ECONOMIC GROWTH


Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in Brazil, Cuba, and Mexico.

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

Literacy Rate

In order for a country to have high quality, well-paying jobs, its citizens must be literate.

The literacy rate is the amount of people who can read and write.

While majority of people in Latin America are literate, the actual percent of people who can read and write vary from country to country.

Those countries who do not have high literacy rates will not have a very productive economy because they will not have the jobs that are high paying or the people with enough education to fill those jobs.

Literacy Rate

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

Literacy Rate

Low literacy rates normally correlate to lower standards of living; however, high literacy rates do not always translate to higher standards of living in Latin America.

Brazil, Cuba, and Mexico all have literacy rates in the 90th percentile, but in the case of Brazil and Mexico there are numerous pockets of poverty and regional underdevelopment in both countries.

Mexico's literacy rate is hurt from the amount of drug related issues which hurts their economy. Mexico's youth have the highest dropout rates in Latin America.

Brazil's literacy rate is hurt from the amount of government control which limits the amount of high paying private jobs that are available.

Literacy Rate

Literacy Rates in Latin America	Male	Female	Total
Brazil	92.2%	92.9%	92.6%
Cuba	99.9%	99.8%	99.8%
Mexico	96.2%	94.2%	95.1%

Literacy Rate

Cuba has among the highest literacy rates in the world.

Cuba invests heavily in education.

No country on earth spends more of their GDP on education than Cuba. Cuba spends 13% of their GDP on Education.

However, Cuba is among the poorest countries in Latin America.

Cuba has a low standard of living due to its communist government.

Countries with massive government control do not have productive economies which hurts standard of living.

Literacy Rate

Example of Cuba's low standard of living

Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in Brazil, Cuba, and Mexico.

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

Human Capital and GDP

GDP is the estimated total value of the final **goods** and **services** produced in a nation in a years time.

The economic strength of a nation is determined by measuring its **gross domestic product**, or **GDP**.

GDP is a good representation of what a country is **worth**.

Human Capital and GDP

GDP in Latin America	Total
Brazil	$1.773 trillion
Cuba	$77.15 **billion**
Mexico	$1.144 trillion

Human Capital and GDP

To compete economically, a nation must maintain a competitive **GDP** relative to other nations' in their region and among their **trading** partners.

One way to countries grow their 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 is directly related to economic **growth**.

The relationship can be measured by how much is invested into people's **educations**.

Human Capital and GDP

Example: Many governments offer higher education to people at no cost. These governments realize that the knowledge people gain through education helps develop an economy and leads to economic growth. Workers with more education tend to have higher earnings, which then increases economic growth through additional spending.

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.

A nations GDP directly correlates to its level of human capital investment.

More money spent on human capital equals higher GDP.

Countries need healthy educated citizens to increase GDP

Human Capital and GDP

Countries who make a sizable investment 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. The GDP per Capita is the GDP divided by the number of **people** in a country.

GDP Per Capita in Latin Ameirca	Total
Brazil	$15,600
Cuba	$10,200
Mexico	$18,400

Human Capital and GDP

GDP Per Capita can be misleading when one factor in the gap separating the impoverished, middle class and wealthy are left out.

Such gaps cause the GDP per Capita to appear much better or worse than it really is.

Latin America has some of the world's lowest human capital investments according to a World Economic Forum report. Of the 130 nations analyzed for 2016, Cuba ranked 36th, Mexico ranked 56th, and Brazil ranked 83rd.

Little investment in Human Capital results in poverty world wide.

Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in Brazil, Cuba, and Mexico.

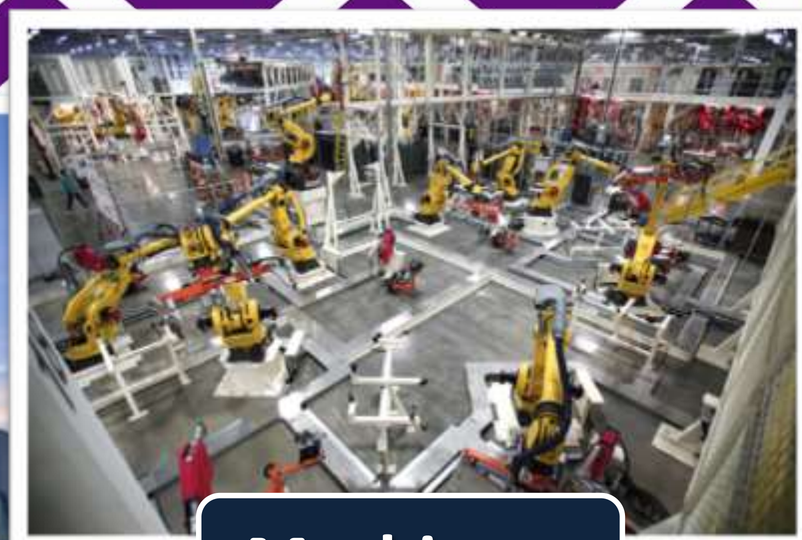
Element: c. Explain the relationship between investment in capital goods (factories, machinery, and technology) and gross domestic product (GDP per capita).

Capital Goods and GDP

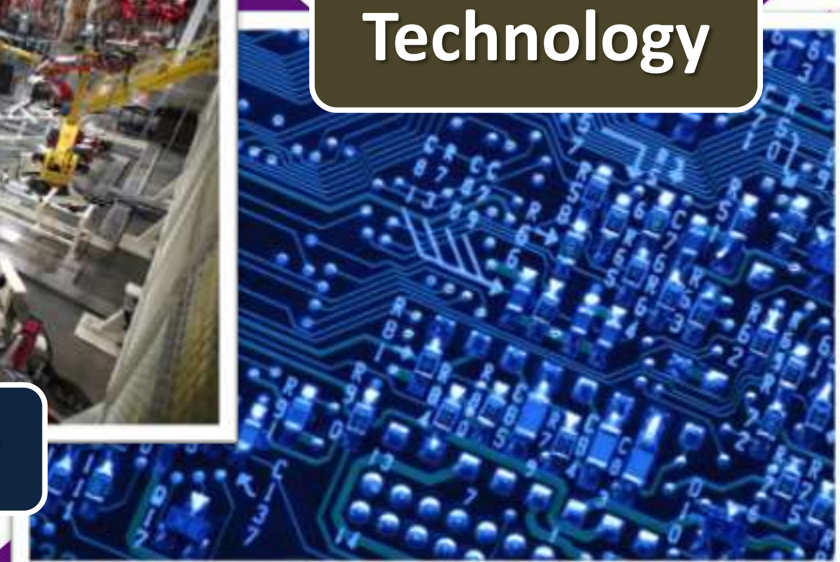
Capital Goods are the **factories**, **machinery**, **technology**, etc. that are necessary to sustain a service or industry.

Like human capital, GDP is **positively** affected by countries investing in capital goods.

Factories



Machinery



Technology

Capital Goods and GDP

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

New machinery, factories, and technology is much more cost efficient. (cheaper to use)

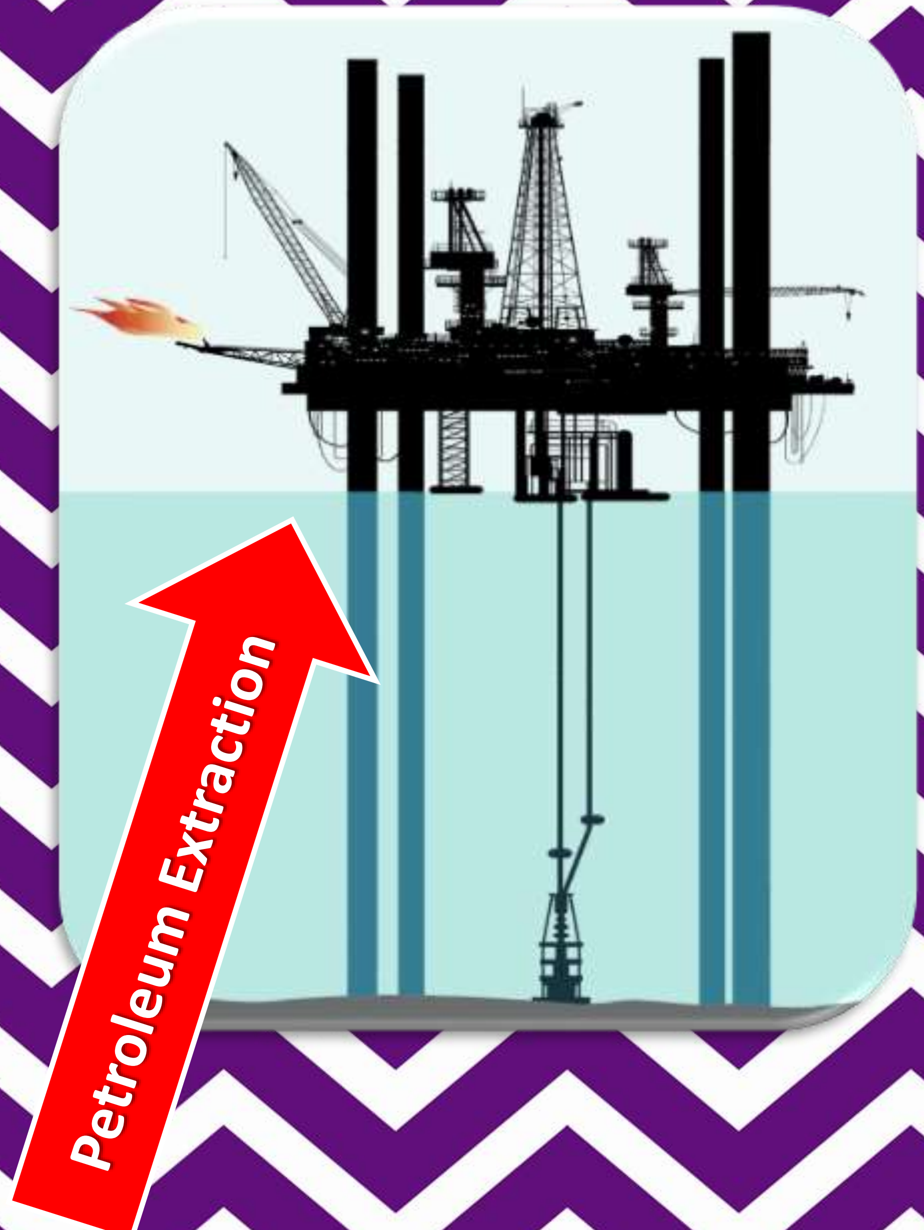
Could you imagine if America still used the old method for creating cars rather using a computerized assembly line? Capital good investments in industries help counters make more profit because they are able to make more of a product for less.

Capital Goods and GDP

Mexico and Brazil have both made capital good investments in their petroleum extraction and refining technologies.

Because of these investments, both countries have made record profits in their energy sectors.

What was once impossible to drill, improvements in technology have made it possible to extract oil in the hardest of places.



Capital Goods and GDP

While Cuba has made large investments in human capital, it has made little investments in capital goods in its sugar processing facilities.

By Cuba not investing in newer machinery and factories, there GDP is declining due to the inefficiency of its aging machinery and factories!!!

Some of Cuba's factories are over 100 years old!!!

Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in Brazil, Cuba, and Mexico.

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

Natural Resources

Along with having a high literacy rate, spending money on human capital and capital goods, the abundance of **natural resources** is another factor that affects a nation's **GDP**.

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

Natural Resources

One of the many natural resources **Brazil** is the **lumber** extraction from the **Amazon** Rainforest.

Majority of all the most expensive lumber on the planet comes from the Amazon Rainforest.

Natural Resources

Cuba's main natural resources are in mining minerals such as **cobalt**, **nickel**, **iron ore**, and **copper**.

The price of copper has quadrupled over the past 20 years making Cuban copper mines much more valuable.

Natural Resources

Mexico has rich mineral deposits, but petroleum is its chief natural resource.

Mexico is the 7th largest oil producer on Earth!!!

Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in Brazil, Cuba, and Mexico.

Element: e. Describe the role of entrepreneurship.

Entrepreneurship

An **entrepreneur** is someone who takes a risks and starts a **business**.

Entrepreneurs are important to the **growth** of economies.

Entrepreneurs come up with new ideas and innovations which utilizes both **human** capital and **capital** goods.

Without entrepreneurs, economies **suffer**.

Entrepreneurship

Public sector (**government-owned**) industries will maintain a nations GDP, but **WILL NOT** grow it.

Government owned industries tend to have less entrepreneurs which results in 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 help a country'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 company's 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 more money that what they are making.

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

Entrepreneurship

Brazil's government places a large amount of regulations and taxes on businesses.

This creates an environment that is hard for entrepreneurs to succeed.

Many foreign investors will not invest money in starting businesses in Brazil which hurts the economy.

Like Mexico, their judicial system remains vulnerable to corruption.

Brazil's top industry is in automotive.

Entrepreneurship

Entrepreneurship

Because of strict government control, Cuban entrepreneurs have been under tight regulations for decades.

Virtually no courts are free of political interference, and private property is strictly regulated.

If courts are not free from politics, many citizens could be treated unfairly depending on their political views.

Entrepreneurship

The goal of owning a business it to make a profit.

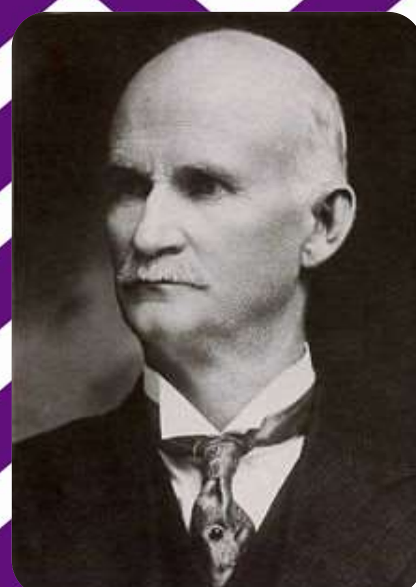
Businesses must sell goods or services to generate income.

Recognize any of these companies started by entrepreneurs?

Entrepreneurship

Example: Back in 1868 John M. Browning went to school till he was in 6th grade and was told by his teacher to stop going to school because he knew just as much as he did. When he was 13 he made his first gun. John had a natural ability to create the worlds most innovative guns ever created. Even after his death John M. Browning had more gun patents than any one else on Earth. Two years after his death his family started a gun business after his name. You may know it as Browning!!!

BROWNING
The Best There Is



Entrepreneurship

Example: As a young boy Steve Jobs had a natural desire to learn about innovation in technology. Jobs did not believe that computers of their age had to be so massive and so they started designing microcomputer parts. At the age of 21 Jobs and his friend Steve Wozniac built their first computer in their garage. That same year they created there company together of which eventually evolved into one of the most successful brands of all time. You may know there company it as Apple!!!

Entrepreneurship

Example: In 1962 an entrepreneur named Sam Walton had an idea to start a store that supplied a vast number of goods so that customers could get everything they needed at one place. Today this store is one of the top stores on Earth. Do you know what it is called? Walmart

Walmart

Save money. Live better.