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Fall 2006, Intermediate Macroeconomics, section 1

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) Endogenous growth theory is about:
a) welfare of indigenous people; b) explaining growth; c) studying education; d) studying fertility choices.
 - (b) In the Solow growth model, steady growth in per capita terms can be obtained by assuming growth in:
a) capital; b) total factor productivity; c) labor; d) population.
 - (c) Increasing mandatory schooling:
a) increases the output growth rate; b) reduces the output growth rate; c) increases the output level; d) decreases the output level.
 - (d) Which of these stylized facts is verified in the Solow growth model at the steady-state equilibrium:
a) the capital/output ratio is steady; b) workers migrate to rich countries; c) the return of capital is steady; d) there is no convergence.
2. Show what happens in the Solow growth model if the population growth rate decreases.

4. Explain the difference between the Golden Rule and the Modified Golden Rule.
5. Explain in which ways human capital is different from physical capital.

Bonus question: Explain the concept of a development trap using the Solow growth model