**Problem Set 3**

1. What is human capital, and how is it different from strictly the quantity of workers available for work? Name three ways to increase a nation’s human capital. Is an increase in the size of the labor force also an increase in the human capital? Explain your answer.
2. The Rule of 70 applies in any growth rate application. Let’s say you have $1000 in savings and you have three alternatives for investing these funds.
3. A savings account earning 1% interest per year.
4. A U.S. Treasury bond mutual fund earning 3% interest per year.
5. A stock market mutual fund earning 8% interest per year.
6. How long would it take to double your savings in each of these 3 accounts?

1. Modern economic theory points to three sources of economic growth. What are these three sources? Give an example of each.
2. Explain why a nation cannot continue to grow forever just by adding capital.
3. The Solow model focus on how resources affect output. This module/week, you focused on capital.
   1. Name the other two major categories of resources.
   2. Draw an aggregate production function with a typical shape; label this function F. (label all curves and axis).
   3. Draw a second production function that indicates a technological advancement; label this new function F1. (label all curves and axis).