

Homework 10: Economic Growth (Page 1 of 3)

- 1 Suppose the government finds efficiencies to cut costs, allowing for a decrease in government expenditures while maintaining the same level of taxes and the same quality of services and support for its citizens. Describe and illustrate the long-run impact on output per worker. Hint: Use both the loanable funds market and the productivity curve to answer this question.
- 2 Suppose Apple introduces a new device called the iPeed that will revolutionize cloud-based business collaboration and communication, improving business productivity for a large range of industries. Describe and illustrate the impact on the long-run level of output per worker. Hint: Use both the loanable funds market and the productivity curve to answer this question.
- 3 Suppose consumers behaviors are trending toward greater amounts of debt and borrowing relative to their incomes. Describe and illustrate the long-run impact on output per worker. Hint: Use both the loanable funds market and the productivity curve to answer this question.

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- 4 Suppose a country dedicates more of its resources to building infrastructure such as roads, electrical lines, and communication infrastructure, all of which businesses more productive. Describe and illustrate the impact this may have on long-run output per worker. Hint: Use both the loanable funds market and the productivity curve to answer this question.
- 5 Suppose while maintaining a balanced budget, the government increases availability of subsidized loans and grants to support people getting two-year and four-year college degrees. Describe and illustrate the impact this may have on long-run output per worker. Hint: It is sufficient to use only a productivity curve to answer this question.
- 6 Suppose while not changing the government budget deficit, a government increases its support for people to get routine health care services which have been shown to improve long-run health outcomes for most adults. Hint: It is sufficient to use only productivity curve to answer this question.

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- 7 Suppose a country reduces its legal barriers to foreign direct investment, which makes it more profitable for foreign companies to develop manufacturing and service facilities in a country. Hint: Use both the loanable funds market and the productivity curve to answer this question.
- 8 Suppose businesses become pessimistic about their future profitability. Describe and illustrate the impact on the long-run level of output per worker. Hint: Use both the loanable funds market and the productivity curve to answer this question.