

ECO 103, Winter 2015, Required Homework Assignment #4
Not to be Collected

Consider the production function from class: $y = Ak^{\frac{1}{3}}$

1. Provide an example of an event that might represent a decrease in A .
2. Suppose that k is exogenous, that is it does not change in the model. What happens to output when A decreases? You should use a graph.
3. Provide intuition (explain in words, your result from #2).
4. What happens to per capita output in the Solow Model when A decreases by the same amount as in #2?
5. Is the change in per capita output bigger in #4 or #2?
6. True or False? Fertility rates affect output. Because the Solow Model from class does not include fertility rates, it is a bad model.
7. True or False? Savings and investment are the same.

View the following data from the World Bank at <http://data.worldbank.org/indicator/NY.GNS.ICTR.ZS>

8. Consider the U.S. and Germany. Suppose that except for the saving rate, the two countries are the same. According to these data, which country will have more output and consumption per person?