CHAPTER

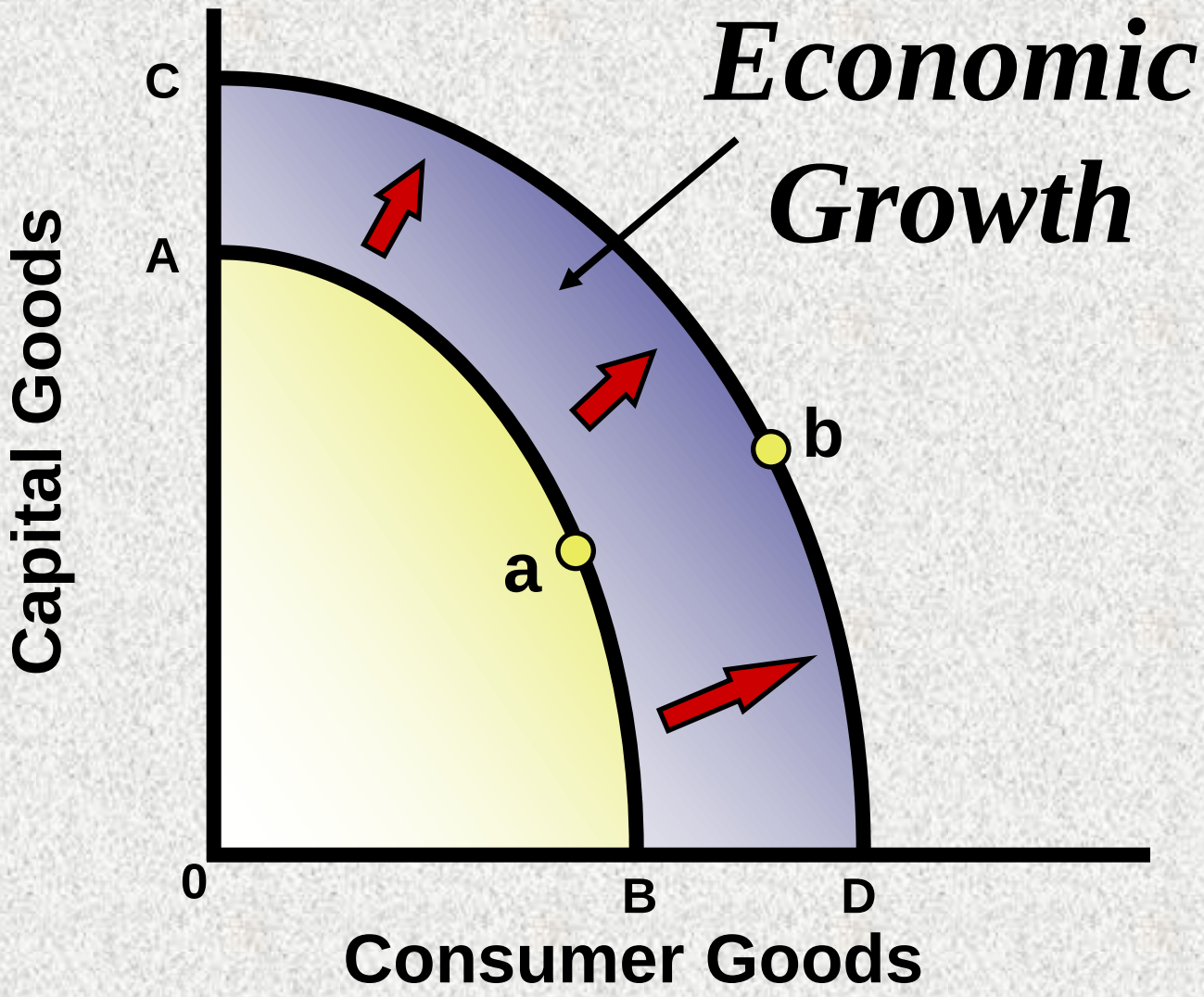
16

ECONOMIC GROWTH

What Policies Help Economic Growth?

- Increased Savings
- Education
- Comparative Advantage

PRODUCTION POSSIBILITIES ANALYSIS

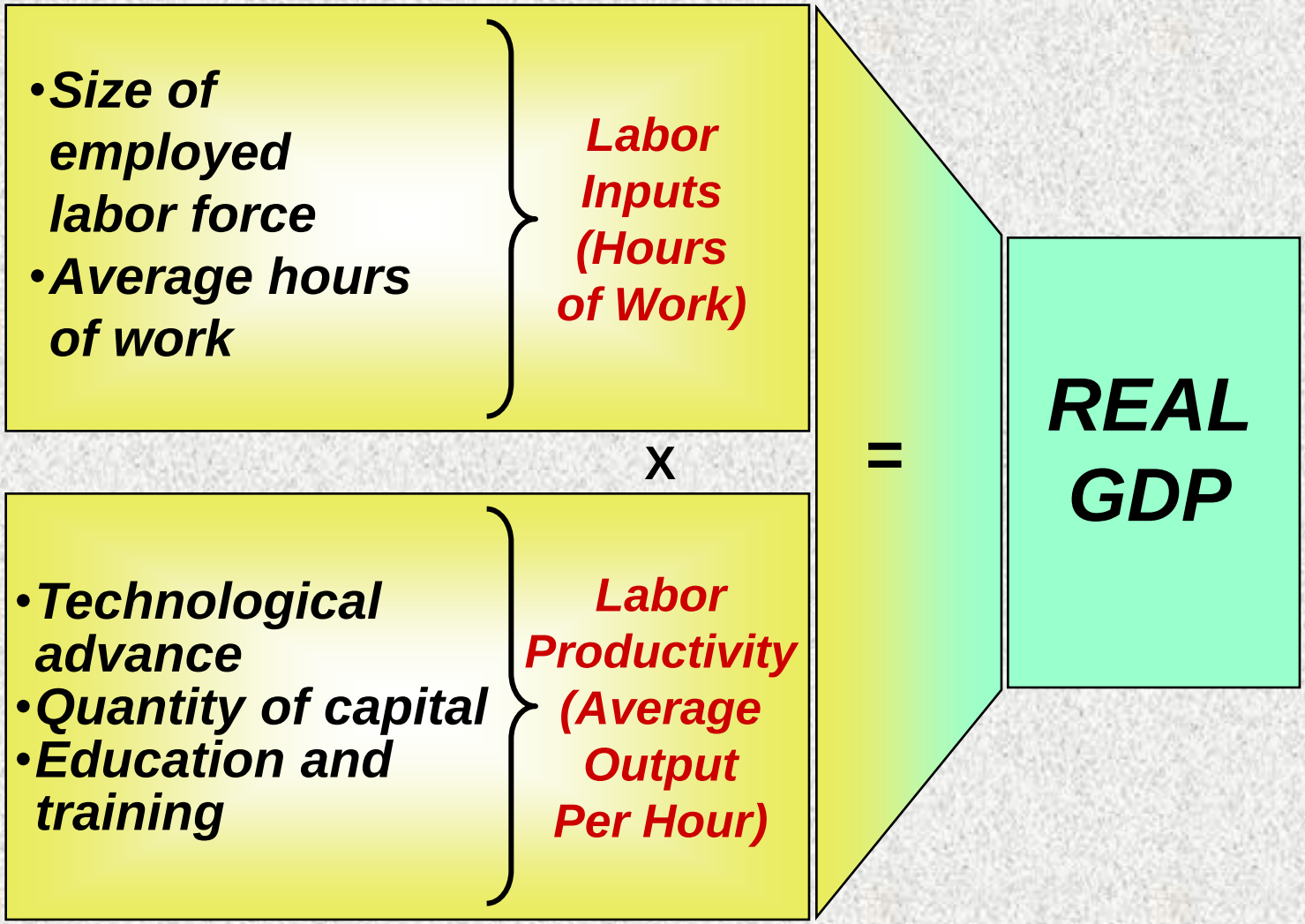


PRODUCTION POSSIBILITIES ANALYSIS

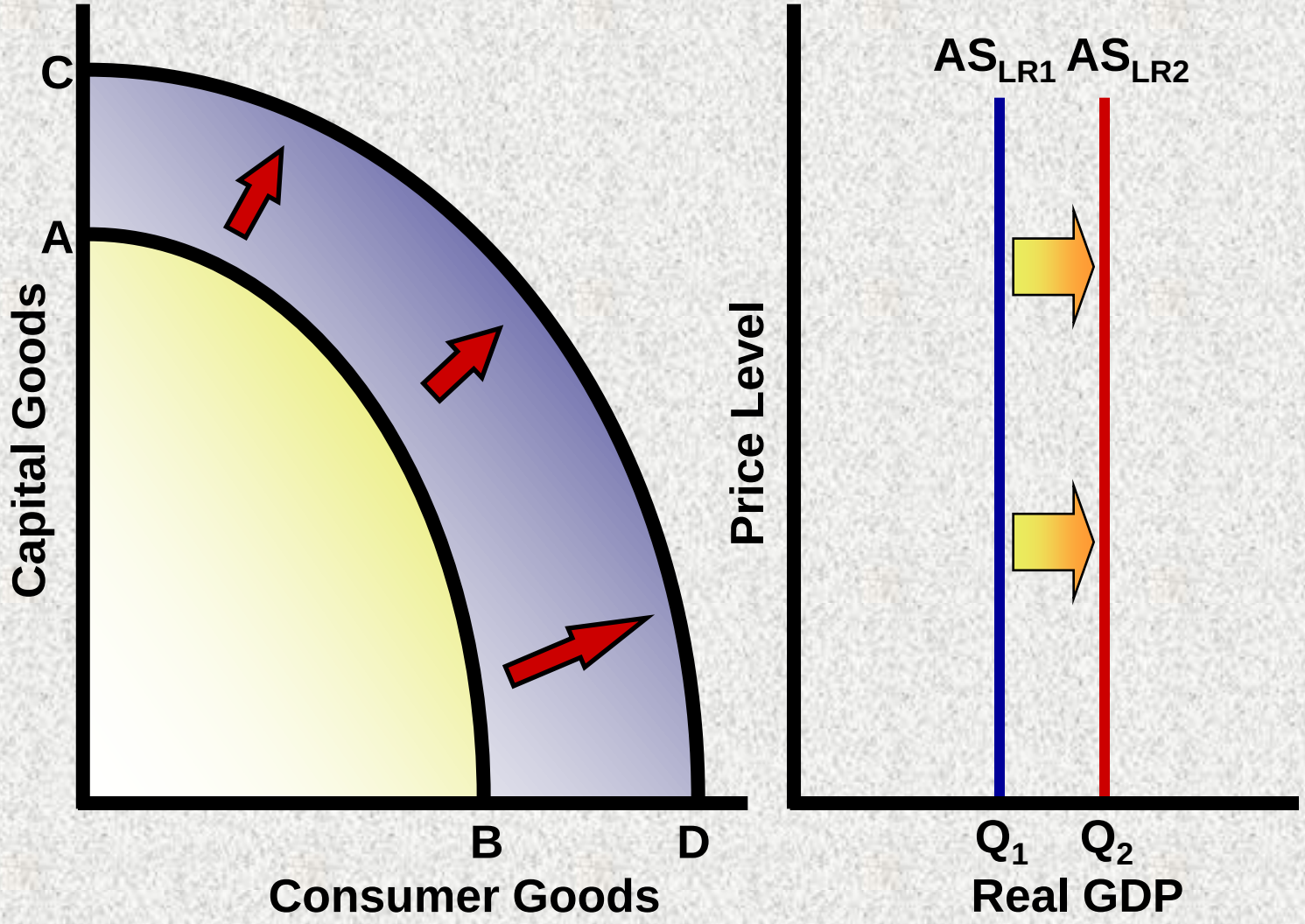
Labor and Productivity

$$\text{Real GDP} = \text{Hours of Work} \times \text{Labor Productivity}$$

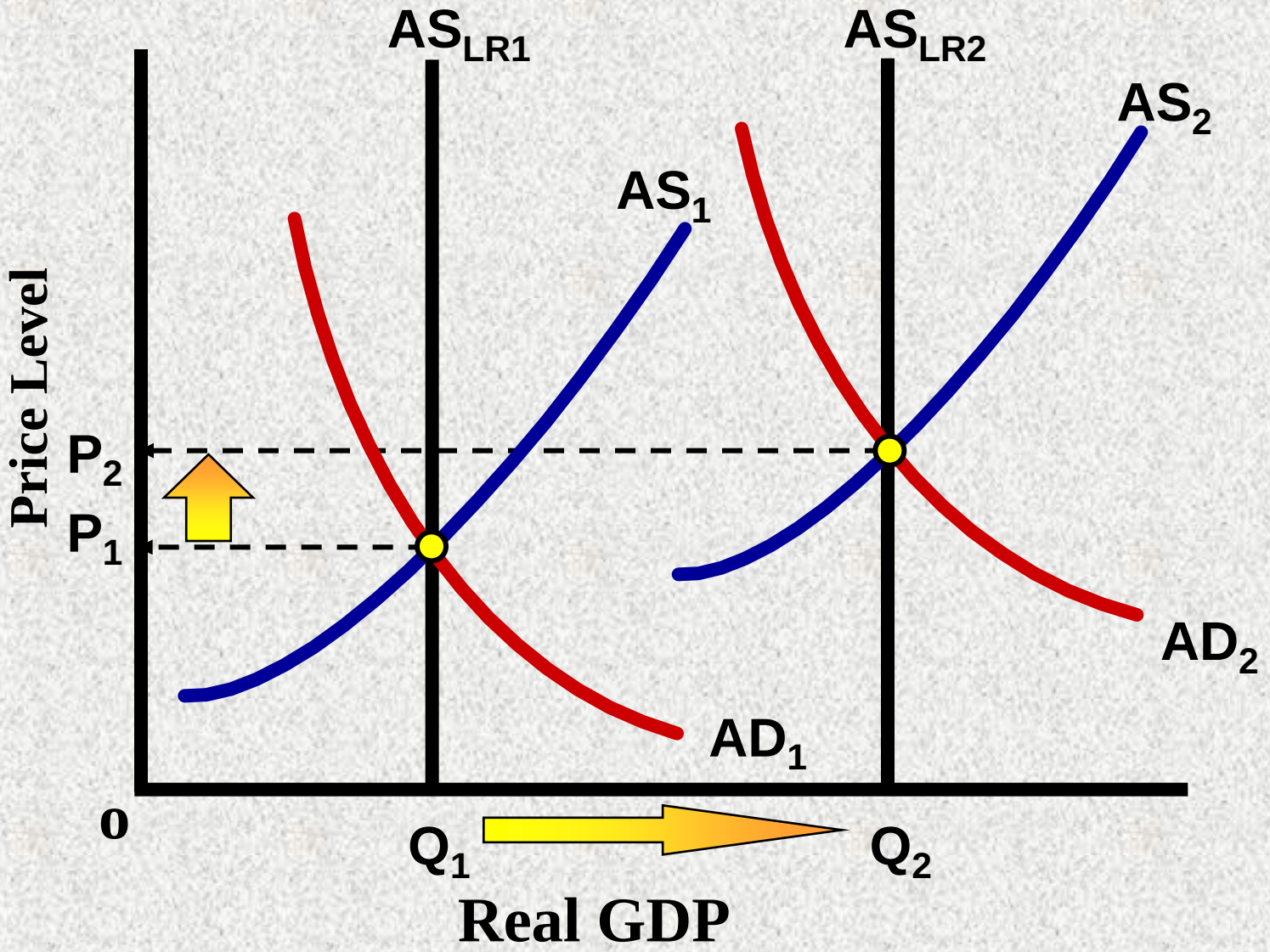
SUPPLY DETERMINANTS OF REAL OUTPUT



GROWTH IN THE AD-AS MODEL

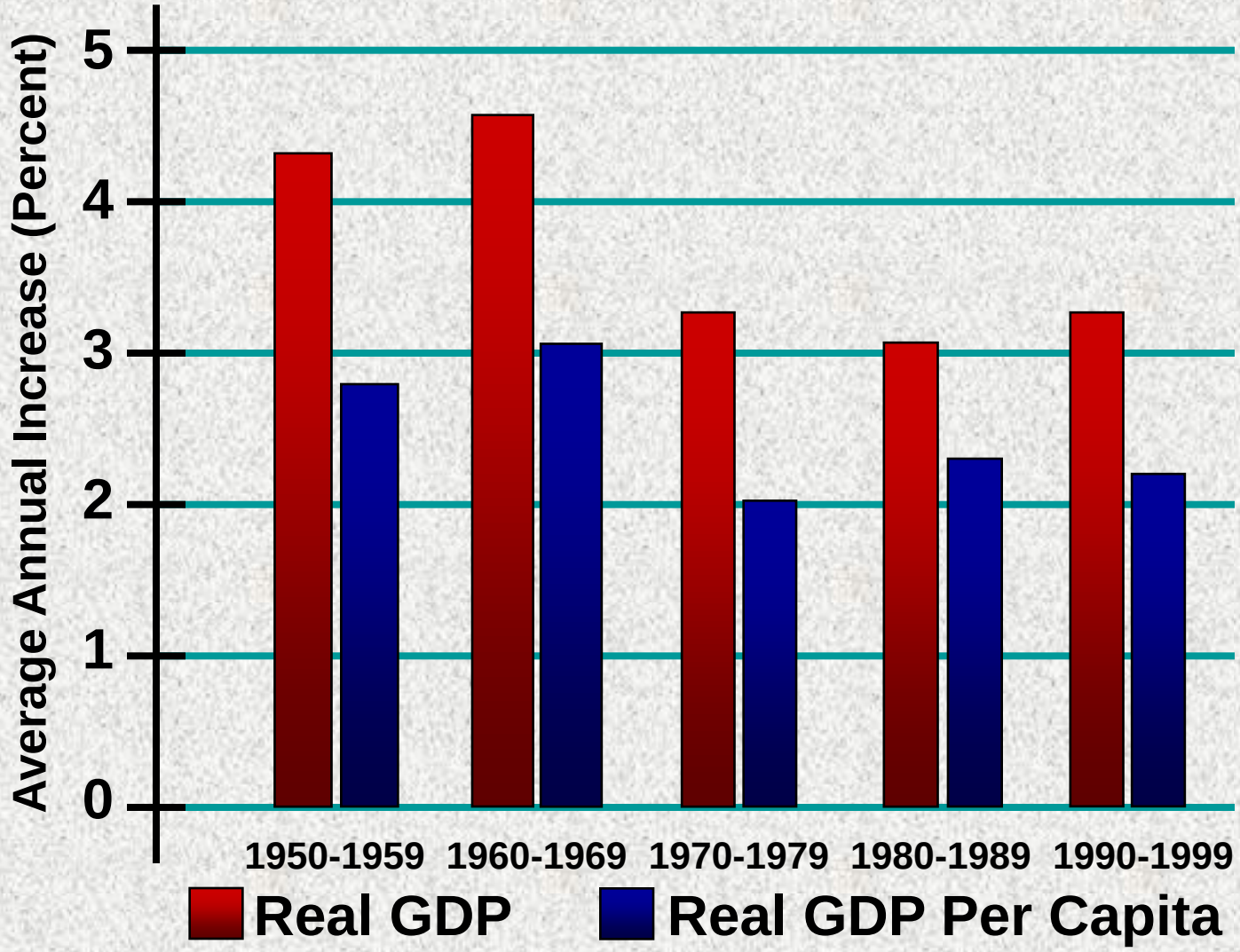


ECONOMIC GROWTH IN THE EXTENDED AD – AS MODEL



U.S. ECONOMIC GROWTH RATES

U.S. Economic Growth, Annual Averages for Five Decades



ACCOUNTING FOR GROWTH

Accounting for Growth of U.S. Output, 1960-2008

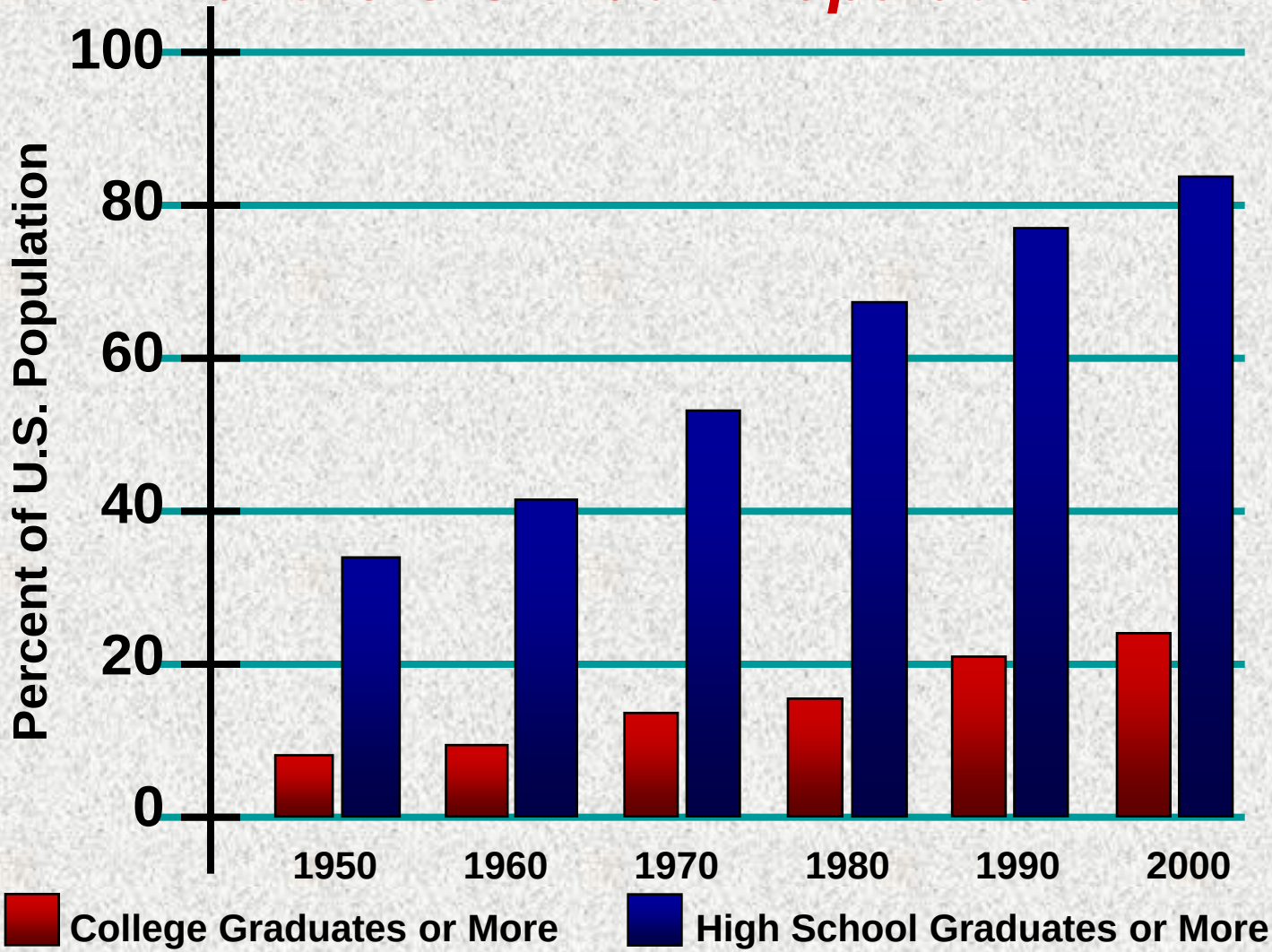
	1960 Q2 to 1973 Q4	1973 Q4 to 1990 Q3	1990 Q3 to 2002 Q3	2002 Q3 to 2008 Q4*
Increase in Real GDP	4.2	2.9	2.9	3.2
Increase in quantity of labor	1.6	1.6	0.9	1.4
Increase in labor productivity	2.6	1.3	2.0	1.8

**Rates beyond 2002 are projections*

Source: Economic Report of the President, 2003

ACCOUNTING FOR GROWTH

Changes in the Educational Attainment of the U.S. Adult Population



Source: U.S. Census Bureau

GLOBAL PERSPECTIVE

Average Test Scores, 8th. Grade, 1999

Mathematics

Rank		Score
1	Singapore	604
2	South Korea	587
3	Taiwan	585
4	Hong Kong(China)	582
5	Japan	579
6	Belgium	558
7	Netherlands	540
8	Slovak Republic	534
9	Hungary	532
10	Canada	531
19	United States	502

Science

Rank		Score
1	Taiwan	569
2	Singapore	568
3	Hungary	552
4	Japan	550
5	South Korea	549
6	Netherlands	545
7	Australia	540
8	Czech Republic	539
9	United Kingdom	538
10	Finland	535
18	United States	515

Source: Third International Math and Science Study

IS GROWTH DESIRABLE AND SUSTAINABLE?

The Antigrowth View

In Defense of Economic Growth