AP MACROECONOMICS • EXERCISE SHEET

5.7 Public Policy and Economic Growth

Name: ____________ Class: ________ Date: __________ **Total: 9 marks**

KEY WORDS property rights 产权 • human capital 人力资本 • physical 实物资本 • economic growth 经济增长 • productivity 生产率

Objective

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

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

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

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

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

3 Exam-style questions

3.1 Investment in human capital means spending on [1]

- **A** machines and factories
- **B** education and training
- **C** government bonds
- **D** imports

3.2 Which of these promotes long-run growth? [1]

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

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]

Solutions

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.