Human Capital and Gross Domestic Product: Southern & Eastern Asia

A nation’s economy can be measured by its strength. To measure its strength, economists use measuring tools called gross domestic product and GDP per capita. The gross domestic product (GDP) is one way to measure the strength of the economy in a nation. The GDP is an estimate, but it is often accurate. The GDP is an estimation of the value of goods and services that are manufactured and produced within one year. The GDP often measures and represents a nation’s worth. For example, if an economist says that China is worth over $12 trillion, the economist is referring to the estimation of the value of goods and services manufactured and produced within one year in China. This estimation is called China’s GDP.

A second way to measure a nation’s economic strength is GDP per capita. GDP per capita is a measurement of the annual income, or salary, of citizens in a specific country. While the GDP per capita is a form of measurement, it is not always a true indicator of a nation’s economic strength. For example, if an economist says that Japan’s GDP per capita is $48,919.00, the economist is referring to the average annual income of Japan’s citizens. This measurement is called Japan’s GDP per capita.

Human capital is a factor in determining a nation’s GDP and a nation’s GDP per capita. Human capital is the knowledge and skills of the people in the workforce within a country. Not everyone in a workforce has the same skill set of knowledge. However, improving the workforce through education and training will likely raise the GDP and GDP per capita of a country. Economic growth is often linked to the human capital within a nation. A country needs to remain competitive. The best way to stay competitive is to invest in the human capital. Investing in human capital can happen through education, health care, and training of the labor force. A nation with a high GDP invests in human capital. Similarly, a nation with a low GDP typically does not invest in human capital. The economic growth of a country can be measured by comparing the GDP of different years within that country. If a country has an increase in GDP, then its economy is growing.

Japan and South Korea have the highest GDP per capita. These countries invest heavily in education and training for its population and its workforce. China and India have a relatively low GDP per capita. These countries are beginning to train and educate the workforce, however large parts of each of these countries are still impoverished agricultural areas. North Korea has an extremely low GDP per capita. In fact, it is one of the lowest in the world. North Korea is a communist country where investment in human capital is heavily restricted by the government. This lack of investment in human capital causes a low GDP.

In conclusion, GDP is an estimation of the value of goods and services of a country. GDP per capita is a measurement of the annual citizens’ income within a country. Both measurements can be used to measure a country’s economic strength. GDP typically factors in human capital and is a more accurate measurement of a nation’s overall economic strength than GDP per capita.
Human Capital and Gross Domestic Product: Southern & Eastern Asia

Directions: Fill in the charts based on the passage.

<table>
<thead>
<tr>
<th></th>
<th>Definition</th>
<th>Examples From Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Directions: Match the vocabulary term to its definition.

1. _____ how two or more things are connected  
   a. investment
2. _____ the knowledge and skills of the people in a workforce within a country  
   b. GDP
3. _____ the spent money or a resource for some benefit in the future  
   c. GDP per capita
4. _____ a calculation of what a nation is worth  
   d. human capital
5. _____ the measurement of the annual income of citizens in a country  
   e. relationship

SOUTHERN + EASTERN ASIA
Human Capital and Gross Domestic Product: Southern & Eastern Asia

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

1. What must be present for an economy to be measured?
   a. Some form of measurement
   b. A nation watching
   c. A Union
   d. Trade Barriers

2. Which is the best description of Gross Domestic Product (GDP)?
   a. Human Capital
   b. The average annual income of a nation’s citizens
   c. Estimate of the value of goods and services that are manufactured and produced within a year in a country
   d. A measurement that compares real estate and real estate investments

3. What is human 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. Knowledge and skills of a workforce within a nation

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 education and training of the workforce

5. A nation with a high GDP typically does not invest in human capital, while a nation with a low GDP does invest in human capital.
   a. True
   b. False

6. The amount invested in human capital does not impact a nation’s GDP.
   a. True
   b. False

7. 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

8. 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 buildings that are constructed