

Quiz 3 — Solow-Swan model

Questions	Answers
1. Which assumptions are made in the Solow model?	☐ $\alpha = 1/3$. ☐ $\frac{MPK \times K}{Y} = \alpha$. ☐ $C = (1 - s)Y$. ☐ None of the above.
2. The law of motion of capital is:	☐ $\Delta(K_{t+1} - K_t) = I_t - \delta$ ☐ $\Delta(K_{t+1} - K_t) = sY_t - \delta$ ☐ $(K_{t+1} - K_t) = I_t - \delta$ ☐ $\Delta(K_{t+1} - K_t) = I_t - \delta k_t$ ☐ None of the above.
3. In the Solow model, how can the level of capital that satisfies the golden rule be reached?	☐ You must reach the steady state; this is possible because of decreasing returns to capital. ☐ You must maximize consumption per capita with respect to the capital stock per capita. ☐ You must get households to change their saving rate. ☐ None of the above.
4. Is the saving rate a determinant of the growth of GDP per capita, once the steady state has been reached?	☐ Yes. ☐ No. ☐ None of the above.
5. Graphically, the steady state is found:	☐ At the intersection of the production curve and the capital depreciation curve. ☐ At the point where the distance between the investment curve and the production curve is greatest. ☐ At the point where the Inada conditions start to be visible. ☐ None of the above.