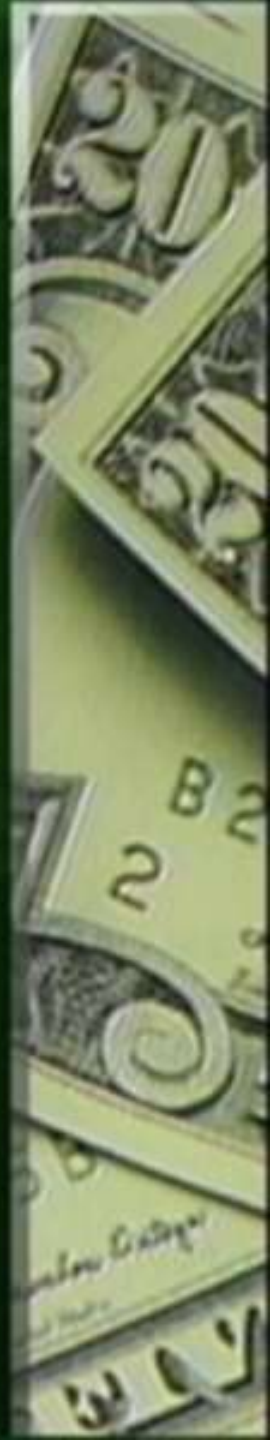


# Comparing Natural Resources Worksheet

# Entrepreneurship

An **Entrepreneur** is someone who has an idea for a good or service and takes the risks to produce it.

Entrepreneurs are important because they come up with new ideas and use human, capital, and natural resources to bring their ideas to life and to the marketplace.



# Entrepreneurship

It can be several things:

- Starting your own business
- Inventing something new
- Changing the way something was previously done so that it works better



# How does Entrepreneurship Influence Economic Growth?

- Entrepreneurship creates jobs and reduces unemployment
- Entrepreneurship encourages people to take risks, and in doing so, create better materials, products, technologies, etc.
- The more entrepreneurs a country has, the higher the country's GDP

