

# 5.7 Public Policy and Economic Growth

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Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

Total: 9 marks

## Objective

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Build the skills to answer exam questions on **public policy and economic growth**.

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

## 1 Worked examples

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Study these first. Each one shows the method for a question type used later.

### ■ Investing in capital

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

### ■ Technology

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

### ■ Institutions

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

## 2 Practice

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2.1 State two policies that promote economic growth. [2]

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2.2 State how research and development raises growth. [1]

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2.3 State one institutional factor important for long-run growth. [1]

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### 3 Exam-style questions

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3.1 Investment in human capital means spending on [1]

- A machines and factories
  - B education and training
  - C government bonds
  - D imports
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3.2 Which of these promotes long-run growth? [1]

- A weak property rights
  - B research and development
  - C high inflation
  - D trade barriers
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3.3 A government wants to raise the economy's long-run growth rate.

(a) Name one policy involving **physical** capital. [1]

(b) Name one policy involving **human** capital. [1]

(c) State why secure property rights matter for growth. [1]

### 4 Go further

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- work through the **5.7 Public Policy and Economic Growth** lesson on the **Learn** page;
- read the **Long-Run Consequences of Stabilization Policies** section of the AP Macroeconomics handout on the **Know** page.

## Solutions

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

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

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

**3.1 B.**

**3.2 B.**

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