Exercise walk-through

Public Policy and Economic Growth ▪ 5.7

eXercise

You must be able to

- describe policies that promote growth, such as investment in **physical 实物资本** and **human capital 人力资本**
- explain how **research and development** and technology raise productivity
- discuss the role of institutions, **property rights 产权**, and incentives

Method — Investing in capital

- **Physical capital** — infrastructure, machines, factories.
- **Human capital** — education, training, health.

Method — Technology

Spending on **research and development** raises **productivity**, letting the economy produce more from the same resources.

Method — Institutions

Secure **property rights**, the rule of law, and good incentives encourage investment and innovation — essential for long-run growth.

Practice 2.1 ▪ 2 marks

State two policies that promote economic growth.

Solution 2.1

Worked steps

any two of: investment in physical capital (infrastructure), investment in human capital (education), support for R&D/technology **B1** **B1**.

Practice 2.2 ▪ 1 mark

State how research and development raises growth.

Solution 2.2

Method: Technology

Worked steps

it raises productivity, so more can be produced from the same resources **B1**.

Practice 2.3 ▪ 1 mark

State one institutional factor important for long-run growth.

Solution 2.3

Method: Institutions

Worked steps

secure property rights, the rule of law, or good incentives (any one) **B1**.

Exam-style 3.1 ▪ 1 mark

Investment in human capital means spending on

A machines and factories

B education and training

C government bonds

D imports

Solution 3.1

Method: Investing in capital

A machines and factories

B education and training ✓

C government bonds

D imports

Worked steps

B.

Exam-style 3.2 ▪ 1 mark

Which of these promotes long-run growth?

- **A** weak property rights
- **B** research and development
- **C** high inflation
- **D** trade barriers

Solution 3.2

Method: Institutions

A weak property rights

B research and development ✓

C high inflation

D trade barriers

Worked steps

B.

Exam-style 3.3 ▪ 1 mark

A government wants to raise the economy's long-run growth rate.

(a) Name one policy involving **physical** capital.

(b) Name one policy involving **human** capital.

(c) State why secure property rights matter for growth.

Solution 3.3

Method: Institutions

Worked steps

(a) build infrastructure or invest in machines/factories **B1**. (b) fund education or training **B1**. (c) they give people the confidence to invest and innovate, knowing they keep the rewards **B1**.