

Growth: Problems

1. Suppose that Country A is initially twice as rich as Country B. If Country B grows 1% faster than Country A, how long will it take to catch up?
2. Intuitively, do you think that higher fertility rates would be good or bad for GDP growth?
3. What do you think is the biggest factor for the dramatic increase in U.S. GDP over the past 200 years?
4. What do you think is the single biggest factor that explains why Western Europe is so much wealthier than Sub-Saharan Africa?
5. What are the effects on per capita capital, output, and consumption in the Solow Model if the savings rate decreases?
6. What are the effects on per capita capital, output, and consumption in the Solow Model if the savings rate equals 0?
7. What are the effects on per capita capital, output, and consumption in the Solow Model if the savings rate equals 1?
8. What are the effects on per capita capital, output, and consumption in the Solow Model if the depreciation rate decreases?
9. What are the effects on per capita capital, output, and consumption in the Solow Model if the depreciation rate and savings rate both decrease?
10. What are the effects on per capita capital, output, and consumption in the Solow Model (from class) if the the fertility rate decreases?