• Government can encourage high rates of saving and investment in the private sector
  o IRA legislation is to made to make saving more financially attractive to American households (no taxes on fund deposited or on interest earned)
  o Investment tax credit, which reduces the tax bills of firms that invest in new capital
  o Public investment, or the creation of government-owned capital
• Government supports basic research
• Poorer countries first need to improve the legal and political environment that underpins their economies

Thinking About the Costs of Economic Growth
• Costs of creating new capital
  o Diverts resources that could otherwise be used to increase the supply of consumer goods (consume less)
  o In a society that is relatively well-off, people may be more willing to make sacrifices to achieve higher economic growth in the future
• Cost of research and development to improve technology
• Cost of training
• "Limits of Growth" theory assume economic growth is more of what we have now
  o Increases in real GDP could come from new or higher-quality products
  o Increased wealth and productivity expands society's capacity to take measures to safeguard the environment
  o Ignores the power of the market to deal with scarcity
    ▪ Trigger price changes that induce suppliers and demanders to deal with the problem