Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in Brazil, Cuba, and Mexico.

Element: a. Evaluate how literacy rates affect the standard of living.
Literacy Rate

In order for a region to sustain high-quality, well-paying, in-demand jobs, its labor force must be literate. The literacy rate is the amount of people who can read and write.

The literacy rates across Latin America vary tremendously, thus limiting economic development in many places.

No matter the career, all jobs need citizens to be literate.
Low literacy rates typically correlate to lower standards of living; however, high literacy rates do not always translate to higher standards of living in Latin America. Brazil, Cuba, and Mexico all have literacy rates in the 90th percentile, but in the case of Brazil and Mexico there are numerous pockets of poverty and regional underdevelopment in both countries.

<table>
<thead>
<tr>
<th>Literacy Rates in Europe</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>92.2%</td>
<td>92.9%</td>
<td>92.6%</td>
</tr>
<tr>
<td>Cuba</td>
<td>99.9%</td>
<td>99.8%</td>
<td>99.8%</td>
</tr>
<tr>
<td>Mexico</td>
<td>96.2%</td>
<td>94.2%</td>
<td>95.1%</td>
</tr>
</tbody>
</table>
In the case of **Cuba**, (although the literacy rate is one of the highest in the world) **standard of living** on the island remains **poor** due to economic mismanagement on the part of Cuba’s **communist** government.

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**Example of Cuba’s low standard of living**
**Standard:** SS6E3 – Describe factors that influence economic growth and examine their presence or absence in Brazil, Cuba, and Mexico.

**Element:** b. Explain the relationship between investment in human capital education and training) and gross domestic product (GDP per capita).
Human Capital and GDP

The economic strength of a nation is determined by measuring its *gross domestic product*, or GDP. GDP is the estimated total value of the final *goods and services* produced in a nation in a year's time.

To make things simple, GDP represents what a nation is worth.

<table>
<thead>
<tr>
<th>GDP in Europe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>$1.773 trillion</td>
</tr>
<tr>
<td>Cuba</td>
<td>$77.15 billion</td>
</tr>
<tr>
<td>Mexico</td>
<td>$1.144 trillion</td>
</tr>
</tbody>
</table>
Human Capital and GDP

Nations who wish to compete economically must maintain a competitive GDP relative to other nations’ in their region and among their trading partners. One way to ensure a healthy and growing 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 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. Thus a nation’s GDP directly correlates to its level of human capital investment.

Countries need healthy educated citizens to increase GDP

More money spent on human capital equals higher GDP.
Countries who do invest 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.

<table>
<thead>
<tr>
<th>GDP Per Capita in Europe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>$15,600</td>
</tr>
<tr>
<td>Cuba</td>
<td>$10,200</td>
</tr>
<tr>
<td>Mexico</td>
<td>$18,400</td>
</tr>
</tbody>
</table>
Human Capital and GDP

Per Capita can be misleading when one factor in the gap separating the impoverished, middle class and wealthy are left out.

Latin America has some of the world’s lowest human capital investments according to a World Economic Forum report. Of the 130 nations analyzed for 2016, Cuba ranked 36th, Mexico ranked 56th, and Brazil ranked 83rd.

Little investment in Human Capital results in poverty worldwide.
Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in the Brazil, Cuba, and Mexico.

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

Another factor which can greatly impact a nation’s GDP is its level of investment in capital goods (also called physical capital.)

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

Mexico and Brazil have both made *capital good* investments in their *petroleum* extraction and refining technologies.
Cuba has made minimal investments in capital goods in its sugar processing facilities. By Cuba not investing in newer machinery and factories, there GDP is declining due to aging machinery and factories!!!

Some of there factories are over 100 years old!!!
Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in the Brazil, Cuba, and Mexico.

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

One of the many natural resources **Brazil** is the **lumber** extraction from the **Amazon Rainforest**.

**Majority of all the most expensive lumber on the planet comes from the Amazon Rainforest.**
Natural Resources

Cuba’s main natural resources are in mining minerals such as cobalt, nickel, iron ore, and copper.

The price of copper has quadrupled over the past 20 years making Cuban copper mines much more valuable.
Mexico has rich mineral deposits, but petroleum is its chief natural resource.

Mexico is the 7th largest oil producer on Earth!!!
Standard: SS6E3 – Describe factors that influence economic growth and examine their presence or absence in the Brazil, Cuba, and Mexico.

Element: e. Describe the role of entrepreneurship.
Entrepreneurship

In any given country, public sector (government-owned) industries will maintain a nation's GDP, but **WILL NOT** grow it.

Government owned industries tend to have 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 are citizens who invest their own capital resources toward the creation of a new business or industry, frequently at some financial risk.

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.
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

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?
Entrepreneurship

Example: Back in 1868 John M. Browning went to school till he was in 6th 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
Brazil and Cuba Entrepreneurship

Brazilian entrepreneurs face many burdensome taxes, inefficient regulations, poor access to long-term financing, and a rigid labor market. The judicial system remains vulnerable to corruption.

Regulations on creating businesses hurts the Brazilian GDP tremendously.

Many people in Brazil work in the tourism industry.
Brazil and Cuba Entrepreneurship

Cuban entrepreneurs have been under tight government control for decades. Virtually no courts are free of political interference, and private property is strictly regulated.

If courts are not free from politics, many citizens could be treated unfairly.