

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

1) (15 points each) For each of the following, explain how it will help spur economic growth.

A) Increased savings.

B) Patents.

2) (25 points) What are two negative aspects of economic growth?

3) (15 points) Why is a system of enforceable property rights important for economic development?

4) (15 points) When you \$1000 in the bank earning interest at $i\%$ for n years and leave it there, you will have $\$1000(1+i)^n$ at the end. For example, earning 10% for 2 years will get you $\$1000(1+.1)^2 = \1210 . If you put \$1000 in the bank at 5% interest now and withdraw it in 40 years, how much will you withdraw? If you wait five years before you put the \$1000 in the bank, so it is only there for 35 years, how much will you withdraw? What does that say about when you should start saving for retirement?

5) (15 points) How does economic growth help political stability?