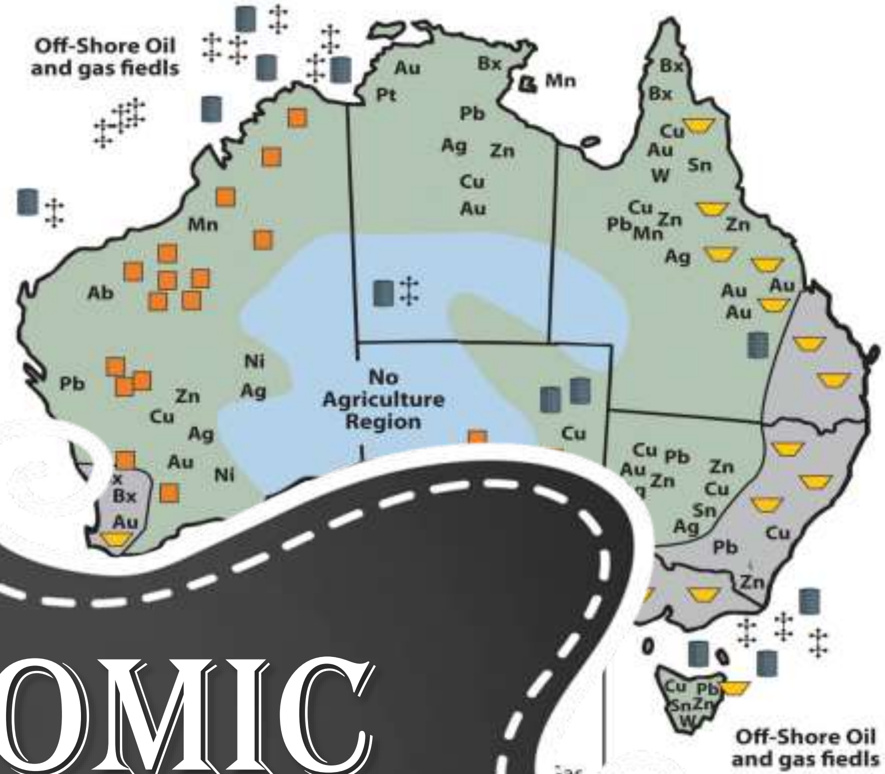


ECONOMIC GROWTH

Standard: SS6E12 – Describe factors that influence economic growth and examine their presence or absence in Australia.

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.

Australia has a literacy rate of 99%.

Aboriginal adults have a literacy rate between 45% and 65%.

Aboriginal children have a literacy rate of 83%.

Because Australia's population of aboriginal citizens is so small, the aboriginal citizens who cannot read account for less than 1 percent.

Literacy Rate

Australia's government spends millions of dollars each year to help increase aboriginal literacy rates.

Literacy Rate

Literacy Rate

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.

Low literacy rates normally correlate to low standard of living.

The standard of living in Australia is comparatively higher than the rest of the world.

While Australia has a high standard of living for most of its citizens, there is still a disparity among many aboriginal citizens of Australia regarding living standards.

Literacy Rate

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

Literacy Rate

Australia is also home to a number of Aboriginals who have been for over the years marginalized by the European settlers.

This marginalization has led to a huge difference between the living standards of the Europeans and the indigenous tribes.

There is also a significant disparity in the living standards of the Australian urban (city) dwellers and the rural (country) dwellers.

Because there is more job opportunities in urban areas, standard of living is much higher than rural areas of Australia.

Literacy Rate

Example of Australia's rural standard of living

Literacy Rate

Example of Australia's urban standard of living

Literacy Rate

Literacy Rates In the Asia-Pacific Region	Male	Female	Total
Australia	99%	99%	99%
Indonesia	96.3%	91.5%	93.5%
New Zealand	99%	99%	99%

Standard: SS6E12 – Describe factors that influence economic growth and examine their presence or absence in Australia.

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 the Asia-Pacific Region	Total
Australia	$1.224 trillion
Indonesia	$859 billion
New Zealand	$172.2 billion

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 the Asia-Pacific Region	Total
Australia	$47,600
Indonesia	$11,100
New Zealand	$36,100

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.

Little investment in Human Capital results in poverty world wide.

Human Capital and GDP

Australia's government invest 5% of GDP on education and offers free public schools.

Australia's government invest billions of dollars each year in job training programs.

Because of Australia's investments in human capital, Australia's labor force is one of the most competitive in the world.

Little investment in Human Capital results in poverty world wide.

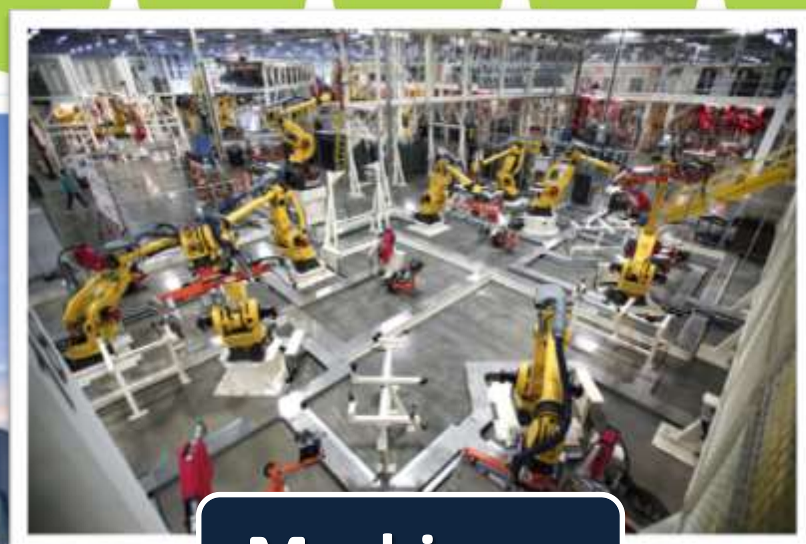
Standard: SS6E12 – Describe factors that influence economic growth and examine their presence or absence in Australia.

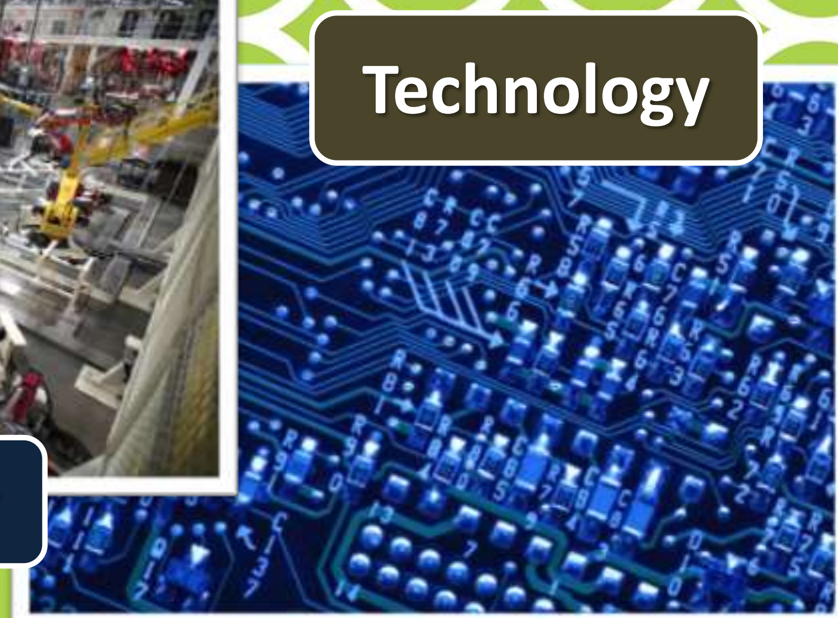
Element: c. Explain the relationship between investment in capital goods (factories, machinery, and technology) and gross domestic product (GDP per capita).

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.





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

Old Factory = Less production

New Factory = More production

Capital Goods and GDP

Although Australia has one of the most competitive GDP's in the Asia-Pacific region, its level of capital goods investment is relatively low.

Although Australia is the second wealthiest country (in terms of per capita) on Earth, it's GDP could be even higher if factories and businesses spent more money on upgrading their facilities which would improve their efficiency. Being more efficient would result in higher profit. The more profit businesses have the higher the GDP for Australia.

Standard: SS6E12 – Describe factors that influence economic growth and examine their presence or absence in Australia.

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

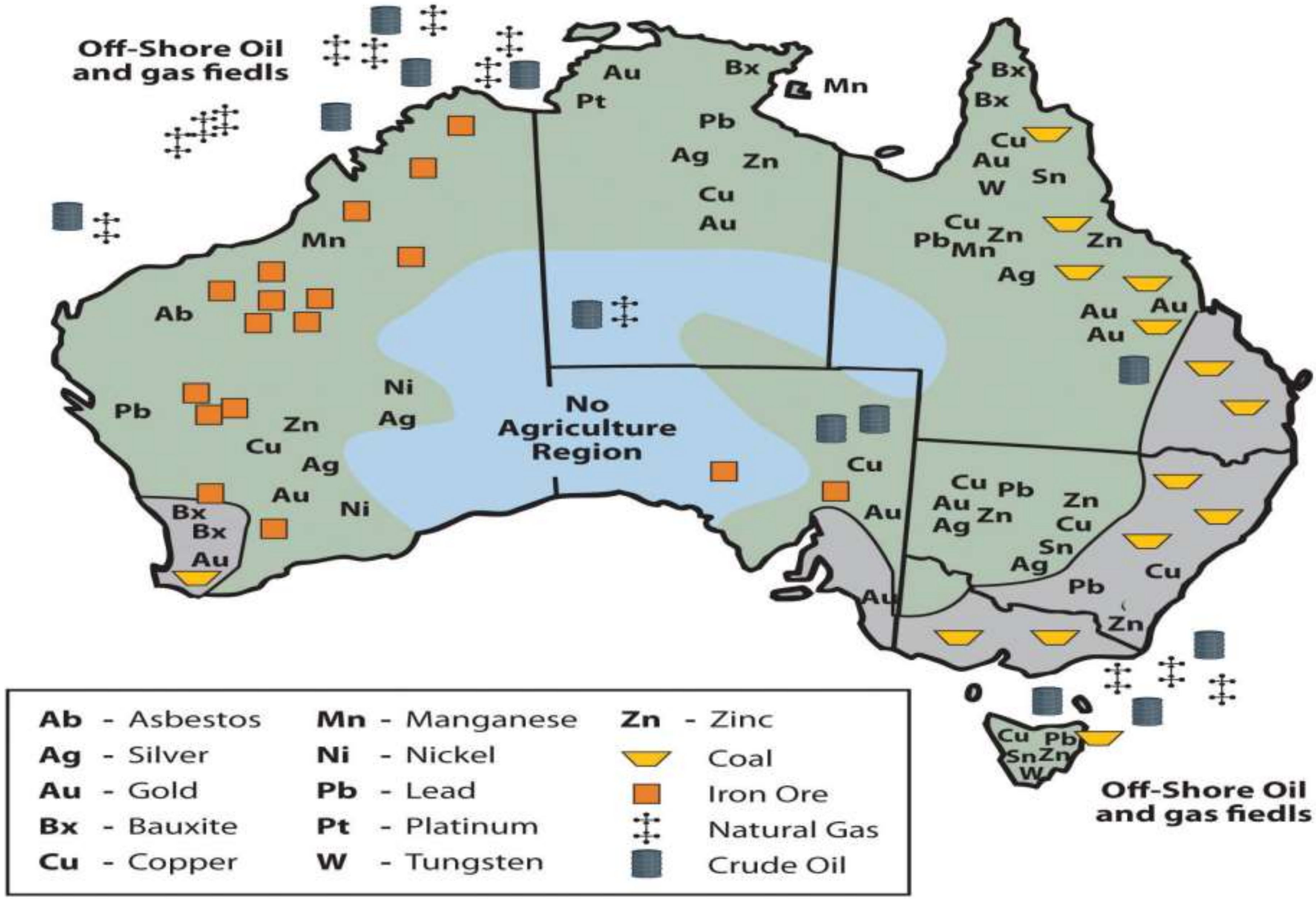
In the case of Australia, substantial mineral wealth (e.g., coal, iron ore, natural gas, oil, gold, silver, copper, uranium, et al) exists, as well as arable land.

As mineral's are depleted around the world, the price goes up due to scarcity of the resource. Many of Australia's factories are making record profits due to the price being raised from year to year.

Natural Resources

Exotic Minerals found in Australia

Natural Resources



Natural Resources

While much of Australia is desert, southern Australia has a temperate climate suitable for farming.

You may think of Australia has one big dry desert but the opposite is actually true along with an abundance of mineral resources.

Natural Resources

Having arable land also helps Australia’s cattle industry.

Natural Resources

Although much of Australia is **arid**, the **Great Artesian Basin** provides underground freshwater to nearly a **third** of the **continent**.

This 660,000 square mile basin is a critical **natural resource**.

Standard: SS6E12 – Describe factors that influence economic growth and examine their presence or absence in Australia.

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

Australia's free-market democracy has recorded impressive economic progress unmarred by recession for more than 25 years.

Australia's economy has benefited from numerous factors including the abundant natural resources, effective system of government, and a well-functioning legal system.

Combining all of these factors proves perfect for entrepreneurial growth and development.

Entrepreneurship

Australia is one of the world's easiest places to start a business.

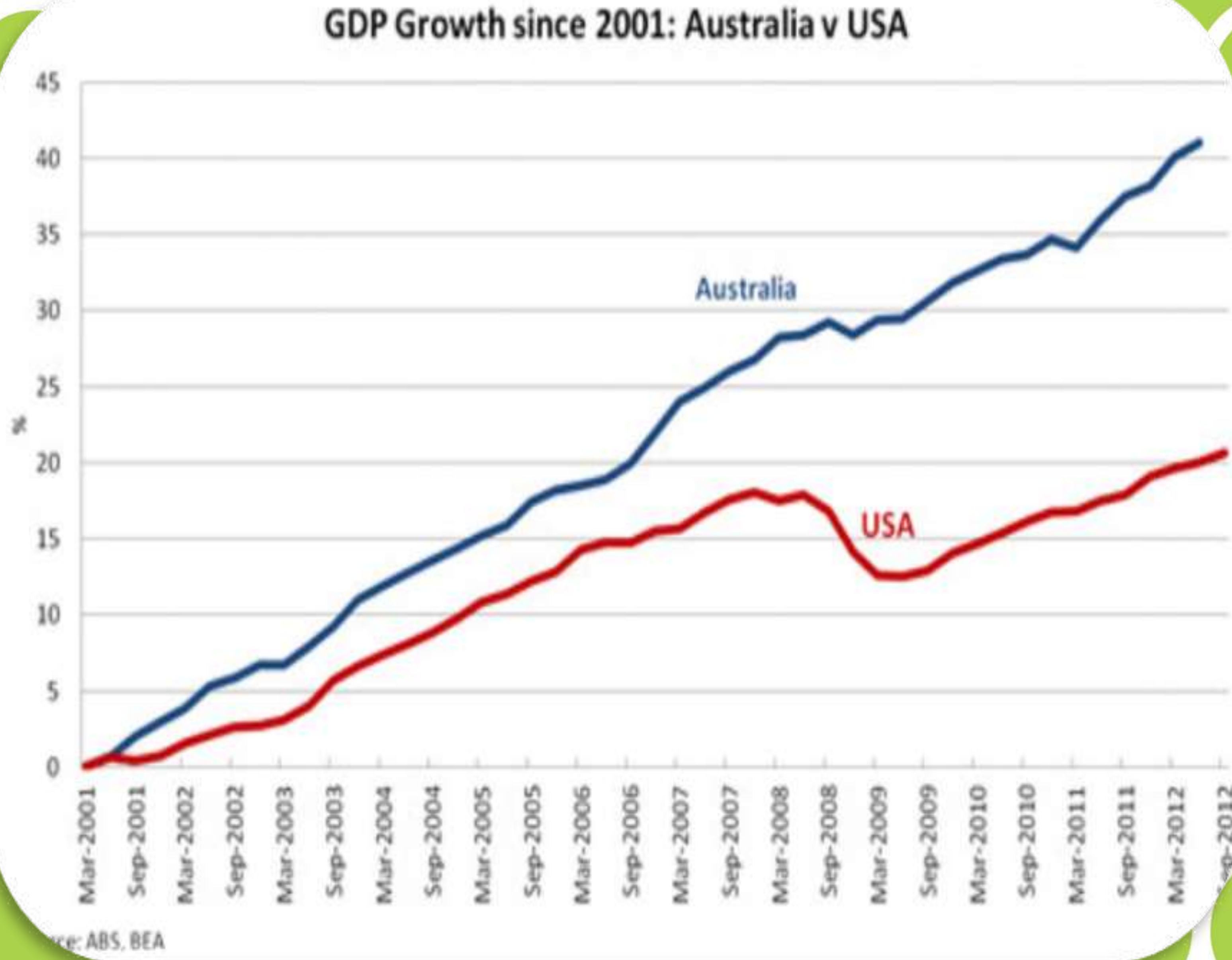
Australia's government has helped support entrepreneurship by keeping regulations low, along with the number of steps to start a business.

Entrepreneurship

Countries	Days it takes to start a business
Australia	3
Russia	10
Mexico	8
Canada	2
Cuba	60 or more
U.S.	6
U.K.	5

The table above shows how long it takes to start businesses around the world in different countries. Compare countries that you know are command economies to those that are market. Do you see a difference?

Entrepreneurship



While the U.S. has a higher GDP, Australia's GDP growth is greater than the U.S.

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?

Columbia Sportswear Company

Hardee's Charbroiled Thickburgers

Outback Steakhouse

Dairy Queen