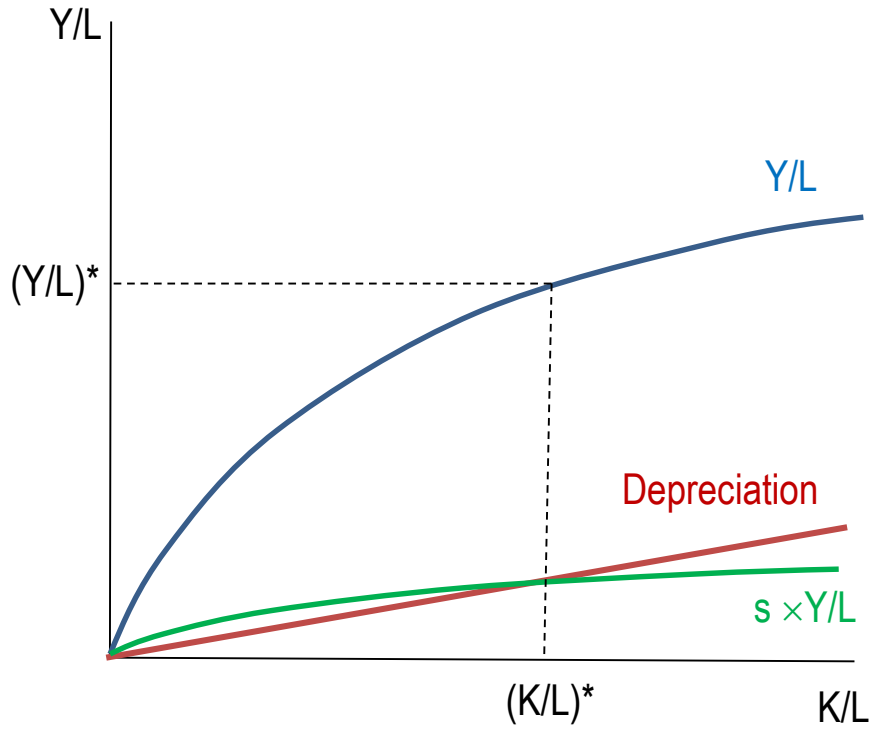
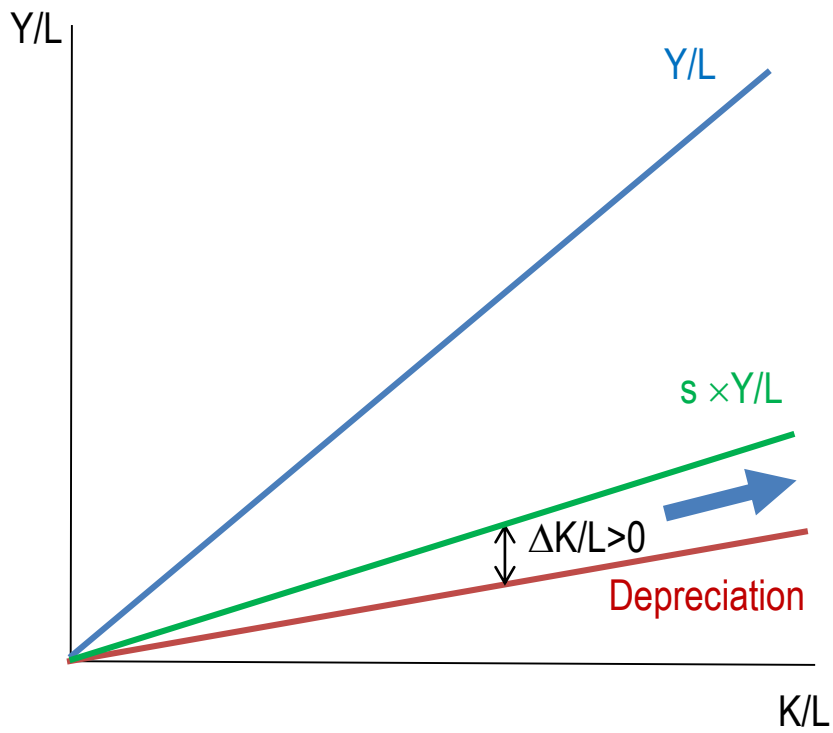


1. If an economy is described by the Solow growth model (as in diagram below), what happens in the long run if it increases its saving rate?



- It grows at a permanently higher rate.
- If grows faster temporarily, then settles at original growth rate with higher per-capita income.
- Its growth rate is unaffected in the short run and long run.

2. Same question for an economy described by the simple endogenous growth model in the graph below.



- It grows at a permanently higher rate.
- If grows faster temporarily, then settles at original growth rate with higher per-capita income.
- Its growth rate is unaffected in the short run and long run.