

Name \_\_\_\_\_

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Quiz 9 (Chapter 5)

1. Why was there no saving or investment in our baseline model in chapters 2 through 4?
2. How would you modify the utility function to solve problems involving saving and investment?
3. In chapter 2, we kept capital fixed to make the problems (solutions) less complicated. What do we do in Chapter 5?
4. What is intertemporal consumption smoothing?
5. Why does the baseline model of chapter 5 include an endowment of output in period 1?