

If $Y_t = C_t + I_t$, then on balanced growth path $g_C = g_I = g_Y$

Proof:

$$C_t + I_t = Y_t \Rightarrow \dot{C}_t + \dot{I}_t = \dot{Y}_t \Rightarrow \frac{\dot{C}_t}{Y_t} + \frac{\dot{I}_t}{Y_t} = \frac{\dot{Y}_t}{Y_t}$$

$$\therefore \frac{\dot{C}_t}{C_t} \frac{C_t}{Y_t} + \frac{\dot{I}_t}{I_t} \frac{I_t}{Y_t} = \frac{\dot{Y}_t}{Y_t} \quad (*)$$

$$\frac{\dot{C}_t}{C_t} \frac{C_t}{Y_t} + \frac{\dot{I}_t}{I_t} \frac{Y_t - C_t}{Y_t} = \frac{\dot{Y}_t}{Y_t}$$

$$\left(\frac{\dot{C}_t}{C_t} - \frac{\dot{I}_t}{I_t} \right) \frac{C_t}{Y_t} = \frac{\dot{Y}_t}{Y_t} - \frac{\dot{I}_t}{I_t}$$

$$\text{On BGP, } \frac{\dot{C}_t}{C_t} = g_C, \quad \frac{\dot{I}_t}{I_t} = g_I, \quad \frac{\dot{Y}_t}{Y_t} = g_Y$$

$$\therefore (g_C - g_I) \frac{C_t}{Y_t} = g_Y - g_I \text{ on BGP}$$

Case 1. If $g_C \neq g_I$

$$g_C - g_I \neq 0 \quad \therefore \frac{C_t}{Y_t} = \frac{g_Y - g_I}{g_C - g_I} \text{ is some constant}$$

$\therefore C$ and Y grow at the same rate on BGP. $g_C = g_Y$

Then equation (*) becomes $g_C \frac{C_t}{Y_t} + g_I \frac{I_t}{Y_t} = g_Y$

$\therefore g_C, g_I, g_Y, \frac{C_t}{Y_t}$ are constant on BGP

$\therefore \frac{I_t}{Y_t}$ must be constant

$\therefore g_I = g_Y \text{ on BGP} \Rightarrow g_I = g_Y = g_C \text{ Contradiction!}$

Case 2. If $g_C = g_I$, then $g_C - g_I = 0$

$$\therefore (g_C - g_I) \frac{C_t}{Y_t} = g_Y - g_I \Rightarrow 0 = g_Y - g_I \Rightarrow g_Y = g_I$$

$$\therefore g_C = g_I = g_Y$$