

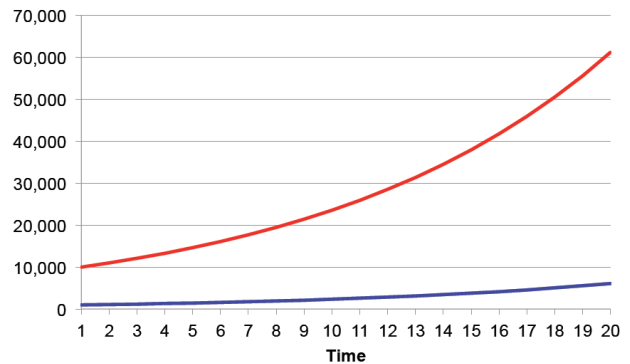
Quiz 2

Name:

1. True or false (3 points):

The figure to the right displays real GDP overtime for two different countries in a constant scale (vertical axis interval is in constant dollars and each step is \$10,000). By looking at the two lines, we can conclude that GDP represented by the top line grew at a higher rate than the GDP represented by the bottom line.

Your answer:



2. Short answer (10 points):

- Define aggregate production function and use it to show how a country can increase its GDP.
- Define sustained economic growth and identify which element(s) of the aggregate production function can and cannot lead a country towards sustained economic growth (plots are helpful here).

Your answer:

3. Problem (7 points):

Consider a country where real GDP per capita is currently \$1,500. What will GDP per capita be in 100 years if the economy experiences a constant growth of 1% and if the economy experiences a constant growth of 4%?

Your answer: