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| **AP Macroeconomics**  Mrs. Shackett  Economic Growth | Name |

Use this table to fill out the following tables. Recall that a percentage change is equal to the change divided by the starting value.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Hamilton real GDP | Hamilton population | Jefferson real GDP | Jefferson population |
| 1 | $2.1 billion | 70, 000 | $500,000 | 15 |
| 2 | $2.5 billion | 80,000 | $252,000 | 16 |
| 3 | $2.8 billion | 90,000 | $600,000 | 17 |
| 4 | $2.7 billion | 86,000 | $650,000 | 18 |

|  |  |  |
| --- | --- | --- |
| Time period | Hamilton rGDP % Δ | Jefferson rGDP % Δ |
| From Year 1 to Year 2 |  |  |
| From Year 2 to Year 3 |  |  |
| From Year 3 to Year 4 |  |  |

|  |  |  |
| --- | --- | --- |
| Year | Hamilton rGDP/capita | Jefferson rGDP/ capita |
| 1 |  |  |
| 2 |  |  |
| 3 |  |  |
| 4 |  |  |

|  |  |  |
| --- | --- | --- |
| Time period | Hamilton rGDP/capita % Δ | Jefferson  rGDP/ capita % Δ |
| From Year 1 to Year 2 |  |  |
| From Year 2 to Year 3 |  |  |
| From Year 3 to Year 4 |  |  |

Circle when Hamilton County experienced the largest growth in rGDP. Draw a box around the year when Hamilton County experienced the largest growth in rGDP/capita. Why are those growth rates different?

Underline when Jefferson County experienced the largest growth in rGDP. Draw a star when Jefferson County experienced the largest growth in rGDP/capita. Why are these growth rates different?

Which county do you believe is better off? Explain.

Economic growth can be illustrated using both the LRAS curve and the PPC. Use the following graphs to illustrate economic growth.

PRICE LEVEL

CAPITAL GOODS

REAL GDP

CONSUMER GOODS

Does each of the following policies lead to economic growth? State yes or no and explain.

1. The government provides subsidies and tax incentives for firms to research new, more efficient, technology in production.
2. With renewed emphasis on education, the nation’s high school graduation rate increases from 70% to 85%, and the literacy rate rises from 98% to 99.5%.
3. The central bank expands the money supply in an attempt to boost spending and recover from a recession.
4. Because the nation is experiencing unusually low rates of spending and high unemployment, the government lowers household income tax rates and increases military spending.

How will each of the following policies affect economic growth? Why?

1. The government raises taxes on businesses.
2. The government invests in improvements in the national highway system.
3. Research and development leads to improvements in technology.
4. Labor productivity increases as a result of a new education initiative.
5. Expansionary economic policy leads to lower interest rates.
6. A country’s government is unable to enforce property rights and the country is on the verge of a civil war.
7. Government agencies establish regulations to maintain natural resources at sustainable levels.