Economics 314 Spring 2014

Daily Question #12 February 24

a. Explain why the case $\beta + \theta = 1$ corresponds to "constant returns to produced inputs."
b. What are the "produced inputs" and what does that mean?
c. Why does this allow the economy to sustain growth even in the absence of "exogenous" growth in L?
d. Why does "decreasing returns to produced inputs" in the Solow model preclude this kind of "endogenous" growth?
e. What happens in the R&D model if we have both exogenous ($n > 0$) and endogenous growth?