Solutions

Each answer shows the steps, then the **result**.

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