

CONCEPT: THE ROLE OF GOVERNMENT IN PROMOTING ECONOMIC GROWTH

- Government policies and institutions can help stimulate growth in the economy:
 - *Public Education* – investment in _____
 - > Smart and experienced workers are more productive
 - *Public Health and Nutrition* – alternative investment in _____, the health of the population
 - > Healthy workers are more productive
 - *Property Rights* – ability to exercise authority over property you own
 - > Entrepreneurs and investors would not risk their funds if their property could be seized
 - > In many developing countries, property rights are undermined by government _____
 - > Problems with government stability are worse when a country is at war or experiencing civil unrest
 - *Savings and Investment* – the production of additional capital leads to increases in future productivity
 - > **Savings** – current consumption is _____ current output
 - Tax incentives can improve savings by households (i.e. 401(k) and other retirement accounts)
 - > **Investment** – current resources are devoted to _____ future output
 - Government subsidies towards research and development increase investment
 - Government also plays an important role in **infrastructure** (i.e. roads, powerlines)
 - *Free trade* – integrating into the worldwide marketplace
 - > **Globalization** – the process of countries becoming more open to foreign trade and investment
 - > **Foreign Direct Investment** – Purchasing or building facilities in foreign countries
 - Low income countries can increase production by allowing foreign investment