

# Chapter 6 *Productivity and Human Capital: Why is Bill Gates so much richer than you are?*

## Key Terms

Prior to reading the text, it might be helpful to look up or be familiar with the following words. They will be used in the context of the reading.

- Human Capital
- Assets
- Market Economy
- Scarcity
- Natural Talent
- Skills
- Macroeconomic factors
- Empirical
- Surplus
- Creative Destruction
- Correlation
- Causal Relationship
- Per Capita Income
- Productivity
- Inputs
- Outputs
- Specialization
- Inflation
- Rule of 72
- Principal
- Income Distribution
- Relative Wealth
- Opportunity Cost

## Guiding Questions

1. Why do some people have indoor trampolines and private jets while others sleep in bus station bathrooms?
2. How are prices in the market economy determined?
3. Describe the difference between dropping off 100,000 high school dropouts on a corner in Chicago and the closing of the Naval Air Warfare Center?
4. How is Butte Falls similar and how is it different to the two farming towns in Wheelan's example on page 132-134?
5. Why does human capital matter so much?
6. What is the "Rule of 72" and why does it matter for America's productivity?
7. What factor do you consider to be most influential for productivity growth?
8. The rise in income inequality is real, should we care? Or if the pie is growing, how much should we care about the size of the pieces?
9. Why does a sludge hauler make a lot of money?

## Other Resources

Human Capital- EconPop: *The Economics of Back to School*: <https://www.youtube.com/watch?v=2DZd7EWIHj0>

Planet Money- *LeBron James is Underpaid*: <http://www.npr.org/blogs/money/2014/02/12/275922026/episode-427-lebron-james-is-underpaid>

Human & Financial Capital- Tracy Chapman: *Fast Car*: [http://www.youtube.com/watch?v=teZsA\\_ci-7E](http://www.youtube.com/watch?v=teZsA_ci-7E)

Human Capital- Planet Money: *The Case for Preschool*: <http://www.npr.org/blogs/money/2011/06/13/137109349/the-friday-podcast-the-case-for-preschool>

Relative Wealth- Planet Money- *Would You Rather be Rich in 1900, Or Middle-Class Now?*  
<http://www.npr.org/blogs/money/2010/10/12/130512149/the-tuesday-podcast-would-you-rather-be-middle-class-now-or-rich-in-1900>

Income Inequality- Adam Davidson: *What's Behind the Rise in Inequality?*  
<http://www.npr.org/blogs/money/2013/01/16/169528381/nyt-excerpt-whats-behind-the-rise-in-inequality>

Income Inequality: *Is Income Inequality a Problem in the US?*  
<http://www.npr.org/2011/11/29/142883180/how-to-solve-wealth-inequality>

