

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) (10 points) If a developing country has its population grow 2%, capital grow 3%, and its economy grew 4%, then how fast did total factor productivity grow? Show all work and briefly explain your logic.

2) (20 points) Draw the production function as a function of the capital-labor ratio. Illustrate the effects of an improvement in technology. Explain why the curve moved as drawn.

3) (25 points each) For each of the following, explain why this aspect of the economy will help the country grow faster. What can the government do to achieve this? Explain how the government's action will help the economy.

A) Political stability

B) Investment in health systems

4) (10 points) When we drew the demand for labor in the business (urban) sector, we called it the MPL. What does that mean and why would we pay that?

5) (10 points) When we drew the demand for labor in the farming (rural) sector, we called it the APL. What does that mean and why would we pay that?