

Quiz 6

1. Suppose an economy is currently at a steady state. If saving rate increases, then:

- A) per capita income first decreases then increases.
- B) per capita capital stock first decreases then increases.
- C) per capita consumption first decreases then increases.
- D) total amount of income first decrease then increases.

Answer: C)

2. If the production function is $y=k^{0.5}$, both population and technology growth are zeros. What is the steady-state value of y as a function of s , and δ ?

- A) $y = s/\delta$
- B) $y = \delta/s$
- C) $y = s + \delta$
- D) $y = s * \delta$

Answer: A)

3. Among all steady states, one of the following is true for the Golden Rule steady state:

- A) per capita capital stock is at the maximum
- B) per capita income is at the maximum.
- C) consumption growth rate is at the maximum.
- D) per capita consumption is at the maximum.

Answer: D)