Quiz # 4  
Dr. Nath

Multiple Choice

Identify the choice that best completes the statement or answers the question.

1. In countries that experience political instability, standards of living tend to be low because of
   a. violations of diminishing returns.
   b. excessive levels of caloric intake.
   c. lack of respect for property rights.
   d. attempts by government officials to thwart the catch-up effect.

2. Suppose that there are diminishing returns to capital. Suppose also that two countries are the same except one
   has more capital per worker and so it has more real GDP per worker than the other. Finally, suppose that the
   saving rate in both countries increases from 4 percent to 7 percent. Over the next ten years we would expect
   that
   a. the growth rate will not change in either country.
   b. the country that started with less capital per worker will grow faster.
   c. the country that started with more capital per worker will grow faster.
   d. both countries will grow and at the same rate.

3. Investment from abroad
   a. is a way for poor countries to learn the state-of-the-art technologies developed and used
      in richer countries.
   b. is viewed by economists as a way to increase growth.
   c. often requires removing restrictions that governments have imposed on foreign
      ownership of domestic capital.
   d. All of the above are correct.

4. The president of Improvia, a developing country, proposes that his country needs to help domestic firms by
   imposing trade restrictions.
   a. These are outward-oriented policies and most economists believe they would have
      beneficial effects on growth in Improvia.
   b. These are outward-oriented policies and most economists believe they would have
      adverse effects on growth in Improvia.
   c. These are inward-oriented policies and most economists believe they would have
      beneficial effects on growth in Improvia.
   d. These are inward-oriented policies and most economists believe they would have adverse
      effects on growth in Improvia.

5. Senator Noitall says that in order to help poor countries develop, the United States should: 1. Prevent U.S.
   corporations from investing in poor countries because they take profits that the poor countries should have; 2.
   Not import goods from poor countries that use child labor; 3. Work to promote political stability in poor
   countries; and 4. Reduce poor countries’ reliance on market forces in their economies. How many of these
   ideas are likely to help poor countries grow?
   a. 1
   b. 2
   c. 3
   d. 4
6. A country with a relatively low level of real GDP per person is considering adopting two policies to promote economic growth. The first is to increase barriers to trade. The second is to restrict foreign portfolio investment. Which of these policies would most economist think would promote growth?
   a. both the first and the second
   b. the first but not the second
   c. the second but not the first
   d. neither the first nor the second

7. Other things the same, higher population growth
   a. raises the amount of physical capital per worker and there is some evidence that it raises the pace of technological progress.
   b. raises the amount of physical capital per worker, but there is some evidence that it reduces the pace of technological progress.
   c. reduces the amount of physical capital per worker, but there is some evidence that it raises the pace of technological progress.
   d. reduces the amount of physical capital per worker and there is some evidence that it reduces the pace of technological progress.

8. Perry accumulated a lot of mathematical skills while in high school, college, and graduate school. Economists include these skills as part of Perry’s
   a. standard of learning.
   b. technological knowledge.
   c. physical capital.
   d. human capital.

9. Which of the following statements about inputs is correct?
   a. A forest is an example of a natural resource; it is also an example of a renewable resource.
   b. There is no distinction between human capital and technological knowledge.
   c. Human capital is a non-produced factor of production.
   d. Physical capital is a non-produced factor of production.

10. Mary looks over reports on four of her workers. Jack made 25 baskets in 5 hours. Walter made 36 baskets in 6 hours. Rudy made 40 baskets in 10 hours. Sam made 22 baskets in four hours. Who has the greatest productivity?
   a. Jack
   b. Walter
   c. Rudy
   d. Sam
MULTIPLE CHOICE

1. ANS: C  PTS: 1  DIF: 2  REF: 25-3
   NAT: Analytic  LOC: Productivity and growth  TOP: Property rights | Standard of living
   MSC: Interpretive

2. ANS: B  PTS: 1  DIF: 2  REF: 25-3
   NAT: Analytic  LOC: Productivity and growth  TOP: Catch-up effect
   MSC: Applicative

3. ANS: D  PTS: 1  DIF: 1  REF: 25-3
   NAT: Analytic  LOC: Productivity and growth  TOP: Foreign investment
   MSC: Interpretive

4. ANS: D  PTS: 1  DIF: 2  REF: 25-3
   NAT: Analytic  LOC: Productivity and growth  TOP: Trade policy
   MSC: Interpretive

5. ANS: A  PTS: 1  DIF: 2  REF: 25-3
   NAT: Analytic  LOC: Productivity and growth  TOP: Economic growth
   MSC: Applicative

6. ANS: D  PTS: 1  DIF: 1  REF: 25-3
   NAT: Analytic  LOC: Productivity and growth  TOP: Free trade | Foreign investment
   MSC: Interpretive

7. ANS: C  PTS: 1  DIF: 1  REF: 25-3
   NAT: Analytic  LOC: Productivity and growth  TOP: Population growth
   MSC: Definitional

8. ANS: D  PTS: 1  DIF: 2  REF: 25-2
   NAT: Analytic  LOC: Productivity and growth  TOP: Human capital
   MSC: Definitional

   NAT: Analytic  LOC: Productivity and growth  TOP: Inputs
   MSC: Interpretive

10. ANS: B  PTS: 1  DIF: 1  REF: 25-2
    NAT: Analytic  LOC: Productivity and growth  TOP: Productivity
    MSC: Applicative