

# Growth and Investment Econ 4350

Exercises for Seminar 6, Friday Mars 16

Exercises:

- 1) With point of departure in the Ramsey-Cass-Koopman's growth model, discuss the following statements:
  - a) "There will be instantaneous convergence between countries with access to international credit!"
  - b) "Growth is higher when consumers are more patient!"
  - c) "Devoting a larger share of national output to investment would help restore rapid productivity growth and rising living standards!"
- 2) Show that the steady state level of capital per "effective worker" is lower in the Ramsey-Cass-Koopman's model than what the *golden-rule* prescribes.
- 3) With point of departure in a Cobb-Douglas production function construct a simulation model of the Ramsey-Cass-Koopman's model, and experiment with different developments paths. Use either Excel or Matlab. Is it difficult to find the stable arm? How does saving and consumption develop along the stable arm?