Class Outline (prepared by Edinaldo Tebaldi, TA)

Homework assigned (see web site)
Reminder: Exam, April, 27, 12:40 – 2:00PM

Class’s outline
The Solow Model with technical progress
Setting up the model
   a) deriving the capital accumulation equation
Balanced Growth in the Steady State
The importance of technical innovation
The implication of changes in the savings rate

Questions
Why is that eventually net investment becomes equal to zero?
What are the factors that determine the savings rate?
What is the golden-rule level of savings?
What does determine the long-run growth of RGDP per capita?
Do savings affect the long-run growth of RGDP per capita?
What happens to the levels and growth of RGDP per capita as s rises?