

Topic 5

Growth Policies

Econ 1102 sec 027 (whiteboard)



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Agenda

- Short Recap of last class
- Policies that promote growth
- Analysis of Government policy
- Sustainability/Desirability of growth



How can we encourage growth?

What should we target? Government policies, education, wages?

Promoting
Growth

Government
Policy

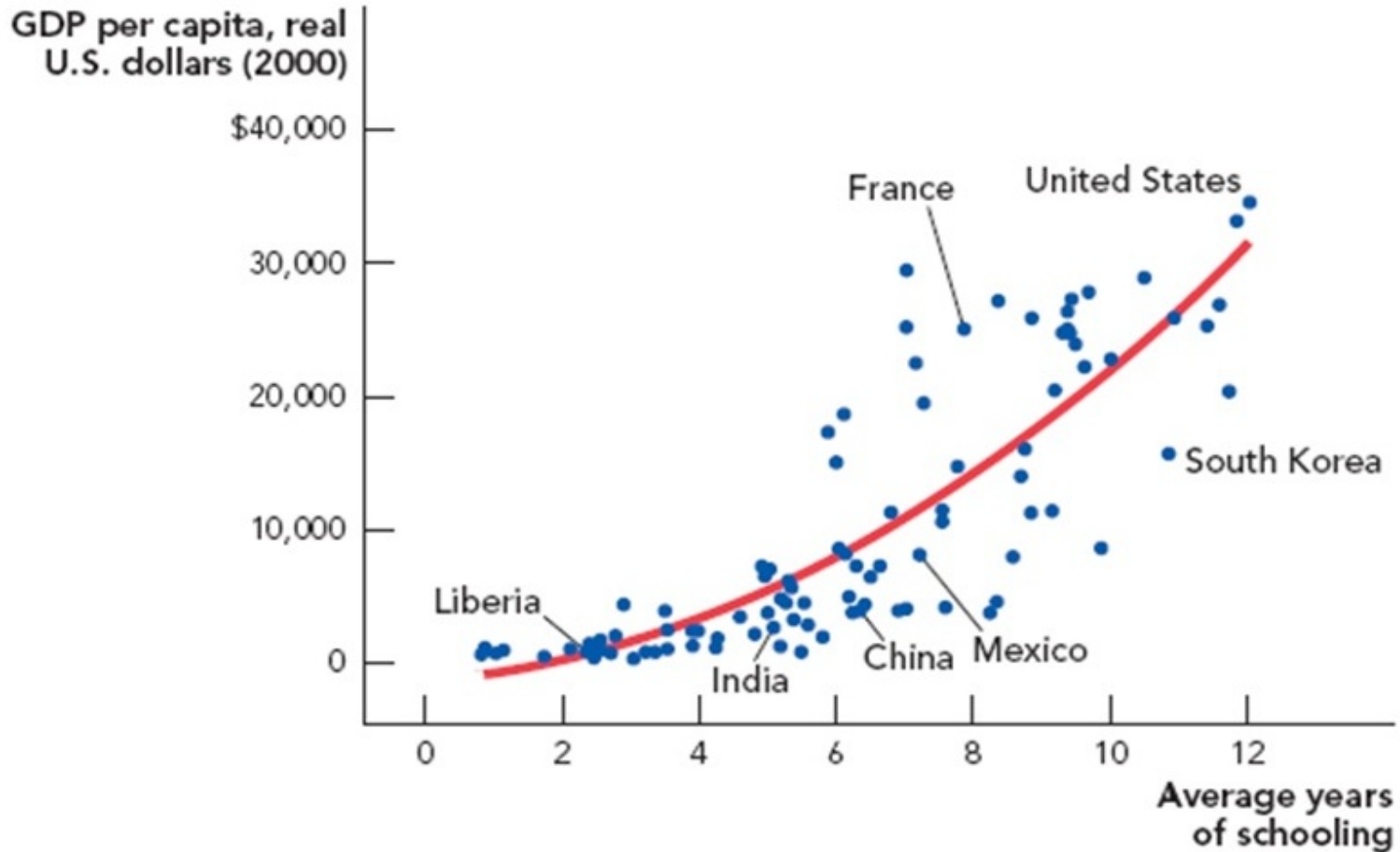
Sustainability /
Desirability



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Human capital: RGDP & education

- Education and RGDP are strongly correlated



Promoting
Growth

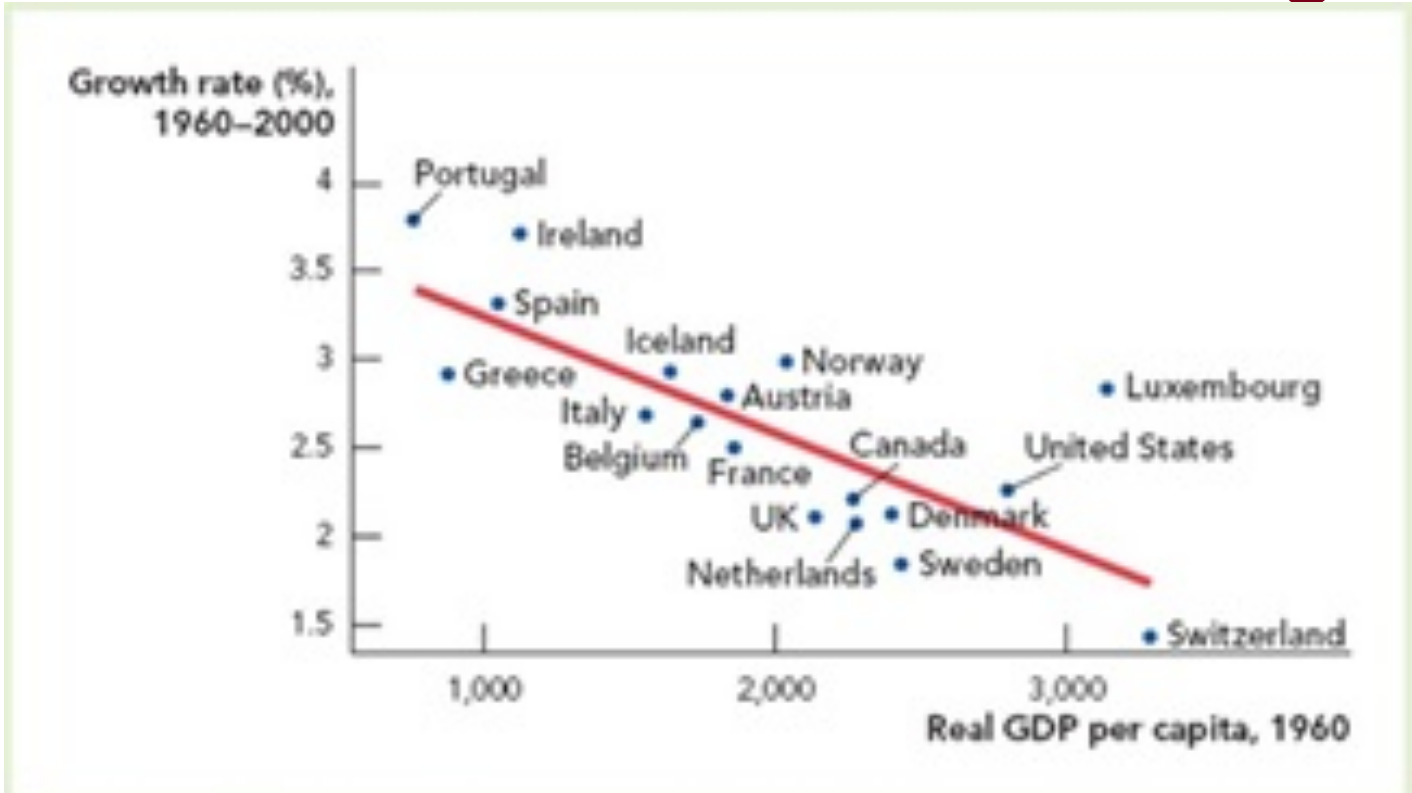
Government
Policy

Sustainability /
Desirability



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Investment: Conditional convergence



Conditional Convergence The poorer the OECD country in 1960, the faster growth was between 1960-2000.

Source: Penn World Tables

Note: Data includes 18 of the 20 original OECD countries, excluding Germany and Turkey.

Promoting
Growth

Government
Policy

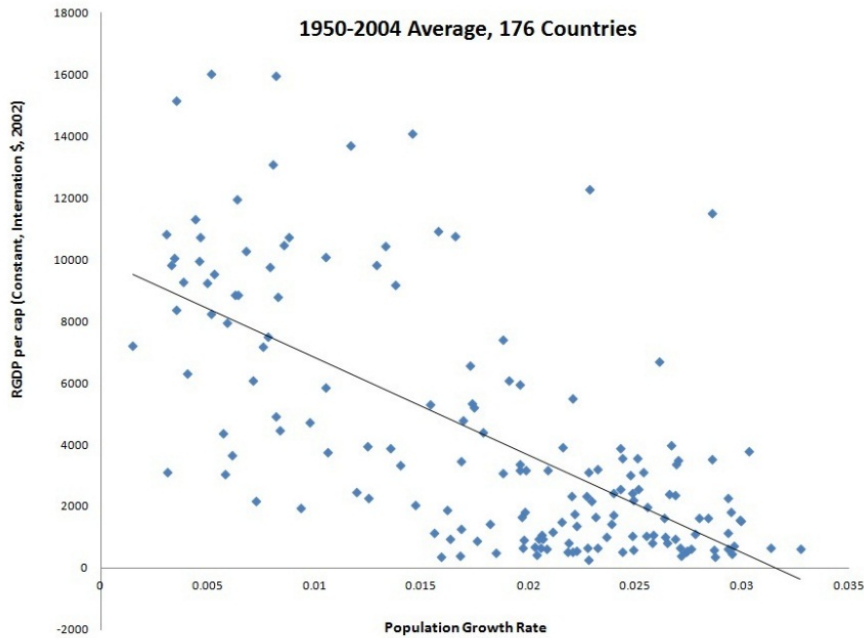
Sustainability /
Desirability



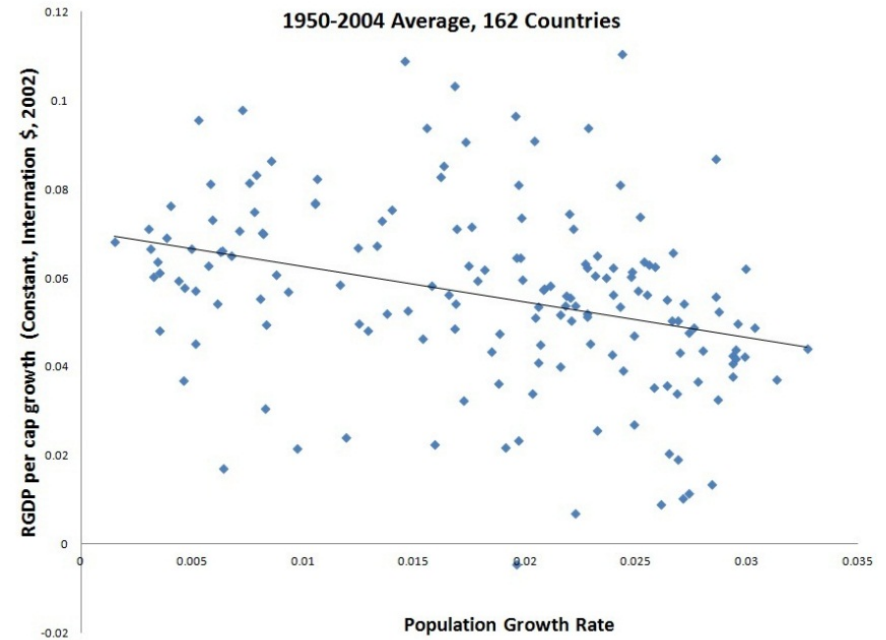
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Population and Growth

GDP vs Population Growth



GDP Growth vs Population Growth



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Evaluating Government Policy

And why do we need a government anyways?

(Pros and cons of government policy)

Promoting
Growth

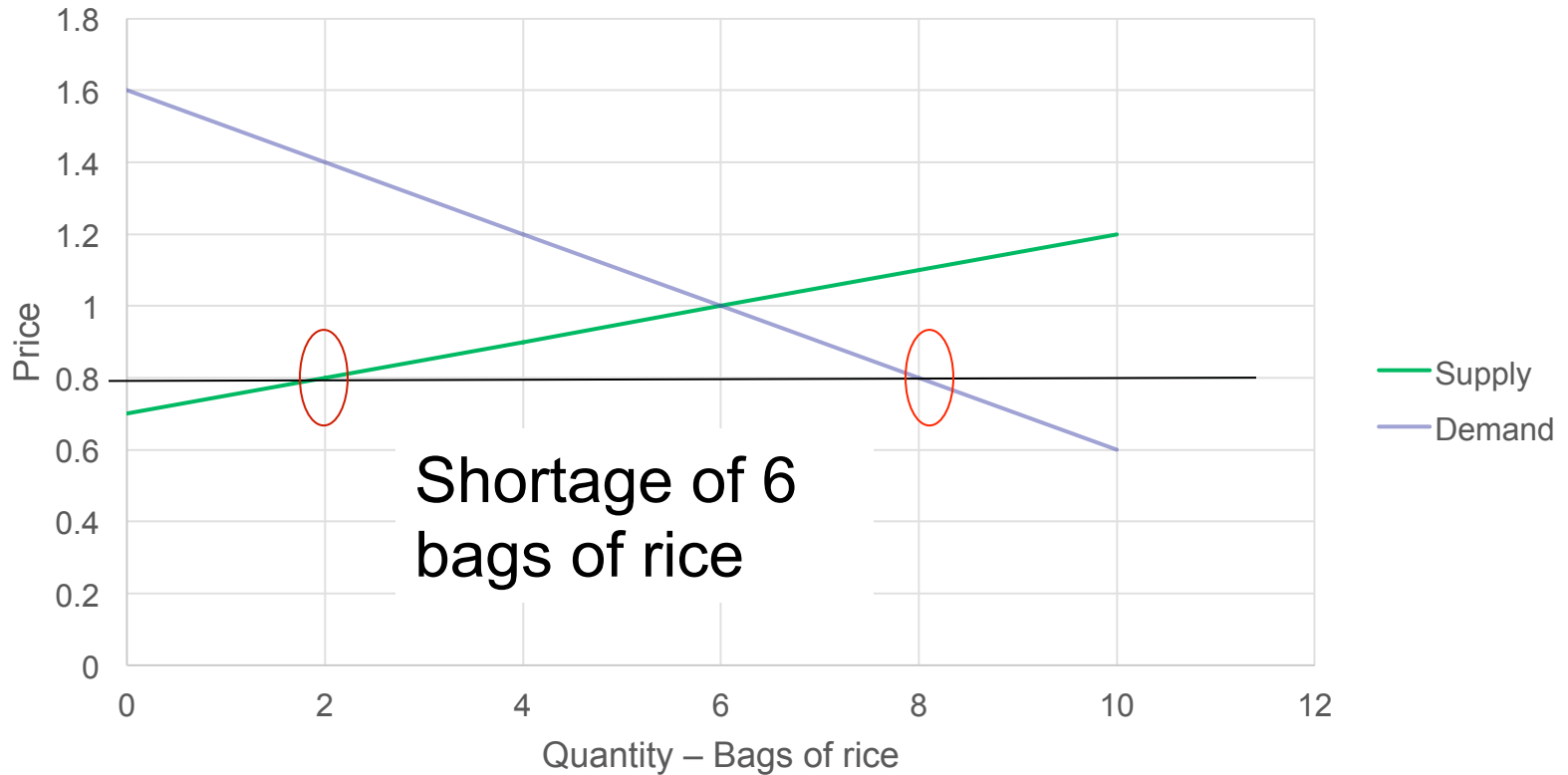
Government
Policy

Sustainability /
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Price Ceilings



Promoting Growth

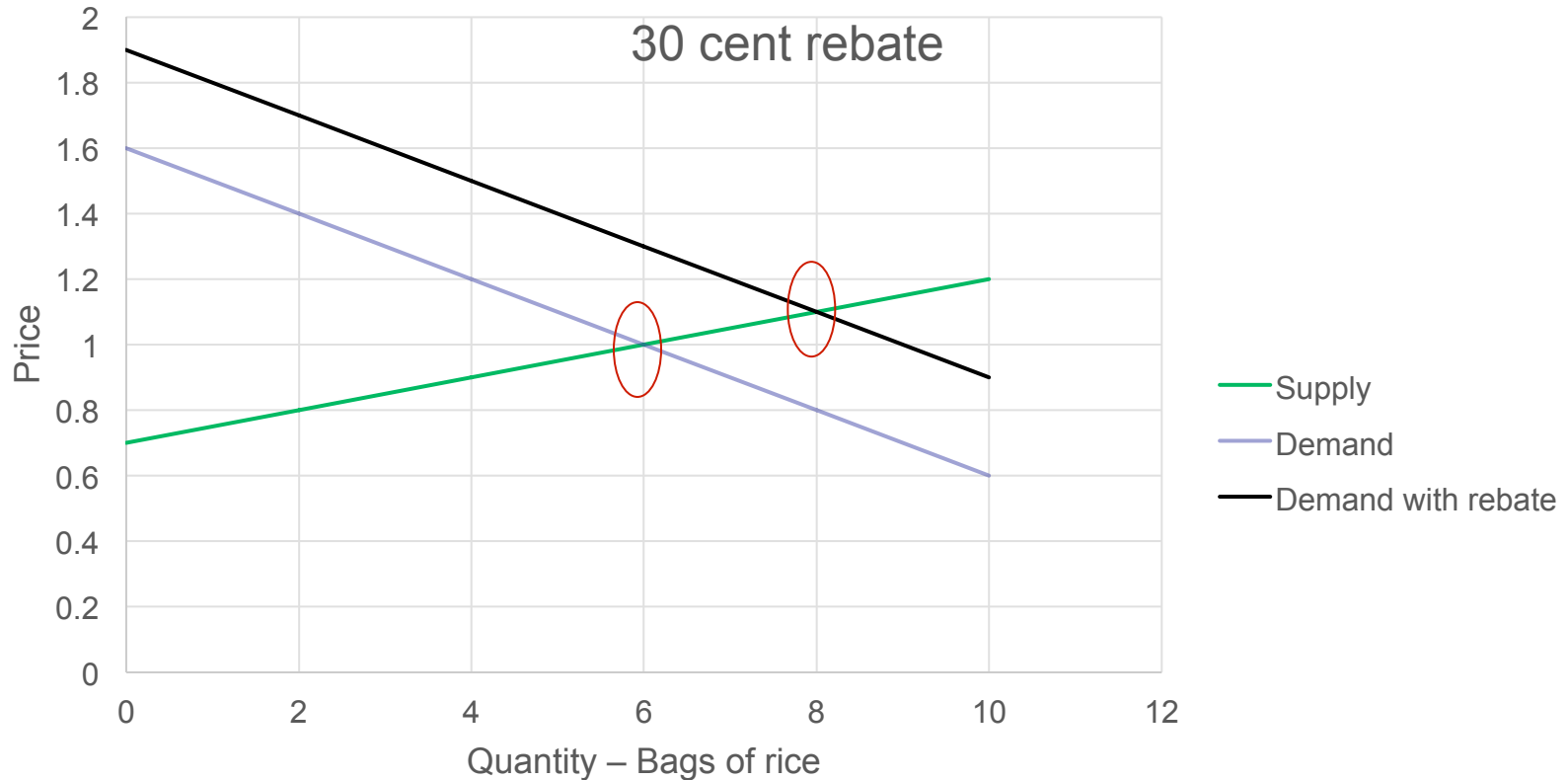
Government Policy

Sustainability / Desirability



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Instead, let's try a Rebate. What happens?



Promoting
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Great! But how do we pay for this?



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Key Ideas and Things To Think About

Note: This is NOT a study guide – i.e. do not limit yourself to these items when studying



Key Ideas

- Six ways to promote growth
- Role of government in market economy
- Effect of government policy
 - Assumptions for this analysis to be valid
- Is growth sustainable/desirable?



Things To Think About

- When would government regulation be a good thing?
- Why might some countries have a negative view on modern economic growth?



Things To Think About

- Consider [this](#) article. Would this same strategy be effective for the United States? If yes, in what way? If no, why not?
- Consider Obama's [“you didn't build that”](#) statement. What might he actually have meant? (Think about capital and how it impacts the economy)

