

CHAPTER 7

Correlates with SS6E3a-e; SS6E6a-e;
SS6E9a-e; SS6E12a-e

FACTORS OF ECONOMIC GROWTH

What Is GDP?

To measure a country's economic growth, economists use a standard called **gross domestic product**, or GDP. A country's GDP is *the total dollar value of the goods and services produced in one year.*

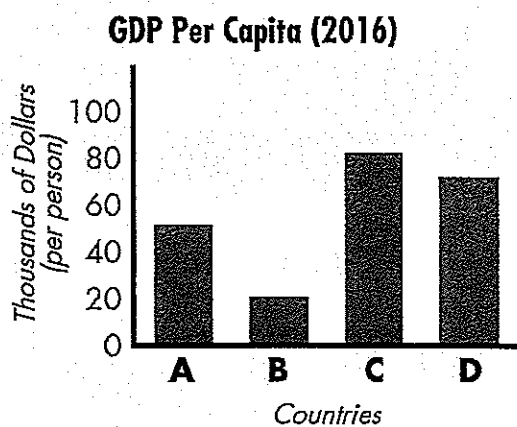


Measuring Economic Growth

GDP is usually measured in millions, billions, or trillions of dollars. For example, the GDP of the world's largest economy (United States) was \$18.5 trillion in 2016. Economists study a country's GDP to answer questions like "How strong is our economy?" and "Is the economy growing or shrinking?"

Strong or Weak?

GDP is often measured as "GDP per capita," or GDP per person. In general, countries with higher GDP per capita have stronger economies, while those with lower GDP per capita have weaker economies.

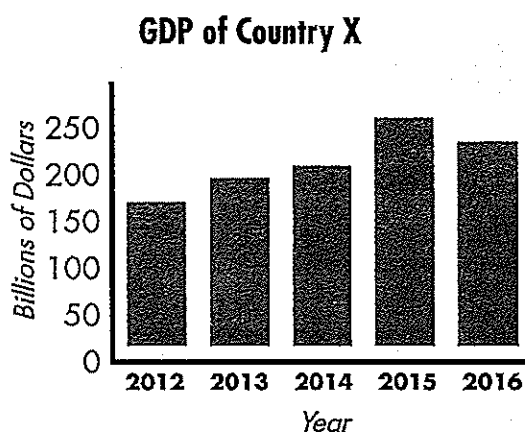


Which country had the strongest economy?

Which country had the weakest economy?

Growing or Shrinking?

A country's GDP is recorded every year. By looking at GDP from previous years, an economist can easily tell if the country's economy is increasing (growing) or decreasing (shrinking).



The country's economy grew from the year 2012 to _____.

The country's economy began to shrink between 2015 and _____.

Four Productive Resources

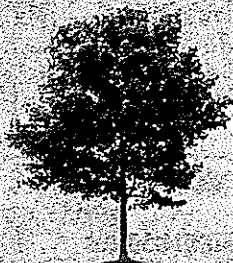
Some countries have a high GDP, while others do not. So... what does it take to build a strong economy? It all starts with the nation's productive resources. Productive resources are the materials and labor used to create goods and services.

There are four main categories of productive resources. They are natural resources (land), human capital (labor), capital goods (factories, machines, & technology), and entrepreneurship (ideas and organization).

Natural Resources

"Land"

The materials or substances that come from nature. Natural resources include minerals, forests, water, and fertile land.



Capital Goods

"Factories, Machinery, & Technology"



The man-made materials needed to produce goods and services.

Examples of capital goods include buildings, factories, machinery, equipment, and tools.

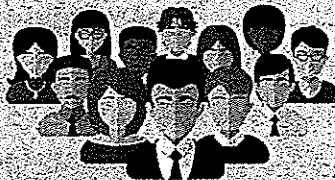
Production

Production is the act of combining productive resources, including entrepreneurship, to make goods and services.

Human Capital

"Labor"

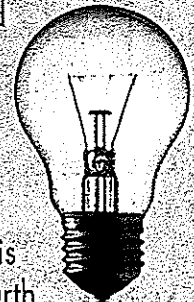
The talent and skill of people. It takes different kinds of human capital to make different kinds of goods or services. For example, teachers, lawyers, scientists, and factory workers all have a different set of skills and talents, and they each help to produce different goods or services.



Entrepreneurship

"Ideas & Organization"

Entrepreneurs are the people with new ideas for products and services. They organize their natural resources, human capital, and capital goods to bring their ideas to life—and to the marketplace!



Entrepreneurship is often called the fourth productive resource.



Apply What You Learned

L6-8RH2; L6-8RH3

Use what you learned to answer the questions.

- Productive resources are best described as _____.
 - raw materials from the Earth.
 - people who start a new business
 - things used to make goods and services
- Productive resources fall into four categories. Give an example for each category.

Natural Resources	Human Capital	Capital Goods	Entrepreneurship

- Read the scenario, and identify each productive resource involved.

Together, Jaime and Candice decide to produce a line of silver jewelry. Candice is a skilled artist. She draws several designs for rings and earrings. Jaime then takes the designs to his workshop. There, he uses his metalworking tools to shape the silver into jewelry.

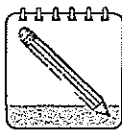
- ____ 1. Jaime and Candice ____ 3. the silver metal
 ____ 2. Candice's artistic skill ____ 4. Jaime's workshop and tools

A. capital goods	C. entrepreneurs
B. human capital	D. natural resource

Fuel for the Economy

Natural resources play an important role in any country's economy. They are the fuel for industry and a source of income when exported to other countries. Without many natural resources, a country is forced to import the raw materials it needs.

In general, a country rich in natural resources has an incredible economic advantage. However, just because a country has many natural resources does not mean it is automatically wealthy! How a country uses its natural resources is as important as having a lot of raw materials.



Fact or Opinion

L6-8RH8

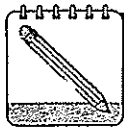
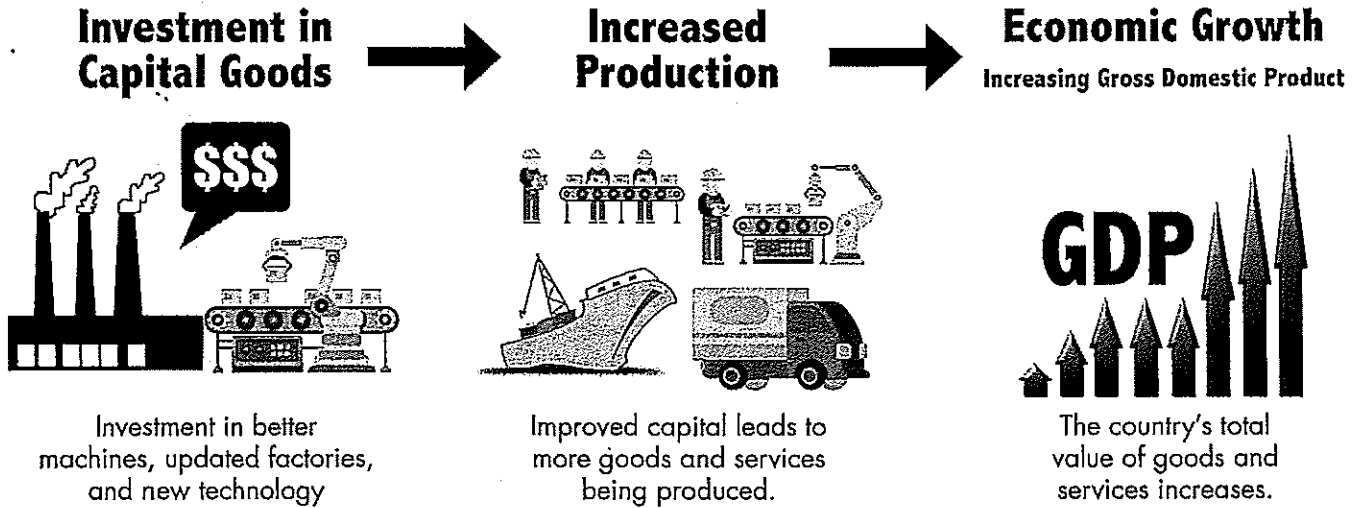
Indicate whether each statement is a fact or an opinion.

- | | | |
|---|-------------|----------------|
| 1. Countries lacking lots of natural resources are economically doomed. | Fact | Opinion |
| 2. A country can gain wealth by selling its natural resources. | Fact | Opinion |
| 3. Natural resources are important to the production of goods and services. | Fact | Opinion |
| 4. A country with more natural resources is better, naturally! | Fact | Opinion |

Investment in Capital Goods

Countries that invest in **capital goods** (factories, machines, technology) typically have a stronger economy and a higher GDP. Investments in capital include building new factories, buying better machines, and acquiring the most useful technology to get the job done. Other capital goods that help an economy run smoothly include transportation systems (roads, railroads, airports) and infrastructure (water, sewage systems, electricity).

Capital investments provide workers with the best and newest tools. New technology allows people to innovate and develop new products. New factories and machinery make industries more efficient. With better equipment, factories can produce more goods and services, which boost a country's exports and its GDP!



Assess Your Understanding

L6-8RH2

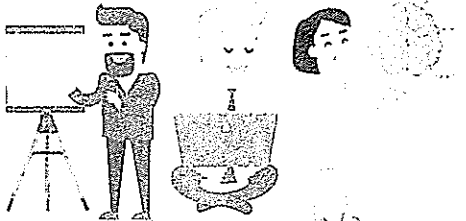
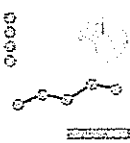
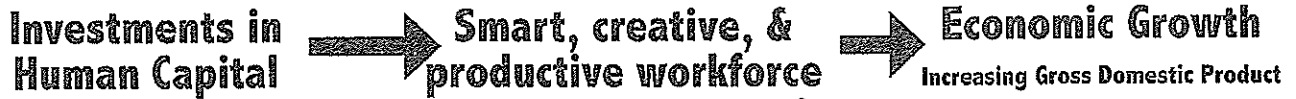
Circle the correct answers.

- Capital goods are the _____ people use to produce goods and services.
 - raw materials
 - factories, machines, & technology
 - skills, knowledge, and experience
- A country's gross domestic product (GDP) is the total value of _____.
 - the country's natural resources
 - products exported to other countries
 - all goods and services produced in one year
- Which statement best describes the relationship between a country's investment in capital goods and its gross domestic product (GDP)?
 - Investments in capital goods typically lead to a decrease in GDP.
 - Investments in capital goods typically lead to an increase in GDP.
 - A decrease in GDP typically leads to investments in capital goods.
 - An increase in GDP typically leads to investments in capital goods.

Investment in Human Capital

A country's *people* are one of its most important resources. Every country needs skilled workers who can fill valuable jobs in the economy. That is why investments in **human capital** are so important!

Studies show that **education and training** are a great way for a country to improve its GDP. A smarter, more skilled workforce truly brings long-lasting economic growth.



- Free public education
- College and university system
- Professional training programs
- Funding for academic, scientific, and medical research

People have the right skills, training, and knowledge to perform vital jobs in business, finance, science, and the arts.

The country's total value of goods and services increases.

Read, and Prosper

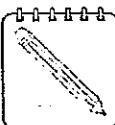
One factor that has a huge effect on a country's economic health is its literacy rate. In general, countries with high literacy rates enjoy a high standard of living. Why? Because citizens who can read and write have the ability to improve their own lives as well as the economic health of their nation. 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 job and income, your personal standard of living goes up. When lots of citizens do this, the country's overall standard of living goes up.



Vocabulary

literacy rate: the percentage of adults who can read and write

standard of living: the level of wealth and material comfort available



Assess Your Understanding

16-BRH3

Circle the correct answers.

- Human capital includes the _____ people use to produce goods and services.
a) raw materials b) factories, machines, & technology c) skills, knowledge, & experience
- A country can increase its human capital by investing in _____.
a) education for its citizens b) new machinery for factories c) railroads and airports
- Which statement best describes the relationship between a country's investment in human capital and its Gross Domestic Product (GDP)?
a) Investments in human capital typically lead to a decrease in GDP.
b) Investments in human capital typically lead to an increase in GDP.
c) A decrease in GDP typically leads to investments in human capital.
d) An increase in GDP typically leads to investments in human capital.



Data Analysis

L6-8RH2; L6-8RH5

Look at the table and compare the data sets. Then answer the questions.

- Describe the data shown in:
Set A _____
Set B _____
- Which 3 countries have the highest literacy rates?

- Which 3 countries have the lowest literacy rates?

- Which 3 countries have the highest standards of living?

- Which 3 countries have the lowest standards of living?

- What conclusion can you draw about the relationship between a country's literacy rate and its standard of living?

- How might a country seek to increase its standard of living?

Select Country Data 2013		
	Set A	Set B
Country	*Literacy Rate	**Standard of Living
Norway	100%	Very High
United States	99%	Very high
Sweden	99%	Very high
China	95%	Very high
South Africa	93%	Medium to high
Iran	85%	Medium
Egypt	74%	Medium
India	73%	Medium
Pakistan	55%	Medium to low
Chad	35%	Low
Afghanistan	28%	Low

**literacy rate: the percentage of adults who can read and write*

***standard of living: the level of wealth and material comfort available*

Entrepreneurship

An **entrepreneur** is a person who takes the risks necessary to start a new business. Entrepreneurs come up with new ideas for goods and services. Then, they use natural resources, human capital, and capital goods, to bring their ideas to life—and to the marketplace.

Entrepreneurs play a vital role in any country's economy. They help the economy grow by opening new businesses and developing new products. They often create new jobs. By bringing creativity and fresh ideas to the market, entrepreneurs also help a country adapt to changing economic conditions.

A Difficult Job

Being an entrepreneur can be risky and expensive. Many entrepreneurs invest their own money to start their business, or they borrow money from a bank, friends, family members, or investors. But, there is no guarantee of success. Their business could fail, and they (and their investors) could lose money. Beyond that, following all business laws, tax laws, labor laws, production laws, and other government regulations is a big responsibility.

Some countries encourage entrepreneurship by trying to reduce the risk and expense. Some ways they do that include making fewer or simpler laws for businesses and by providing incentives for entrepreneurs, such as special funding, lower interest rates on loans, and tax breaks for providing jobs.



Quick Review

L6-8RH4

Match each vocabulary term to the correct definition.

- | | |
|-------------------------------|--|
| ___ 1. gross domestic product | A. raw materials from nature |
| ___ 2. human capital | B. skills, education & experience of workers |
| ___ 3. capital goods | C. a person who starts a new business |
| ___ 4. entrepreneur | D. man-made materials (factories, machines, technology) |
| ___ 5. standard of living | E. total value of all goods and services produced by a country in one year |
| ___ 6. natural resources | F. the percentage of adults who can read and write |
| ___ 7. literacy rate | G. the level of wealth and material comfort available |

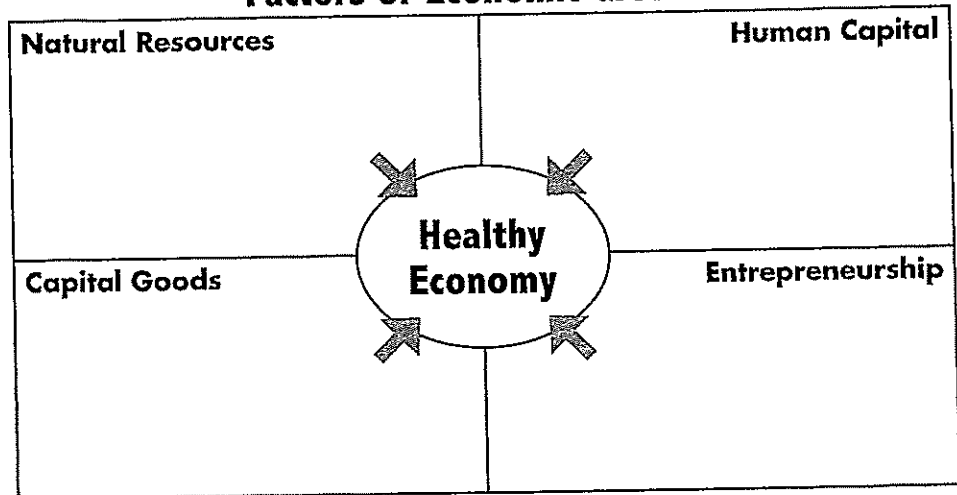


Comprehensive Cross-Check

L6-8RH3

Factors of Economic Growth

Complete the graphic organizer by explaining how each productive resource contributes to a healthy economy.



Writing Prompt

L6-8RH1; L6-8RH7; L6-8WHST4; L6-8WHST7

Think about a business that you might want to start in the future. Your business may produce a good or provide a service. Then write a business proposal that answers the three economic questions — "What to produce," "How to produce," and "For whom to produce." Pretend that you are presenting your business proposal to a bank in order to get funding to start the business. Describe your product. Identify what productive resources (natural resources, human resources, and capital goods) you will need in order to make the good or service. Explain who will want to buy your product and why, and describe how you will deliver your good or service to buyers.

Present your business proposal to your class in the form of an oral report, digital presentation, poster display, or other presentation format. After all proposals have been shared, vote on which products are most likely to be successful, and discuss the reasons why.

