



Factors of Economic Growth

Natural Resources, Human Capital, Capital Goods, & Entrepreneurship

Factors of Production: “Tea Party” Strips

There are 4 factors of production that influence economic growth within a country.

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

Human capital is all of the skills, talents, education, and abilities that human workers possess.

A country's Literacy Rate impacts Human Capital.

Nations that invest in the health, education, & training of their people will have a more valuable workforce that produces more goods & services.

Capital goods are the tools that we need in order to produce other goods/services.

The more capital goods a country has, then the more goods & services they are able to produce.

Natural resources are “gifts of nature”: water, sun, land, oil, etc.

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

Entrepreneurs have 2 characteristics that make them different from the rest of the labor force: they are innovative and they are risk takers.

Entrepreneurship encourages people to take risks, and in doing so, they've created better healthcare, education, & welfare programs.

Gross Domestic Product (GDP) is the total amount of final goods and services produced in one year within a country.

The higher a country's GDP, the better the standard of living for the people within the country

Economic Growth Notes

Directions: Fill in the graphic organizer below with information from the *Economic Growth* presentation.

	Natural Resources	Human Capital	Capital Goods	Entrepreneurship
Definition:				
Example:				
Symbol:				



Factors of Economic Growth

Natural Resources, Human Capital, Capital Goods, & Entrepreneurship

Factors of Production

- There are 4 factors of production that influence economic growth within a country:
 1. **Natural Resources** available
 2. Investment in **Human Capital**
 3. Investment in **Capital Goods**
 4. **Entrepreneurship**
- The presence or absence of these 4 factors determine the country's Gross Domestic Product (GDP) for the year.

GDP

- GDP is the total value of all the goods and services produced in that country in one year.
- It measures how rich or poor a country is.
- It shows if the country's economy is getting better or worse.
- Raising the GDP of a country can improve the country's standard of living.



Natural Resources

Natural Resources

- All of the things found in or on the earth; “gifts of nature”.
- All resources are limited.
- Examples: land, water, sun, plants, time, air, minerals, oil, etc.

Economic Growth

- Important to countries: without them, countries must import the resources they need (costly)
- A country is better off if it can use its own resources to supply the needs of its people.
- If a country has many natural resources, it can trade or sell them to other countries.



Human Capital

Human Capital

- This is all of the skills, talents, education, and abilities that human workers possess---and the value that they bring to the marketplace.
- Examples: computer/reading/writing/math skills, talents in music/sports/acting, ability to follow directions, ability to serve as group leader & cooperate with group members
- A country's Literacy Rate impacts Human Capital (the percent of the population over 15 that can read/write).

Economic Growth

- Nations that invest in the health, education, & training of their people will have a more valuable workforce that produces more goods & services.
- People that have training are more likely to contribute to technological advances, which leads to finding better uses of natural resources & producing more goods.



Capital Goods

Capital Goods

- This is all of the goods that are produced in the country and then used to make other goods & services.
 - Examples: tools, equipment, factories, technology, computers, lumber, machinery, etc.
- What are some capital goods used in our classroom?

Economic Growth

- The more capital goods a country has, the more goods & services they are able to produce.
- If a business is to be successful, it cannot let its equipment break down or have its buildings fall apart.
- New technology can help a business produce more goods for a cheaper price.

- Money is NOT a capital good, but rather a medium of exchange!



Entrepreneurship

Entrepreneurship

- People who provide the money to start and operate a business are called entrepreneurs.
 - These people risk their own money and time because they believe their business ideas will make a profit.
- They bring together natural, human, and capital resources to produce goods or services to be provided by their businesses.

Entrepreneurship

- Entrepreneurs have 2 characteristics that make them different from the rest of the labor force:
 - 1. innovative (have creative ideas)
 - 2. risk taker (use limited resources in an innovative way in hopes that people will buy the product)
- It can be several things:
 - Starting your own business
 - Inventing something new
 - Changing the way something was previously done so that it works better

Economic Growth

- Entrepreneurship creates jobs and lessens unemployment.
- It encourages people to take risks, and in doing so, they've created better healthcare, education, & welfare programs.
- The more entrepreneurs a country has, the higher the country's GDP will be.

Economic Growth

- Economic growth in a country is measured by the country's Gross Domestic Product (GDP) in one year.
 - It measures only what has been produced within the country--this doesn't 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).
- 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

Standard of Living

- The higher a country's GDP, the better standard of living for the people within the country.
- In order for a country to have an increasing GDP, it must invest in human capital through education & training, and it must produce goods that have value to be sold within the country or exported.

Summary

- To encourage economic growth and raise the living standards of its citizens, there must be investment in human capital and capital goods.
- Economic growth is measured by increases in GDP over time.
- How large a nation's GDP can be is determined by the availability and quality of its natural, human, and capital resources.
- To increase economic growth and GDP over time requires investments in both capital (factories, machines) and human capital (education, training, skills of labor force).

Quick Charades

- Choose one of the words below.

Natural Resources	Capital Goods
Human Capital	Entrepreneurship

- Act out the word (or something that is an example) **WITHOUT** talking.
- Let your partner guess which word you chose. Your partner must explain **WHY** they knew the answer!

Dear Student...

- Write a brief letter to the student who is absent that describes what you have learned about the four factors of economic growth (below).
- Also include how the factors effect a country's standard of living.
- The more information that you include, the easier it will be for the absent student to catch up!

Natural Resources	Capital Goods
Human Capital	Entrepreneurship

Factors of Economic Growth

Human True-False:

	Questions	Answers
1	Factories are an example of human capital.	F
2	Educated workers have helped Australia to have a high gross domestic product.	T
3	Australia has invested in capital goods by giving employees a chance to learn new skills.	F
4	Australia has invested heavily in capital goods, so their standard of living and GDP is increasing.	T
5	Diamonds and land are examples of natural resources.	T
6	Australia has an abundance of natural resources, so they are able to export a lot of goods.	T
7	A person who starts a new business is called an entrepreneur.	T
8	Entrepreneurs like Australia because there are many rules by the government.	F
9	Entrepreneurs are good for Australia because they provide jobs for workers.	T
10	Modern factories and computers are important natural resources to Australia's economy.	F



Gross Domestic Product

“4 Factors that Influence Economic Growth”



1. What does **Gross Domestic Product** mean?
2. The _____ a country's GDP, the better the country's standard of living.
3. What are the 4 factors that lead to a country's economic growth?
 - A.
 - B.
 - C.
 - D.
4. What are **natural resources**?
5. Why is it beneficial for a country to have an abundance of natural resources?
6. What does **human capital** mean?
7. Why should countries invest in developing human capital?
8. What are **capital goods**?
9. Why should countries invest in developing capital goods?
10. What do **entrepreneurs** do?
11. How does entrepreneurship influence economic growth?

Become an Entrepreneur

Congratulations! You have finally gotten the necessary approval to start your own business. You've been working really hard on inventing a really great product (or service), and now you finally get to start selling it to consumers! You need to get information about your product out so that consumers can learn about how wonderful it is, and hopefully they'll start spending their money on it. You are going to create a three-sided presentation brochure that will inform people about your product.

Please be sure to include all of the following things on your presentation poster:

I. Name of Business and Product

II. Introduction of Product (write a paragraph to answer questions below!)

- What is being produced?
- Why did you decide to offer this product?
- For whom is the product being produced?

III. Production Procedure

- Create a list of steps (*at least six*) for creating your product

**The next three categories need to be written in paragraph form (three total paragraphs):*

IV. Capital Goods (write a paragraph to answer questions below!)

- Title ("Capital Goods")
- What is the definition of a capital good?
- What capital goods are you going to need in order to produce your product?
- Illustration of capital goods used for product

V. Natural Resources (write a paragraph to answer questions below!)

- Title ("Natural Resources")
- Definition
- What natural resources are you going to need in order to produce your product?
- Illustration of natural resources used for product

VI. Human Capital (write a paragraph to answer questions below!)

- Title ("Human Capital Investments")
- Definition
- List of human capital investments that you will offer to your employees
- Illustration of human capital offered to employees

VII. Advertising

- Create a postcard or flyer (on separate paper) for advertising your good or service. The advertisement needs to be persuasive and creative so that it can grab the consumers' attention.

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Natural

Resources



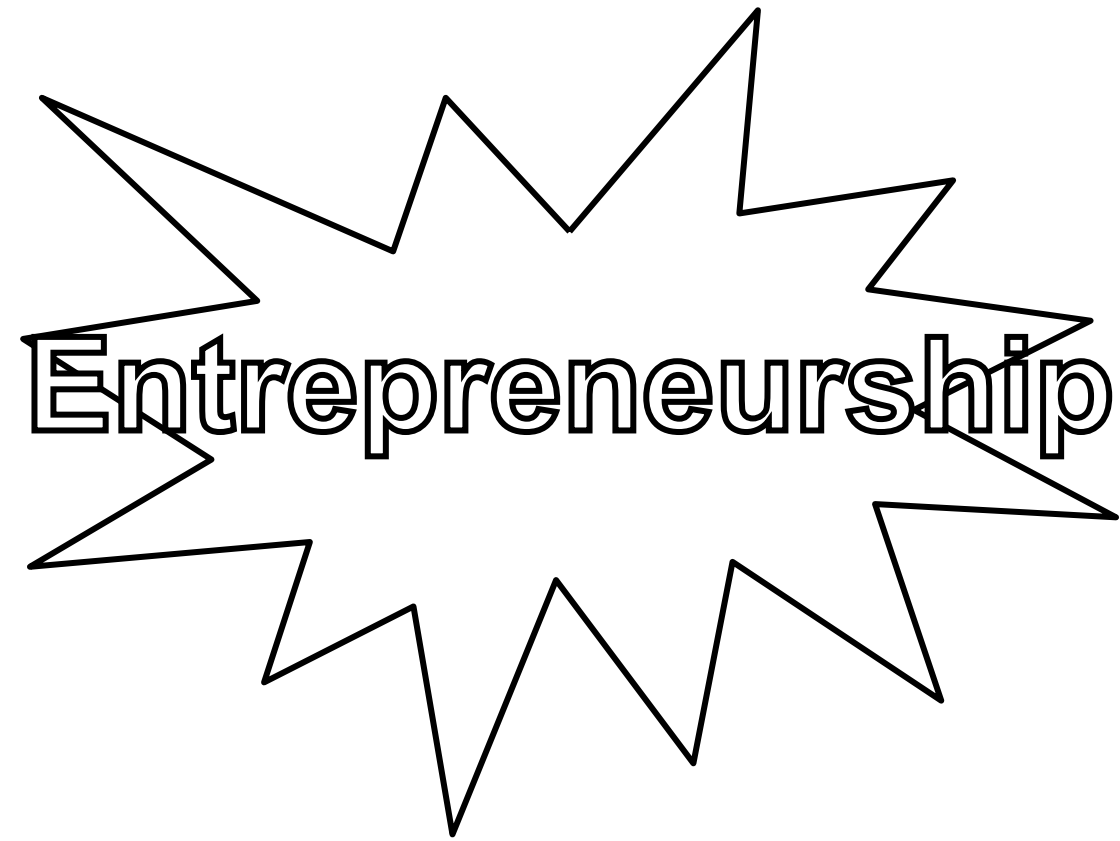
Human

Capital



Capital

Goods



Entrepreneurship

