

Macroeconomics A: EI056

Quizz

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1 Ramsey and Solow models

Question: What are the similarities and difference between the Ramsey model and the Solow growth model?

2 Elasticity of utility

Question: What is the interpretation of the parameter θ in the utility function used in class?

3 Euler condition

Question: A central relation of the setting is the Euler condition. What is it used for, and what is its intuitive interpretation?

4 Control and state variables

Question: What is the difference between a state variable and a control (or jump) variable? Explain in intuitive terms the use of the “phase diagram”. What is the saddle path, and why can we be sure that the economy is on it?

5 Extra: capital adjustment

Question: Explain intuitively what is the appeal of adjustment costs to investment (presented in extra slides).