

Name _____

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Quiz 3.

1. Set up and solve the baseline model (centralized). Use back of this page and solve using general parameter values for T , A_G , α and γ . Fix the capital stock at $k = 1$.
2. How do we choose values for the parameters?
3. What are some ways that an economy can grow or shift to a higher level of output?
4. What happens to c , u , l , and x when we double A_G in the baseline model?

What is the income effect on l , c ?

What is the substitution effect on l , c ?

5. What is a decentralized model? Why do we decentralize the model?