The required reading for the dynamic model is chapters 4, 5 and parts of 6, 7 of the Mankiw text. In addition, you are assigned chapter 1 from *Determinants of Economic Growth: A Cross-Country Examination* by Robert Barro. I will pass out copies of chapter 1 later in class. While you read the material, keep in mind the following questions:

1. Why should we care about economic growth?
2. What are the three equations of the Solow growth model?
3. What is the definition of a steady state?
4. What is the steady-state level of the capital stock per worker $k^*$, output per worker $y^*$ and consumption per worker $c^*$? What are the steady-state growth rates of the capital stock per worker and output per worker?
5. In the Solow growth model, what is the impact of a higher saving rate ($s$) on the level and growth rate of the capital-to-labor ratio $k$?
6. What is the Golden Rule level of capital? What is the value of the Golden Rule level of capital in the Solow growth model?
7. What are the effect of population growth ($n$) on the steady state and the Golden Rule level of capital?
8. What are the effect of technological progress ($g$) on the steady state and the Golden Rule level of capital?
9. The endogenous growth literature assumes there are constant returns to scale in capital. What is the impact of this assumption on the steady-state growth rates of the capital stock per worker and output per worker?
10. The quantity theory of money finds that money is neutral and thus the central bank can only control the rate of inflation in the long-run? What are the social costs of inflation? Why then do some banks create high rates of inflation and even hyperinflation?
11. What is the steady-state rate of unemployment? As a result of this condition, any policy aimed at lowering the long-run or natural rate of unemployment must do what?
12. Robert Barro establishes a framework for the determination of growth in equation (1.1). The growth rate of per capita output $Dy$ depends upon what two types of variables?
13. In Table 1.1, which factors are positively related to growth and which are negatively related to growth? According these results, who are some of the projected growth winners and losers?