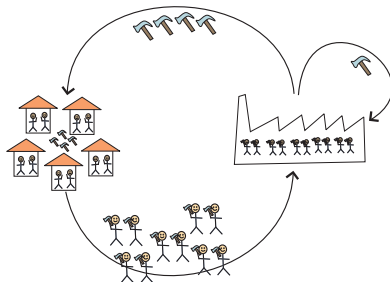


Core lecture 1

Economic growth

Study questions

1. Consider the equation $Y = F(A_L L, A_K K, A_R R)$.
 - Explain why F must be constant returns.
 - Suggest units for each of the variables.
2. Consider the figure below. What are the values of K , L , Y , and s ? And δ ? Solve when $\alpha = 1/3$ and $\delta = 0.1$.



3. Find the elasticity of substitution in the Cobb–Douglas production function by setting up the profit-maximization problem of a representative producer. Discuss the significance of the result.
4. Discuss effects of different saving rates across countries. And if there is a global capital market?
5. What is the Solow model good for?
6. What drives growth in the Solow model?
7. What drives growth in real economies?
8. What is the Ramsey model good for?
9. What do we lose by dropping capital? Gain?
10. What is the key to building a model with endogenous growth? What are such models good for?