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Fall 2003, Intermediate Macroeconomics, section 2

ECON 219 Quiz V

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) In a growth model, public capital can be:
 - a) capital provided by private citizens as opposed to firms; b) capital provided by the government; c) capital provided by other firms; d) capital that firms make available to others.
 - (b) In the growth model with human capital, we relabelled total factor productivity d because:
 - a) we still have letters left in the alphabet; b) we are using a different production function; c) this model was introduced by Paul Romer, not Robert Solow; d) we find it difficult to measure human capital in the data.
 - (c) Which of the following properties must a good have to be used as money:
 - a) be a durable good; b) be issued by a government or central bank; c) have intrinsic value; d) be in relatively scarce supply.
 - (d) Endogenous growth can be obtained by introducing the following features in the growth model:
 - a) research and development; b) public infrastructure; c) money; d) land.
2. Assume the depreciation rate of capital becomes lower. What happens to the long run growth rate of output? Why?

3. Explain why we can have a small change problem with various forms of money.

4. What is the Golden Rule? Explain in words only.

5. Is it possible to raise the level and the growth rate of output with longer mandatory schooling? Why or why not?

Bonus question: Explain how we could explain the persistence of child labor in some countries with the endogenous growth model with human capital.