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Fall 2004, Intermediate Macroeconomics, section 3

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) What gives rise to endogenous growth?
 - a) Decreasing marginal rate of labor; b) decreasing marginal rate of capital;
 - c) increasing returns to scale; d) minimum consumption.
 - (b) The per-worker production function relates output per worker to:
 - a) hours per worker; b) capital per worker; c) the participation rate; d) production per worker.
 - (c) Which of the following factors increase total factor productivity?
 - a) A higher growth rate of population; b) an increase in regulation; c) new inventions; d) a decrease in regulation.
 - (d) Let k_{GR}^* and k_{MGR}^* be the steady-state capital under the Golden Rule and the Modified Golden Rule. Then
 - a) $k_{GR}^* > k_{MGR}^*$; b) $k_{GR}^* = k_{MGR}^*$; c) $k_{GR}^* < k_{MGR}^*$; d) one cannot tell.
2. Explain what we mean by capital (not human capital) in growth theory.
3. Explain what the Golden Rule is, in growth theory.

4. Explain what the impact of more funds for schools is on the long term growth rate of an economy.

5. Plot the time path of output and human capital after a sudden increase in the time allotted to education.

Bonus question: Explain how a development trap can occur in the simple human capital growth model.