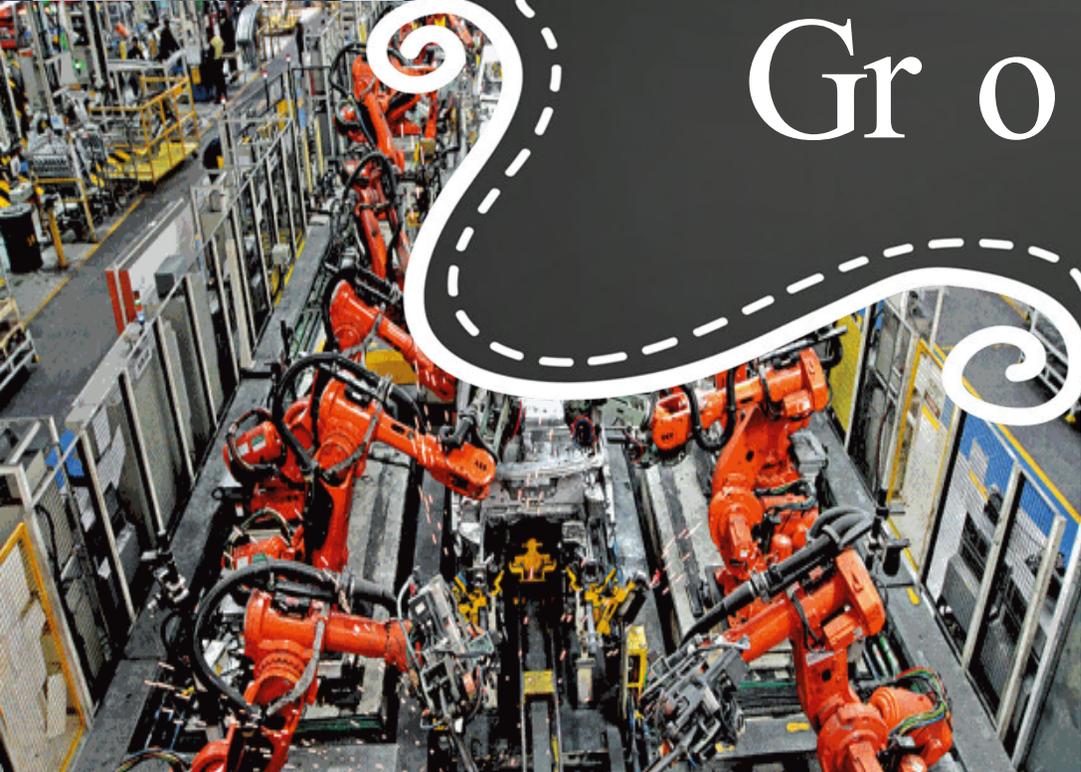




# Economic Growth



# Factors of Growth

|  | <b>Literacy Rate</b> | <b>Gross Domestic Product (GDP)</b> | <b>Human Capital</b> | <b>Capital Goods</b> | <b>Natural Resources</b> | <b>Entrepreneurs</b> |
|--|----------------------|-------------------------------------|----------------------|----------------------|--------------------------|----------------------|
| <b>What is it?</b>                         |                      |                                     |                      |                      |                          |                      |
| <b>How does it impact economic growth?</b> |                      |                                     |                      |                      |                          |                      |
| <b>Examples</b>                            |                      |                                     |                      |                      |                          |                      |

# 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 Europe.

The United Kingdom, Germany, and Russia all have **literacy rates** in the **99th** percentile; however, in the case of Russia, which has one of the **highest** literacy rates in the world, more than **13%** of Russian live at or below the **poverty line**.



# Literacy Rate

| Literacy Rates in Europe | Male  | Female | Total |
|--------------------------|-------|--------|-------|
| Germany                  | 99%   | 99%    | 99%   |
| Russia                   | 99.7% | 99%    | 99.6% |
| U.K.                     | 99%   | 99%    | 99%   |

# Literacy Rate

The Russian government is spending large amounts of money to **train** and **educate** youth so that they will have more opportunities to be successful in the **economy**.

When Russia was a **command** economy people were **assigned** jobs.

Today, workers must show they are educated and skilled in the career of which they **choose**.



# Human Capital and GDP

**GDP** is the estimated total value of the final **goods** and **services** produced in a nation in a year's 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

| <b>GDP in Europe</b>  | <b>Total</b>            |
|-----------------------|-------------------------|
| <b>Germany</b>        | <b>\$3.358 trillion</b> |
| <b>Russia</b>         | <b>\$1.325 trillion</b> |
| <b>United Kingdom</b> | <b>\$2.627 trillion</b> |

# 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.



Education

Health

Skills

Training

# 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<br>in Europe | Total   |
|-----------------------------|---------|
| Germany                     | \$3.358 |
| Russia                      | \$1.325 |
| U.K.                        | \$2.849 |

# 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.

Russia has more millionaires than any other country in Europe, but a large **percentage** of its population live below the **poverty line**.

This number of **millionaires** per capita in Moscow skews the nation's overall **per capita** measure.

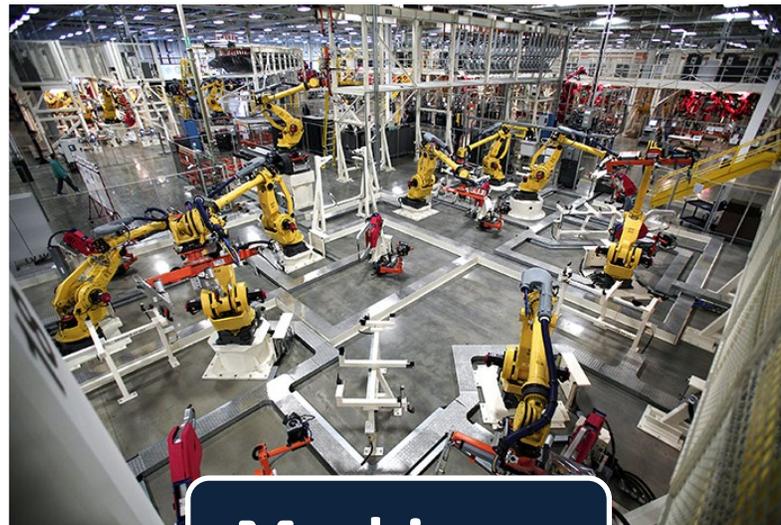
Russia's number of millionaires make the GDP seem very high, but in reality, if you took out the millionaires their GDP per capita is very low.

# Capital Goods and GDP

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

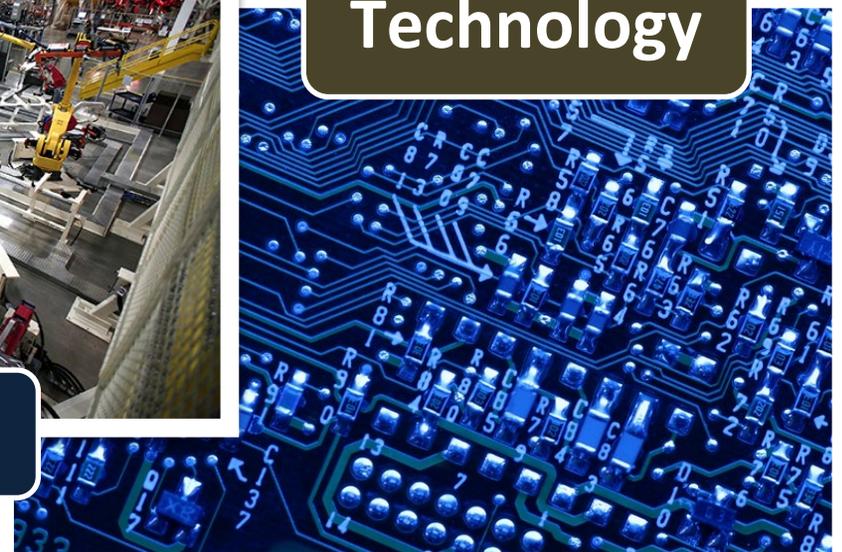
Like human capital, GDP is **positively** affected by countries investing in capital goods.

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 national **GDP**.

Germany has invested heavily in **capital** goods, particularly as relates to its **automotive** industry.



Germany makes some of the nicest cars on Earth because their government spends money on capital goods in the area they specialize in.

# Capital Goods and GDP

**Russia's** capital goods investment is toward oil and natural gas **exploration** and **refinement**.

Russia's investment in capital goods with new technology for finding and refining oil has given it the ability to drill in areas that were impossible just years prior.



# Capital Goods and GDP

The **United Kingdom** has invested in upgrading and expanding its **telecommunications** in support of multiple economic sectors.



The investment in capital goods with equipment and technology has made the U.K. the world leader in telecommunications.

# Capital Goods and GDP

One of the many natural resources the **United Kingdom** has is its **arable (farmable)** land which is great for growing crops.

Warm temperatures and plenty of rain help the United Kingdom export billions in agricultural products each year.



# 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 Russia uses is their numerous **rivers** of which they are able to dam to produce **hydroelectric** power.

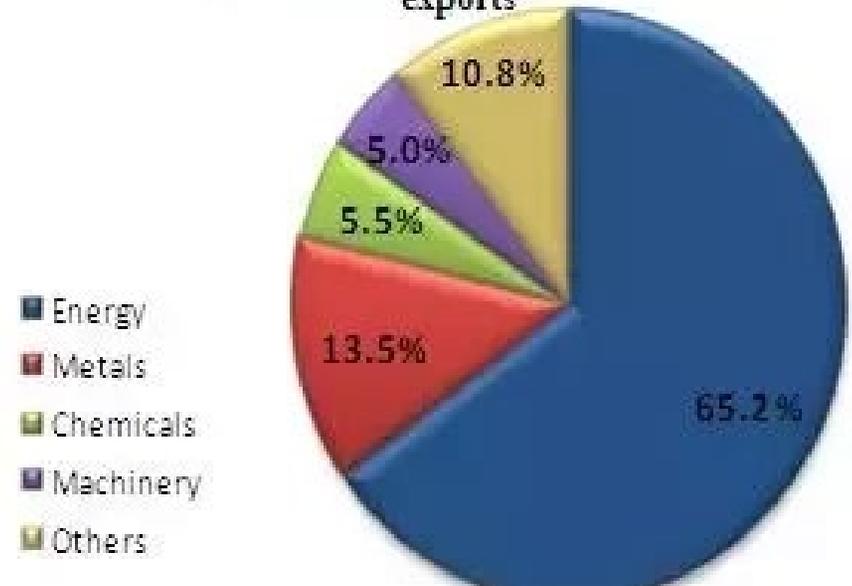


# Natural Resources

Russia's Ural Mountains are packed with fossil fuels such as **oil**, **gas**, and **coal**.

Oil and gas exports are Russia's top **natural resource** of which they make the most money off of each **year**.

Energy accounts for two-thirds of Russian exports



# Natural Resources

Germany uses their abundance of timber to produce **lumber**.



# 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 than what they are making.

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

# Entrepreneurship

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

Russia does not protect **property** and **intellectual rights** as well as both Germany and the United Kingdom.

Both contribute to **Russia** not having as many **entrepreneurs** as Germany and the United Kingdom.

# Entrepreneurship

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

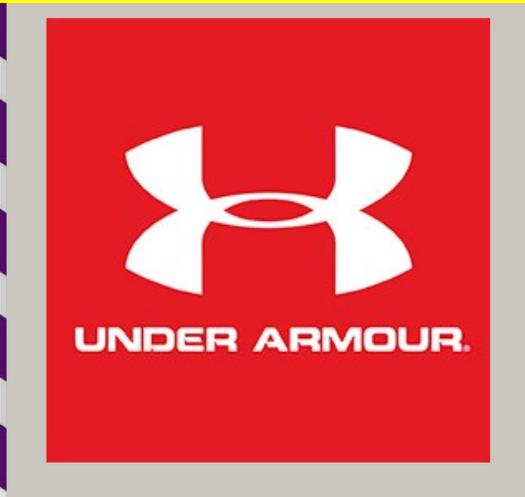
The table above shows how long it takes to start businesses around the world in different countries. Government regulations, restrictions and a lack of protection of intellectual and property rights hurt entrepreneurial growth.

# Entrepreneurship

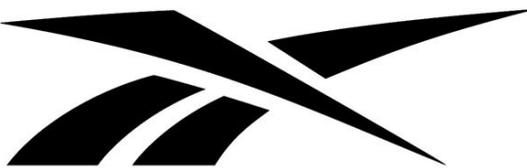
The goal of owning a business is to make a **profit**.  
Businesses must sell goods or services to generate **income**.

Recognize any of these companies started by entrepreneurs?

**SAMSUNG**

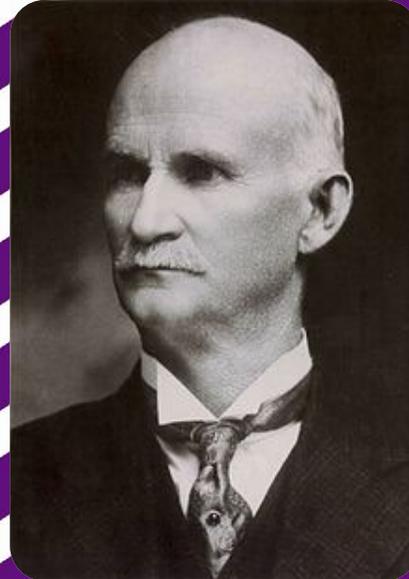


**Reebok**



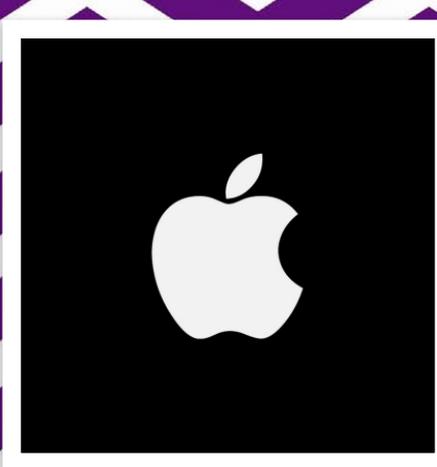
# Entrepreneurship

Example: Back in 1868 John M. Browning went to school till he was in 6<sup>th</sup> 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!!!



# 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 their company together of which eventually evolved into one of the most successful brands of all time. You may know their company 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

