Investment Builds Output

Trace how capital goods can affect GDP per person.

SS6E12.c “Explain the relationship between investment in capital goods (factories, machinery, and technology) and gross domestic product (GDP per capita).”

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline each example of investment in capital goods. Circle each effect on production or GDP per capita, then draw an arrow from the investment to its effect.

Capital Goods and Australia’s Output

1 Australian businesses decide whether to spend money now on capital goods, such as factory buildings, machines, and computer technology. This spending is called investment. A dairy processor might buy an automated bottling machine. The machine can fill more bottles in an hour and may reduce waste. Workers still make important choices, check quality, and maintain equipment. When capital goods help workers produce more goods or services with the same time and resources, the economy can produce more in a year.

2 Gross domestic product, or GDP, is the total value of final goods and services produced within a country during a period. GDP per capita divides that total by the number of people. It is a useful average, not the income of every person. If Australia’s total production grows faster than its population, GDP per capita rises. Investment can support this result because productive capital goods can increase output. However, a new machine does not guarantee an immediate rise. It takes time to install, learn, and use it well.

3 Consider two Australian firms. One replaces slow equipment with energy-efficient machines and trains staff to use digital controls. It can make more products at a lower cost, so its contribution to GDP may grow. Across many firms, similar investments can raise national output and, if output rises faster than population, raise GDP per capita. Investment can also create jobs building, installing, or servicing capital goods. Yet results depend on useful choices, skilled workers, demand for products, and careful maintenance. Capital investment is one important influence on GDP per capita, not the only one.

2 ANSWER WITH EVIDENCE

Use the passage

1. What does investment mean in this passage?

2. How could the dairy processor's bottling machine increase production?

3. What must happen for Australia's GDP per capita to rise?

4. Why might a new machine not raise GDP per capita right away? Name two conditions from the passage that affect results.

3 YOUR TURN

Your own words

Invent an Australian business that invests in one capital good. Write exactly three sentences explaining what it buys, how it can increase output, and how this could help raise GDP per capita.

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PART 1 · READ AND MARK

Underline each example of investment in capital goods. Circle each effect on production or GDP per capita, then draw an arrow from the investment to its effect. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	What does investment mean in this passage?	**It means spending money now on capital goods, such as factory buildings, machines, or computer technology.**
2	How could the dairy processor's bottling machine increase production?	**It can fill more bottles in an hour and may reduce waste, helping workers produce more with the same time and resources.**
3	What must happen for Australia's GDP per capita to rise?	**Australia's total production must grow faster than its population.**
4	Why might a new machine not raise GDP per capita right away? Name two conditions from the passage that affect results.	**A machine takes time to install, learn, and use well. Results also depend on useful choices, skilled workers, demand for products, and careful maintenance.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

An Australian fruit-packing business invests in sorting technology. The technology helps workers pack more fruit in the same time, increasing the business's contribution to GDP. If many businesses raise output this way and output grows faster than population, GDP per capita can rise.

Accept equivalent explanations that connect investment in productive capital goods to increased output and then to a possible rise in GDP per capita. Students should state that output must grow faster than population for GDP per capita to rise.