Economics 314 — Spring 2014
Daily Question #5 — February 6

In Romer's variant of the Solow growth model with exhaustible natural resources, the production function is $Y(t) = K(t)^{\alpha} R(t)^{\beta} T(t)^{\gamma} \left[A(t)L(t) \right]^{1-\alpha-\beta-\gamma}$.

a) What is output if natural resource input is zero?
b) Evaluate the following statement: "Any level of output can be achieved with a microscopically small amount of natural resources if enough labor and capital are applied to production."
c) How realistic are the implications in (a) and (b)?