

Name _____

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Quiz 19. Chapter 11, exogenous technology growth

1. How do you add exogenous growth to the baseline model of chapter 8?
2. What is a 'Stylized Fact'?
3. Show with hand drawing
 - a. How the baseline AD-AS changes when you add 2% balanced growth to the baseline model?
 - b. How the AD-AS figure with 2% growth changes if you lower the rate of time preference enough so that the return to capital stays at the baseline value of 6%.
 - c. How the baseline LD-LS changes when you add 2% balanced growth to the baseline model?
4. What is growth accounting?
5. Set up and solve the GE recursive model with exogenous growth.
 - a. Write down the Bellman equation, the utility function, the four constraints.
 - b. Write down the modified Bellman equation for the decentralized solution.