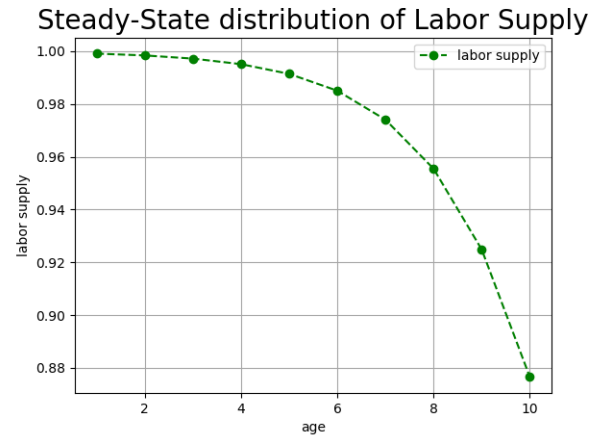
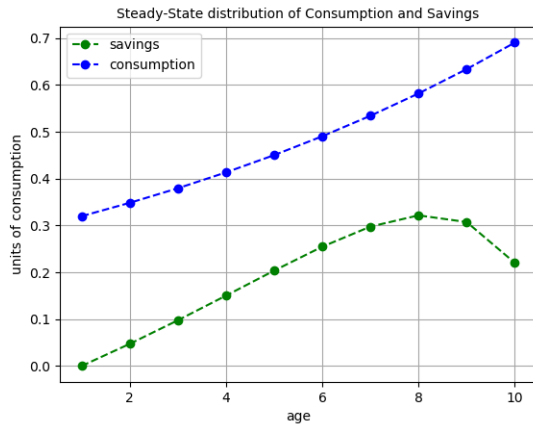


Problem Set 4

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Sophia Mo

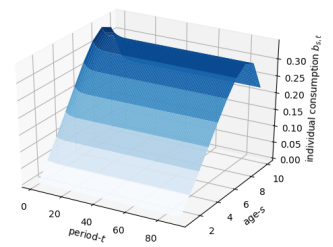
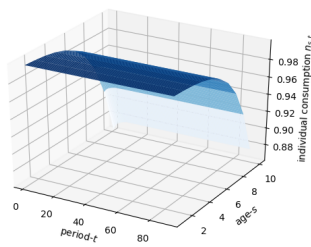
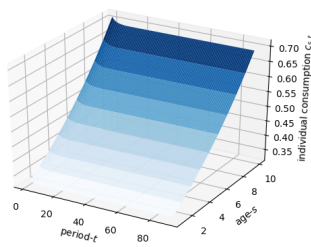
Problem 1(a)



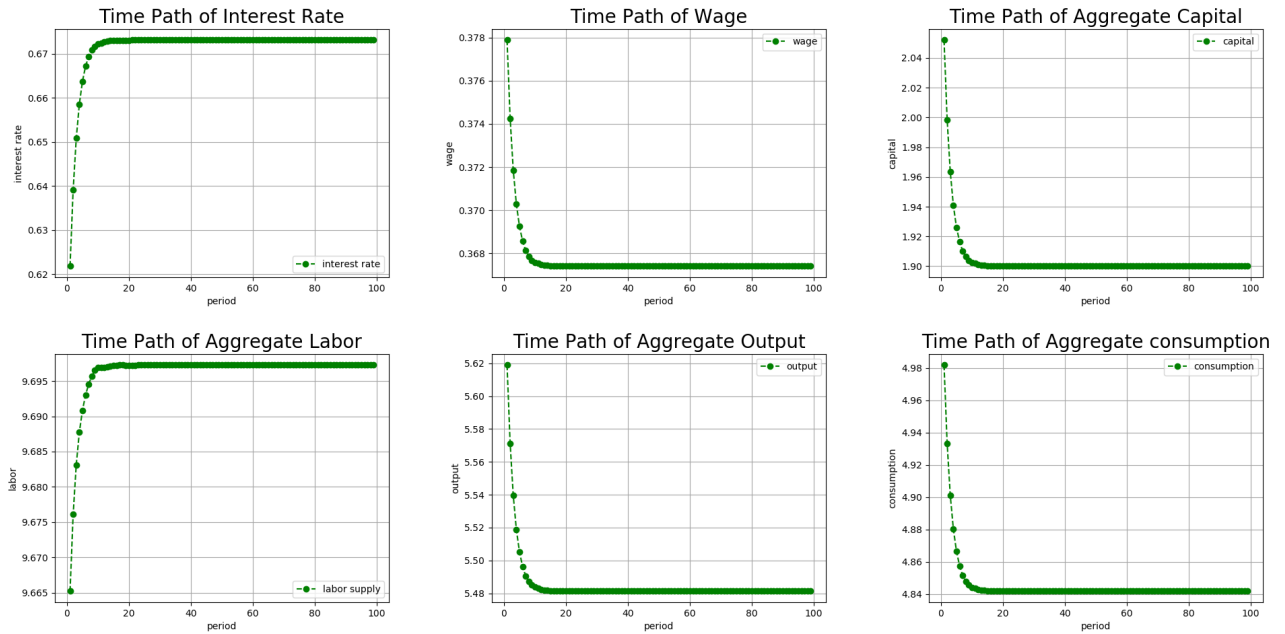
Problem 1(b)

| | |
|---------------------------|----------------|
| \bar{r} | 0.67 |
| \bar{w} | 0.37 |
| \bar{K} | 1.90 |
| \bar{L} | 9.70 |
| \bar{Y} | 5.48 |
| \bar{C} | 4.84 |
| Savings Euler Error | $3.55e^{-15}$ |
| Labor Euler Error | $3.19e^{-13}$ |
| Last period saving | $-1.29e^{-13}$ |
| Resource Constraint Error | $-2.01e^{-13}$ |

Problem 2(a)



Problem 2(b)



Problem 2(c)

| | |
|---------------------------|--------------|
| Savings Euler Error | 0.37 |
| Labor Euler Error | $5.37e^{-8}$ |
| Last period saving | 0.24 |
| Resource Constraint Error | $2.85e^{-7}$ |

Problem 2(d)

It takes 21 periods for the economy to get within 0.0001 of the steady-state aggregate capital stock.