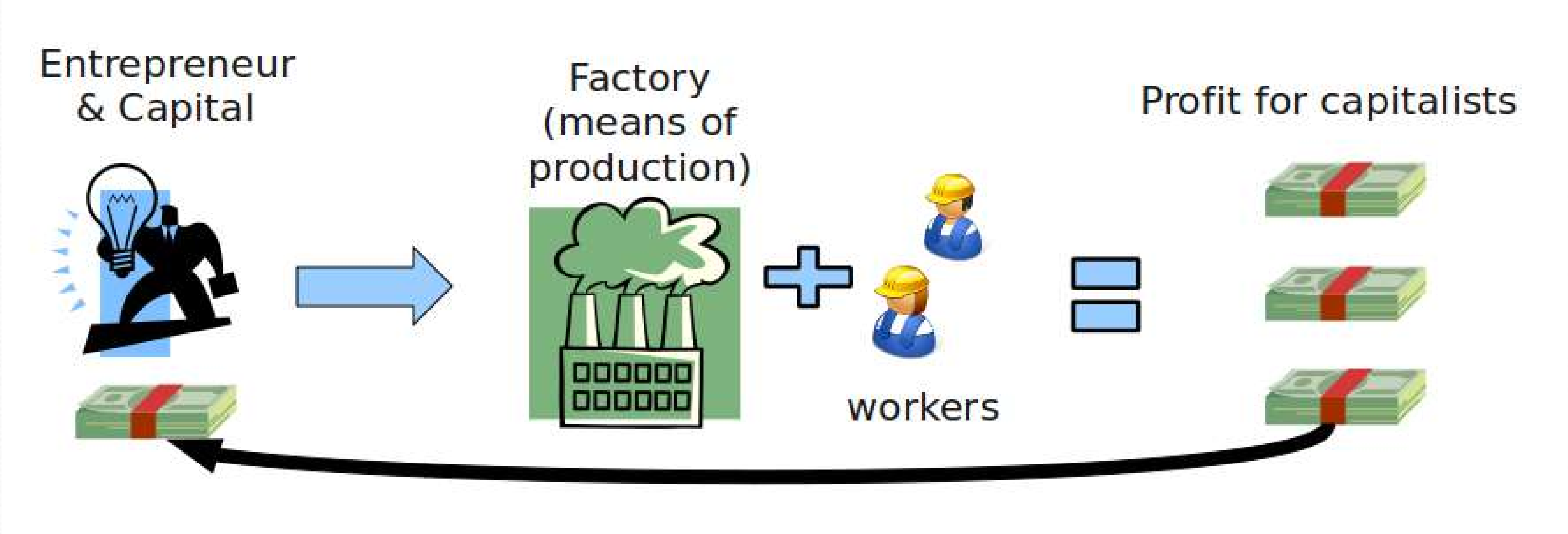
Latin American Economies


Entrepreneur
& Capital
Factory
(means of
production)
workers
Profit for capitalists

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.

Natural Resources

"Gifts of Nature"
Natural resources are important to countries because without them, countries must import the resources they need (can be 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/sell them with other countries.

So how does this apply to Latin America…

- One of the reasons Brazil and Mexico have had successful economies is because of the wealth of natural resources.
- Brazil has rich resources like iron ore, arable soil, plentiful forests and rivers.
- What would Brazil be without the Amazon rainforest and river?
- Mexico and Venezuela have substantial oil deposits.
- In Latin America, countries with the most natural resources tend to have a higher standard of living than those with fewer resources.

Capital Goods

- To increase GDP, countries must invest in capital goods:
- All of the factories, machines, technologies, buildings, and property needed by businesses to operate.
- 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.

So how does this apply to Latin Amerca…

- There is a clear relationship between investment in capital goods and a countries economy flourishing.
- Investment in capital goods helps economic growth by providing workers with the best equipment, technology, and tools.
- Mexico has a high investment in capital goods, while places like Haiti still rely mainly on agricultural resources and invest little in capital equipment.

Human Capital

- To increase GDP, countries must invest in human capital.
- Human capital is the knowledge and skills that make it possible for workers to earn a living producing goods and services.
- This includes education, training, skills, and healthcare of the workers in a business or country.

Human Capital

- If workers in a country are uneducated and/or unskilled that will limit the kind of work that he/she can do.
- An unskilled workforce is a hindrance when it comes to growing an economy.
- Businesses that want to be successful must pay attention to investing in human capital.

So how does this apply to Latin America…

- There is still widespread poverty and lack of education in Latin America. Many children go to directly to the workforce instead of school.'
- The are governments in serveral countries however that are taking steps to improve education for their citizens.

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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.
- Entrepreneurs must organize their businesses well for them to be successful .
- They bring together natural, human, and capital resources to produce foods or services to be provided by their businesses.

So how does this apply to Latin America…

- In Latin America, Chile is a country that is good for entrepreneurs. Laws are enforced that protect business owners. With fewer "roadblocks," business can start quickly.
- Cuba is the opposite. Laws and restrictions placed on business owners make turning a sizable profit difficult.
- Chile has one of the highest GDPs and standard of living in Latin America.
- Cuba ranks near the bottom because of limited business opportunities and a mostly command govt.