**Extra questions for the fake exam:**

1. Consider the growth model of Solow. Assume that the production technology is Cobb-Douglas:

The law of motion for capital is

Assume that the growth rate of is and the growth rate of is . What is GDP per capita

in the long-run?

1. Consider an economy where consumers can be represented by three individuals whose incomes are
2. Draw the Lorentz curve for this income distribution.
3. Calculate the Gini coefficient.

Assume that the income tax rate is so private consumption by consumer is

Tax revenues are used to finance a public good

The utilities of consumers from private and public goods are

1. Calculate the most preferred tax rates for individual
2. Suppose that two political parties and compete in the elections. Each political party proposes a tax rate to maximize its votes. Consumers vote for their most preferred tax. What is the election winning tax rate? Explain.