

Chapter 8



Economic Growth and Rising Living Standards

ECONOMICS: Principles and Applications, 4e
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Table 1: Some Indicators of Economic Well-Being in Rich and Poor Countries, 2003

Country	Real GDP per Capita	Infant Mortality Rate (per 1,000 Live Births)	Life Expectancy at Birth	Adult Literacy Rate
Rich Countries				
United States	\$37,562	7	77.4	Greater than 99%
Japan	\$27,567	3	82.0	Greater than 99%
Germany	\$27,756	4	78.7	Greater than 99%
France	\$27,677	4	79.5	Greater than 99%
United Kingdom	\$27,147	5	78.4	Greater than 99%
Italy	\$27,110	4	80.1	98.6%
Poor Countries				
Azerbaijan	\$3,617	75	66.9	98.8%
Ghana	\$7,238	59	56.8	54.1%
Pakistan	\$2,097	81	63.0	48.7%
Ghana	\$7,078	97	56.2	73.6%
Zambia	\$ 877	102	47.5	57.9%
Sierra Leone	\$ 548	168	40.8	29.6%

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Table 2: Average Annual Growth Rate of Real GDP per Capita

Country	1948-1972	1972-1988	1988-1995	1995-2004
United States	2.2%	1.7%	1.0%	2.3%
United Kingdom	2.4	2.1	0.9	2.5
Canada	2.9	2.6	0.6	2.4
France	4.3	2.1	1.2	1.8
Italy	4.9	2.8	1.6	1.3
West Germany	5.7	2.2	1.3	1.2
Japan	8.2	3.3	2.1	1.3

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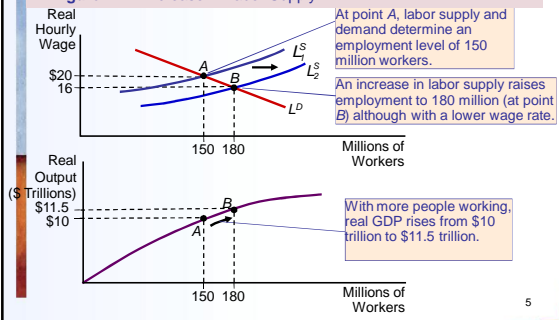
Table 3: Factors Contributing to Growth in U.S. Real GDP

Annual Percentage Growth in Real GDP Due to:	1953 to 1973	1973 to 1995	1995 to 2005	2005 to 2010 (projected)
Population	1.6	1.4	1.2	1.1
EPR	0.1	0.4	0.0	-0.1
Average Hours	-0.3	-0.3	-0.2	-0.1
Productivity	2.2	1.3	2.3	2.3
Total	3.6	2.8	3.3	3.2

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An Increase in Labor Supply

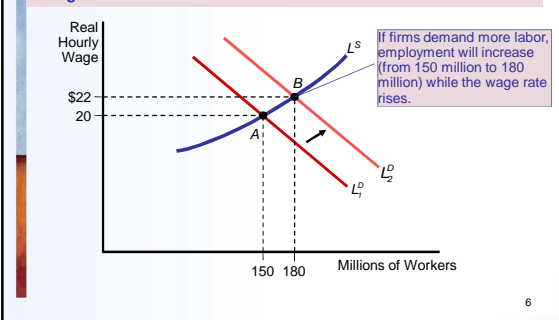
• **Figure 1** An Increase in Labor Supply



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An Increase in Labor Demand

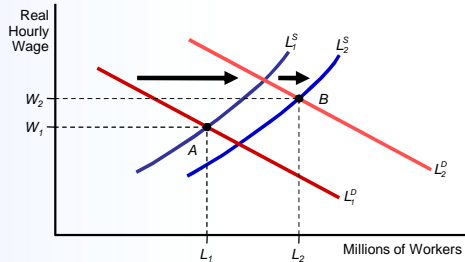
• **Figure 2** An Increase in Labor Demand



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The U.S. Labor Market Over A Century

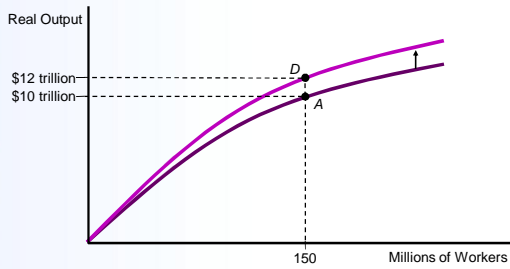
• Figure 3 The U.S. Labor Market Over A Century



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Growth in the Capital Stock

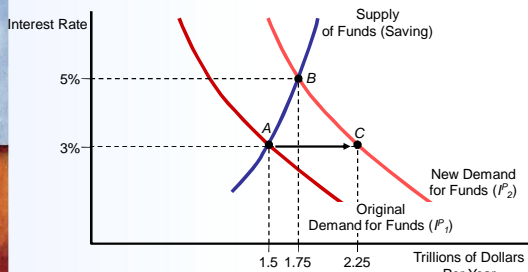
• Figure 4 Capital Accumulation and the Production Function



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Targeting Businesses

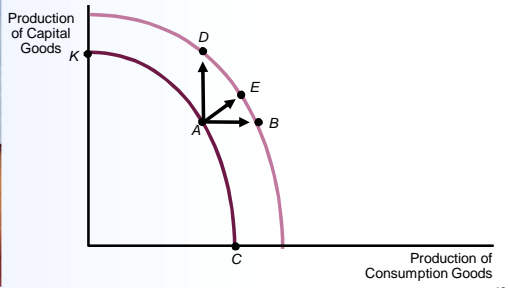
• Figure 5 An Increase In Investment Spending



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Consumption Costs

• **Figure 8** Consumption, Investment, and Economic Growth



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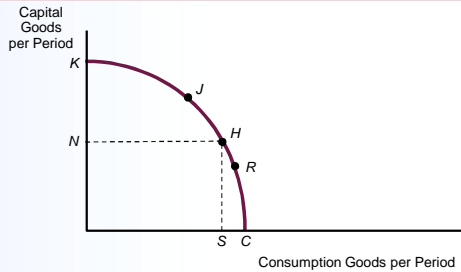
Table 5: Economic Growth in Selected Poor Countries

Country	Average Annual Growth Rate of Output per Capita	
	1975-1990	1990-2003
Bangladesh	0.9	3.1
Ghana	-0.8	1.8
Benin	-0.6	2.2
Kenya	0.9	-0.6
Haiti	-1.9	-2.8
Sierra Leone	-1.5	-5.3

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Economic Growth in the LDCs

• **Figure 9** LDC Growth and Living Standards



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