

ECO 120: Macroeconomics**Your Name:** _____**In-class Exercise: Economic Growth**

Directions: Work in groups of up to four people and answer the following questions. All papers will be collected, but only one member's paper will be randomly selected and graded and all members of the group will receive the same grade.

By signing below, you agree that the following work represents the efforts of everyone in the group, and you are willing to accept as your own grade for the group project the grade earned from this representation of your group's work.

_____ Signature Group Member 1	_____ Print Name	_____ Date
_____ Signature Group Member 2	_____ Print Name	_____ Date
_____ Signature Group Member 3	_____ Print Name	_____ Date
_____ Signature Group Member 4	_____ Print Name	_____ Date

1. Watch the following video about developing infrastructure in lesser-developed countries:

<http://www.youtube.com/watch?v=54PvCQzMUIk>

- (a) Describe one or more of the problems outlined in the videos. Describe how the problem impedes economic growth.

- (b) What is one government policy suggested in the video to help fix this problem? Describe how it could help improve economic growth.

- (c) Use the productivity curve model to illustrate your answer to part (b).

2. Watch the following videos about gender equality in lesser-developed countries:

http://www.youtube.com/watch?v=ZolTIYA_S0o

<http://www.youtube.com/watch?v=1e8xgF0JtVg>

<http://www.youtube.com/watch?v=-Dp8VnfR67U&NR=1>

- (a) Describe one or more of the problems outlined in the videos. Describe how the problem impedes economic growth.

- (b) What is one government policy suggested in the video to help fix this problem? Describe how it could help improve economic growth.

- (c) Use the productivity curve model to illustrate your answer to part (b).

For each of the following, describe and illustrate the effect on long-run output per worker.

Note: To address some problems that may result in changes in investment in equilibrium, you need to first analyze the effect on the loanable funds market, then describe the implications on the productivity curve model.

3. A recent recession causes consumers to permanently increase the fraction of income they save.
4. The government decreases spending while keeping tax revenues the same.
5. Volatile changes in recent government economic policy cause producers to be less certain of future business climate (possibly affecting their profits).

6. Political turmoil and fear of war increase in a small developing country.
7. The Federal government increases the capital gains tax, while keeping the government budget deficit the same.
8. While maintaining a balanced budget, the government provides grants to support private companies' cooperative research and development efforts.

9. While maintaining a balanced budget, the government provides grants for long-term unemployed people to temporarily leave the labor force to get a college education.
10. Suppose federal and state governments increase spending on routine health care services which have been shown to improve health outcomes for most adults.
11. 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.