

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

- 1) (10 points) According to another textbook I read, the potential GDP grew at 2.5% from World War II until 1975 and 2.0% from 1975 until 1995. Most of that period, the slow growth can be attributed to the government deficits which Reagan started. That may not appear to matter, but it does. How long will it take GDP to double at those two different rates? Show all work.
- 2) (15 points) If you delay saving for retirement from age 22 to age 32, the amount you have to save each year greatly increases. I believe it nearly doubles. There are two reasons for this. What are these two reasons?
- 3) (20 points) In 2007, the last year of a strong economy in the USA, the citizens of the USA and the government both had negative savings. What does that mean? Why is that bad for the long-term economy?
- 4) (15 points) Explain how patents help increase the growth of the economy.
- 5) (20 points) What is meant by *creative destruction*? How does it help the economy to grow?
- 6) (20 points) What are *intellectual property rights*? How does enforcing them help the economy to grow?