

Quiz 13 Review of Models in Chapters 2 through 7.

1. Set up and solve the baseline centralized model of chapter 2. Solve using general parameter values for T , A_G , α and γ . Fix the capital stock at $k = 1$.
 - a. Set parameter values $T=1$, $A_G=1$, $\alpha=1/2$ and $\gamma=1/3$. Compute c , u , l , and x .
 - b. What happens to c , u , l , and x when we double A_G in the baseline model?

2. Set up and solve the baseline model (decentralized) of chapter 2. Solve using parameter values for $T=24$, $A_G=1$, $\alpha=1$ and $\gamma=1/2$.
- Calculate the equilibrium wage, w .
 - What is the price of consumption?
 - Write equations for labor supply, labor demand, consumption supply and consumption demand.

3. Set up and solve the baseline centralized model of chapter 5. Solve using general parameter values for T , AG , α and γ . Fix the capital stock at $k = 1$.
 - a. What happens to c , u , l , and x when we double AG in the baseline model?

4. Set up and solve the model of the small open endowment economy of Chapter 7. Why is the relationship between the rate of time preference and the interest rate important?