

Assignment | Unit 6

Economic Growth and Loanable Funds Market

1. Your Assignment should have a cover sheet with the following information:

- Your Name
- Course Number
- Section Number
- Date

2. You may submit your Assignment using the [Unit 6 Assignment template](#).

3. Your answers should follow APA formatting by being in double spaced paragraph format, with citations to your sources and, at the bottom of your last page, a list of references. Your answers should also be in Standard English with correct spelling, punctuation, grammar, and style.

4. Respond to the questions in a thorough manner, providing specific examples of concepts, topics, definitions, and other elements asked for in the questions. Your paper should be highly organized, logical, and focused.

5. Required Format:

- Correct APA formatting for answers (cover sheet with name, course number, section number, unit number, date, answers double spaced, in Times New Roman 12-point font). Review the APA formats found in the Writing Center.
- Correct citations within answers
- Standard English with no spelling or punctuation errors
- Correct references at the bottom of the last page

Assignment

Suppose you are employed as an assistant researcher to conduct study on the major determinants of the variations in the economic growth of countries. Based on the scenarios presented in the Assignment, compile a research paper that analyzes factors that indicate the disparities of economic growth among countries. View the Chapter 12: "[Is Higher Productivity a Problem? Will it Lead to Widespread Job Losses?](#)" video and Chapter 13: "[Why are Stocks Riskier than Bonds?](#)" video.

This Assignment will assess your knowledge based on the following outcomes:

AB204-3: Analyze factors that determine long run economic growth by conducting research using macroeconomic indicators data.

GEL-6.5: Use Electronic Libraries/databases for research purposes.

PC-4.1: Assess the value of multiculturalism and diversity in a global environment.

PART 1: Comparing Long-Run Economic Growth Rates of Countries

Use the Library and databases to conduct research to identify the key factors that determine long-term economic growth. You can find the most up-to-date reports on the economic growth trends of different countries under the World Bank website linked below.

World Bank. (2017). *World development indicators*. Retrieved from <http://data.worldbank.org/products/wdi>

After you have conducted research and read the items listed above, access the “**Data & Research**” tab in the World Bank website and compare growth rates between two countries of your choice. Specifically, select one advanced economy (such as U.S., Germany, etc.), and select one developing economy (such as Angola, Bangladesh, etc.).

Download their data for five major economic indicators (2005–2014) such as the real GDP growth (annual %), and three major social indicators such as population. Then identify and describe possible factors that may explain the differences between the GDP growth rates and long-term economic growth of the advanced and developing economies for the countries you selected.

Diversity has become the characteristics of the majority of the countries in the world. Globalization and economic interdependence of countries calls for understanding and accommodating diversities. Economic development theories and empirical studies also widely discuss and debate the impacts of multiculturalism and diversity on economic growth and development. The positive roles of multiculturalism and diversity in economic growth and development are praised in democratic countries that have cultivated systems that accommodate and capitalize on diversities and multiculturalism (see the article below).

Economic benefits of cultural diversity. (n.d.). *SGS Economics & Planning*. Retrieved from <https://www.sgsep.com.au/publications/economic-benefits-cultural-diversity>

On the other hand, developing countries in Asia, Africa, and Latin America, cultural and religious diversities are the internal instability, polarization, conflicts, disintegration, etc., which have adverse impact on economic growth and development. Since the developing countries don't have systems that effectively accommodate multiculturalism and diversity and dominant ethnic groups control power and resources, they lead to lack of equal opportunities and significant socioeconomic gaps in countries (see the links below for research examples on the issues for Latin America, Asia, and Africa).

Arocena, F., & Porzecanski, R. (n.d.). *Ethnic inequality, multiculturalism and globalization: The cases of Brazil, Bolivia and Peru*. Retrieved from <http://www.multiculturalismoenuruguay.com/Docs/Articulos/IJCSArocena.pdf>

Donnelly, R. (2015). Tensions and challenges in the management of diversity and inclusion in IT services multinationals in India. *Human Resource Management*, 54(2), 199–215. Retrieved from <http://eds.a.ebscohost.com.lib.kaplan.edu/eds/pdfviewer/pdfviewer?sid=a3d4c10c-1830-41b7-8537-6f2b78193483%40sessionmgr4010&vid=7&hid=4205>

Kivoto, E. (n.d.). *Ethnic conflict and its impact on economic development in Africa: A case study of Kenya*. Retrieved from http://www.academia.edu/11302119/ETHNIC_CONFLICT_AND_ITS_IMPACT_ON_ECONOMIC_DEVELOPMENT_IN_AFRICA_A_CASE_STUDY_OF_KENYA

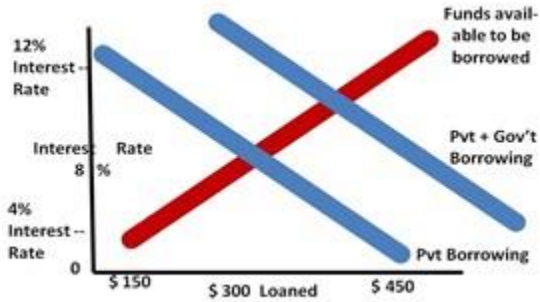
Discuss the value of recognizing and accommodating multiculturalism and diversity in a globalized economic environment and their roles in promoting long-run economic growth. In line with the developed and developing countries you selected for your research, discuss the benefits and challenges, and recommend solutions in regard to multiculturalism and diversity in the two countries and their impacts on the economy.

PART 2: Loanable Funds Market

1. Examine each of the following scenarios in the market for loanable funds. Explain the impacts on private savings, private investment spending, and the rate of interest under each of the following events. Assume the economy is autarky (closed) and it does not have trade and capital transactions (flows) with foreign countries.

- a. Assume the government balances its budget and reduces the size of its deficit to zero. (Refer to the graph below). What is its impact on private savings, private investment spending, and the rate of interest?

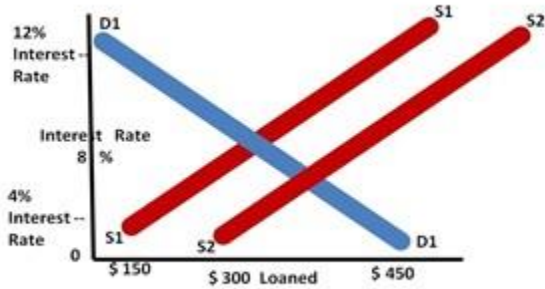
Chapter 9, Problem 5a, Gov't borrowing drops to zero



Quantity of Loanable Funds (in billions of Dollars)

- b. Suppose the consumers decide to save more money, at the given rate of interest. Then assume the budget is balanced and the deficit is zero (refer to the graph below). What is the impact of this scenario on private savings, private investment spending and the rate of interest?

Chapter 9, Problem 5b, consumers increase savings



Quantity of Loanable Funds (in billions of Dollars)

This Assignment is related to long-term economic growth and the roles of saving, investment and the financial system in promoting economic growth (Chapters 12 and 13).

Directions for Submitting Your Assignment

Before you submit your Assignment, you should save your work on your computer in a location and with a name that you will remember. Make sure your Assignment is in the appropriate format (Microsoft Word), then, when you are ready, you may submit to the Dropbox.

Unit 6 Assignment: Economic Growth and Loanable Funds Market	Points Possible	Points Earned
Content and Analysis		
PART 1		
<ul style="list-style-type: none"> Correctly identified a developed and a developing country. 	3	
<ul style="list-style-type: none"> Correctly downloaded economic and social indicators data. 	5	
<ul style="list-style-type: none"> Provided a detailed discussion of why the growth rates differ across these countries. 	15	
<ul style="list-style-type: none"> Assess the value of multiculturalism and diversity on economic growth. 	5	
PART 2, Problem 2a		
<ul style="list-style-type: none"> Correctly explained effect on private savings. 	2	
<ul style="list-style-type: none"> Correctly explained effect on private investment spending. 	2	
<ul style="list-style-type: none"> Correctly explained the effect on the rate of interest. 	2	
PART 2, Problem 2b		
<ul style="list-style-type: none"> Correctly explained effect on private savings. 	2	
<ul style="list-style-type: none"> Correctly explained effect on private investment spending. 	2	
<ul style="list-style-type: none"> Correctly explained the effect on the rate of interest. 	2	
Writing style, grammar, and APA formatting.	5	
Total	45	