Capital Goods & Gross Domestic Product: Southern & Eastern Asia

Many things can impact the economy of a country. A country must be willing to invest for a brighter future for the economy to do well. Not every country has the same technology and tools in its factories. A country must be willing to invest in capital goods for the economy to grow and prosper. Capital goods are items such as tools, machinery, and warehouses. By investing in capital goods, the country can stay competitive and the economy can become strong. A country will have difficulty competing if the technology and machinery is obsolete. Obsolete technology or machinery is out-of-date and slow.

GDP per capita is an important way of measuring the economic strength of a country. GDP per capita is the measurement of the annual income of citizens in a country. It is a measurement of the standard of living in the country. Standard of living is the money and material comforts available to the citizens in a country. The investment in a country’s capital goods has an impact on the GDP per capita.

Japan has made large investments in the capital goods of the country. Japan has very limited natural resources. The majority of the GDP in Japan comes from manufacturing. Japan is a world leader in robotics and factories. To be one of the world’s leaders, Japan must invest in capital goods to remain competitive. Japan is also innovative by developing inventions and prototypes to improve the efficiency of factories. On the other hand, China has allowed farmers to change their farming practices. This is an investment in capital goods related to farming and agriculture. The farmers were able to purchase better equipment to improve food yield and quality. This increased the farmers’ profits. Manufacturing and industry have also grown in China. People moved from impoverished areas to work in cities, thus improving the GDP per capita. Similarly, the government in India has invested in new farming equipment, strategies, and irrigation. This has increased the amount of crops grown. India has also seen an increase in technology available to its citizens as a result of the manufacturing of electronics. Likewise, South Korea has seen a large amount of investment in capital goods, which has increased both the GDP and standard of living. Unlike South Korea, North Korea sees little investment in capital goods. North Korea is a communist government and is isolated from much of the world. The GDP in North Korea is very low compared to other countries in Asia. The government limits and restricts investments in capital goods, which in turn, lowers the GDP.

In conclusion, a nation’s investment in capital (factories, machinery, technology) can strengthen a nation’s economy. An economist can determine a nation’s economic strength by researching its GDP and GDP per capita. Both GDP and GDP per capita is affected by investments in capital goods. An economist can determine the economy’s growth by comparing the GDP and GDP per capita across multiple years.
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Directions: Match the vocabulary term to its definition.

1. _____ how two or more things are connected  
   a. Standard of living
   b. obsolete
   c. GDP per capita
   d. capital
   e. relationship

2. _____ factories, machinery, and technology

3. _____ the money and material comforts available to the citizens in a country

4. _____ outdated and slow

5. _____ the measurement of the annual income of citizens in a country

Directions: Circle the best answer choice based on the passage.

1. Which best describes standard of living?
   a. money and material comforts available to citizen within their country
   b. A nation watching for new comforts to become available
   c. A Union of workers demanding for improved rights
   d. Trade Barriers limited material comforts from entering the nation

2. Which nation has the lowest GDP per capita?
   a. China
   b. South Korea
   c. North Korea
   d. Japan

3. What is capital?
   a. Knowledge of another country
   b. Skills of the military in another country
   c. A committee that regulates and maintains basic human rights
   d. factories, machinery, and technology

4. Which will likely raise the GDP of a country?
   a. Picking trade partners
   b. Tariffs and Banking
   c. Imports and exports
   d. Investing in new technology for workers

5. In which of the following has India’s government invested to raise its GDP?
   a. Agriculture
   b. Food Industry
   c. Oil Refineries
   d. Education
5. A nation with a high GDP typically does not invest in capital goods, while a nation with a low GDP does invest in capital goods.
   a. True
   b. False

6. How is the economic growth of a country measured?
   a. By comparing to other countries
   b. By analyzing natural and produced resources
   c. By studying the types of cars and houses the citizens purchase.
   d. By comparing the GDP of different years

7. What is the GDP per capita?
   a. The annual income of citizens with a nation
   b. The countries import and export costs
   c. The amount of banks that open in a certain area
   d. The amount of houses and building that are constructed

8. Which is an example of investing in capital goods?
   a. building a new petroleum processing plant
   b. keeping old computers and scanners
   c. training managers to redeliver training to their employees
   d. recycling computers for parts when repairs are needed

9. In 2-3 sentences, describe the difference between human capital and capital goods.

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10. In 2-3 sentences describe how investing in capital can help strengthen the economy. Use examples from southern and eastern Asia in your answer.

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