

Place your name on the back of this sheet of paper and nowhere else. 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 use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) If you start to save at age 31, you have to save a lot more than if you start to save at age 21. I believe it is about 40% more. Give two reasons this is true.

2) (10 points each) For each of the following, explain how economic growth causes this bad outcome.

A) Urban congestion gets worse.

B) The family unit breaks down.

3) (20 points) Explain how research and development leads to economic growth. What can the government do to encourage it? Explain why the government's actions would have the desired effect.

4) (20 points) Personal savings in the USA was negative just before the recession which is still affecting us. Government savings was and still is negative. Why is this bad for the long term? Explain your logic.

5) (20 points) There is a push in Congress to increase protectionism. What does that mean? Why is it bad?