

Tools Build Output

Trace how productive investments can affect GDP per capita.

SS6E6.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 a capital good. Number 1 through 4 beside ideas that show this chain: investment, more output, higher GDP, and a possible change in GDP per capita.

Investment and Output

- ① In many economies, businesses and governments buy capital goods, tools used to make other goods and services. A coffee company might buy sorting machines, drying equipment, and computer software. These purchases are investments, not simply spending for today. Workers can use the machines and software to process more coffee in less time and with fewer mistakes. When capital goods are well chosen and maintained, they can raise productivity, meaning the amount a worker produces in a given time.
- ② Canada's manufacturers may invest in robots that help assemble vehicles, while Mexican farms may invest in drip irrigation and sensors. Such capital goods can increase the value of what workers produce. If total production rises, a country's GDP, the value of final goods and services made within its borders, can rise too. GDP per capita is found by dividing GDP by the number of people. It may rise when GDP grows faster than population, but it can stay flat if population grows just as quickly.
- ③ Investment does not guarantee a higher GDP per capita. A factory that sits unused, breaks often, or makes products people do not want adds little output. Training, reliable electricity, roads, internet access, and access to buyers can help capital goods work well. Also, some investments replace workers or help mainly one business, so the benefits may not reach everyone right away. Still, productive factories, machinery, and technology can help an economy make more goods and services per person over time.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 How could the coffee company's sorting machines and software change its workers' productivity?

2 Explain how an investment in robots or irrigation can lead to a higher GDP.

3 What can happen to GDP per capita if GDP and population grow at the same rate? Explain why.

4 Name one reason an investment might add little output. Then name one condition that can help capital goods work well.

3 YOUR TURN _____ Your own words

Imagine that a fishing business in Peru considers buying refrigerated trucks and tracking software. Write 3 sentences explaining how this investment could affect productivity, GDP, and GDP per capita. Include one condition needed for the investment to work well.

PART 1 • READ AND MARK

Underline each example of a capital good. Number 1 through 4 beside ideas that show this chain: investment, more output, higher GDP, and a possible change in GDP per capita. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	How could the coffee company's sorting machines and software change its workers' productivity?	Workers could process more coffee in less time and make fewer mistakes.
2	Explain how an investment in robots or irrigation can lead to a higher GDP.	The capital goods can increase the value of what workers produce. More total production can raise GDP.
3	What can happen to GDP per capita if GDP and population grow at the same rate? Explain why.	GDP per capita can stay flat because GDP is divided by the number of people, and population is growing just as quickly.
4	Name one reason an investment might add little output. Then name one condition that can help capital goods work well.	Answers may include an unused or frequently broken factory, or products people do not want. Helpful conditions include training, reliable electricity, roads, internet access, or access to buyers.

PART 3 • YOUR TURN (SAMPLE ANSWER)

If a fishing business in Peru buys refrigerated trucks and tracking software, it can deliver more fish before they spoil. The business can sell more valuable fish, adding to GDP. GDP per capita could rise if GDP grows faster than population, especially if workers are trained to use the new technology.

Accept clear cause-and-effect explanations linking capital goods to greater productivity, GDP, and GDP per capita. For GDP per capita, students should recognize that population growth affects whether a rise in GDP raises the per-person amount.