

**Finance 30220**  
**Quiz #4**

Name \_\_\_\_\_

1) Consider the following two countries:

	<b>Country A</b>	<b>Country B</b>
<b>Capital Stock</b>	\$20T	\$40T
<b>Population</b>	100M	200M
<b>Population Growth</b>	1.5% Per Year	2.5% Per Year
<b>Savings Rate</b>	5% Per Year	2% Per Year
<b>Average Tax Rate</b>	25%	25%

Which of these countries would you expect to have a faster rate of growth of per capita GDP? Explain.

*While both countries have the same capital per capita, country A (by virtue of its higher savings rate and lower population growth) has a higher steady state and will therefore be growing faster.*