

# Problem Set

MA18Q3-I

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## Comparative dynamics

Suppose that a Ramsey-type economy is on its balanced growth path. Describe, in words and with graphs, how each of the following affects the dynamics of the economy.

1. Announcement delivered at  $t = 0$  of a permanent rise in  $g$ , effective immediately.
2. Announcement delivered at  $t = 0$  of a permanent fall in  $\delta$ , effective as of  $t = 1$ .
3. Announcement delivered at  $t = 0$  of a temporary rise in  $\theta$ , effective during  $1 < t < 2$ .