

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers 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 do double-sided printing or print on the back of scrap paper, I will give you one additional point.

- 1) (15 points) Why is savings important for economic growth? Explain your logic.
- 2) (25 points) Why does the Solow Model conclude that economies will converge? Why do we not see that happening? Explain your logic.
- 3) (10 points) Suppose the workforce's share of the economy is 70% and it is growing at 4%. Also, suppose the capital stock is growing at 5%. If the economy is growing at 5.5%, then how much is the growth of the total factor productivity? Show all work.
- 4) (25 points each) For each part, explain why that quality helps economic growth. If a country does not have it, then what can it do to get it? Explain how that will help the country achieve that quality.
 - A) Effective governance and institutions
 - B) Investment in health and education