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Fall 2007, Intermediate Macroeconomics, section 2

ECON 219 Quiz IV

General recommendations:

- Read questions thoroughly.
- Please respond on this copy.
- You have 20 minutes.
- Work individually.
- There are two pages.
- Good luck!

Your name:

1. Circle the appropriate answer on each of the following items. Circle multiple items if necessary:
 - (a) Which of these stylized facts is (are) true in the long run? 1) population growth is increasing; 2) interest rates are declining; 3) the labor income share is declining; 4) the capital-output ratio is steady.
 - (b) When countries converge: 1) they all grow at the same rate; 2) poorer ones grow faster; 3) richer ones grow faster; 4) richer ones do not grow.
 - (c) By Solow residual, we mean: 1) the unique remainder in the growth process after factoring in convergence; 2) total factor productivity; 3) anything not accounted in production by capital and labor; 4) the difference between the growth model and the data.
 - (d) Which of the following stylized facts are not true in the long run? 1) output per capita is steady; 2) richer countries have lower population growth rates; 3) all countries have roughly the same long-run growth rates; 4) growth in trade is positively correlated with growth in output.
2. Explain why (not how) we have a stable long-run equilibrium in the Solow growth model

3. Explain why the investment necessary to maintain current per capita capital is $(n + d)k$.

4. What is the Golden Rule savings rate?

5. What is growth accounting?

Bonus question: Explain how some of the stylized facts for growth are redundant.