Pre-Test Chapter 16 ed17

Multiple Choice Questions

1. Suppose total output (real GDP) is $4000 and labor productivity is 8. We can conclude that:
   A. real GDP per capita must be $500.
   B. the price-level index must be greater than 100.
   C. nominal GDP must be $500.
   D. the number of worker-hours must be 500.

2. Proponents of economic growth make all of the following arguments except:
   A. Growth is the basic means of improving living standards.
   B. It is easier to reduce poverty when the economy is growing than when it is not.
   C. There is a direct relationship between a growing real GDP and rising pollution.
   D. Growth provides an economic environment favorable to education and self-fulfillment.

3. If the secular trend of labor productivity is 3 percent per year, the number of years that it will take for the standard of living to double will be about:
   A. 15 years.
   B. 17 years.
   C. 20 years.
   D. 23 years.

4. A rightward shift of a nation’s long-run aggregate supply curve is equivalent to:
   A. a rightward shift of the nation's aggregate demand curve.
   B. a downward shift of the nation's aggregate expenditures curve.
   C. a rightward shift of the nation's investment demand curve.
   D. an outward shift of the nation's production possibilities curve.
5. Refer to the above diagram. Suppose that in a specific year the long-run and short-run aggregate supply curves shift from $\text{AS}_1$ and $\text{AS}'_1$ to $\text{AS}_2$ and $\text{AS}'_2$. If the aggregate demand curve also shifts rightward from $\text{AD}_1$ to $\text{AD}_2$, the rates of economic growth and inflation for the year will be:
   A. 4 percent each.
   B. 6 percent and 5 percent, respectively.
   C. 8 percent and 3 percent, respectively.
   D. 5 percent and 8 percent, respectively.

6. Refer to the above diagram. Realized economic growth is best represented by a:
   A. shift in the production possibilities curve from $\text{AB}$ to $\text{CD}$.
   B. move from $\text{X}$ on $\text{AB}$ to $\text{Y}$ on $\text{CD}$.
   C. shift in the production possibilities curve from $\text{CD}$ to $\text{AB}$.
   D. move from $\text{X}$ to $\text{Z}$ along $\text{AB}$.

7. Refer to the above diagram. The shifts in long-run and short-run aggregate supply curves from $\text{AS}_1$ and $\text{AS}'_1$ to $\text{AS}_2$ and $\text{AS}'_2$ would most likely result from:
   A. an increase in the price level.
   B. a reduction in aggregate demand.
   C. an improvement in technology.
   D. deterioration of the infrastructure.

8. The view that the trend rate of U.S. productivity growth accelerated between 1995 and 2005 is closely associated with the:
   A. idea of the New Economy.
   B. distinction between short-run and long-run aggregate supply.
   C. idea of the invisible hand.
   D. theory of comparative advantage.
9. Empirical studies suggest that:
A. labor productivity has declined throughout U.S. history.
B. real GDP per capita in the United States grew about 2.3 percent per year between 1950 and 2005.
C. the achieving of economies of scale is the most important factor in U.S. economic growth.
D. the U.S.’s real GDP has grown the slowest of all industrialized nations, particularly since 1995.

10. (Consider This) The main point of the Consider This box about hypothetical countries Alpha, Bravo, and Charlie is that over several decades differing:
A. inflation rates create large differences in real GDP per capita.
B. economic growth rates create large differences in real GDP per capita.
C. ratios of defense spending to GDP create large differences in real GDP per capita.
D. unemployment rates create large differences in real GDP per capita.

11. All of the following are sources of increasing returns and economies of scale except:
A. network effects.
B. the multiplier effect.
C. learning-by-doing.
D. simultaneous consumption.

12. The percentage of the working-age population in the labor force (= employed + officially unemployed) is called the:
A. labor force participation rate.
B. employment-population ratio.
C. work-activity rate.
D. work-nonwork ratio.

13. Increases in the value of a product to each user, including existing users, as the total number of users rises are called:
A. information cascades.
B. learning effects.
C. network effects.
D. scale economies.

14. Other things equal, which of the following would increase the rate of economic growth, as measured by changes in real GDP?
A. A decline in the average length of the work week.
B. A decrease in the labor force participation rate.
C. An increase in the size of the working age population.
D. A decline in the amount of capital per worker.

15. (Last Word) Growth of real per capita income and China has largely resulted from:
A. increased use of technology and improved technology.
B. population decline.
C. reduced unemployment rates.
D. its trade deficit with the United States.
16. Other things equal, which of the following would decrease the rate of economic growth, as measured by changes in real GDP?
A. An increase in the educational attainment of the labor force
B. A permanent decrease in frictional unemployment
C. An increase in the amount of capital per worker
D. A decrease in the labor force participation rate.

17. Proponents of the idea of a New Economy say that:
A. the United States is entering an era of high structural unemployment due to rapid technological change.
B. technological advance creates its own supply, which in turn creates its own demand.
C. innovations in computers and communications, together with global capitalism, are greatly boosting U.S. productivity and the economy's potential economic growth rate.
D. technological change will require more central planning and government regulation.

18. (Consider This) Over the past several decades, the percentage of women in the paid U.S. workforce has:
A. increased in spite of declining wages for women.
B. decreased because relatively more women are staying home to raise their children.
C. increased due to higher wages, expanded job accessibility, changing preferences and attitudes, and other factors.
D. increased for unmarried women, but decreased for married women.

19. Suppose that an economy's labor productivity and total worker-hours each grew by 4 percent between year 1 and year 2. We could conclude that this economy's:
A. long-run aggregate supply curve shifted to the left.
B. real GDP remained constant.
C. production possibilities curve shifted outward.
D. capital stock increased by 4 percent.

20. Refer to the above list. As distinct from the supply factors and demand factor of economic growth, the efficiency factor of economic growth is:
A. 1 only.
B. 4 only.
C. 1 and 3 only.
D. 3 only.
21. Which of the following is a true statement?
A. Economists who support economic growth say that it is the most practical route to the higher standards of living that the vast majority of people desire.
B. Adherents of the view that the United States has achieved a New Economy contend that the business cycle is dead.
C. Most economists believe that increases in real GDP actually produce decreases in overall economic well-being because of spillover costs.
D. Mainstream economists disagree as whether the rate or productivity growth was higher between 1995 and 2005 than between 1973 and 1995.

22. Which set of items in the above list would shift an economy's production possibilities curve outward?
A. 2, 5, and 6 only.
B. 2, 4, 5, and 6 only.
C. 1, 2, 5, and 6 only.
D. 1, 3, 4 only.

23. Network effects are:
A. increases in the value of a product to each user, including existing users, as the total number of users rises.
B. reductions in per unit production cost as firms learn by doing.
C. increases in demand resulting from products being mentioned positively in a television program.
D. the change in real GDP resulting from a change in investment or government spending.

24. Which of the following statements is correct?
A. Between 1950 and 2005, U.S. real GDP grew about 2.3 percent per year and real GDP per capita grew about 3.5 percent per year.
B. Between 1950 and 2005, U.S. real GDP grew about 3.5 percent per year and real GDP per capita grew about 2.3 percent per year.
C. Between 1950 and 2005, U.S. real GDP and real GDP per capita both grew approximately 4 percent per year.
D. Between 1950 and 2005, U.S. real GDP and real GDP per capita both grew approximately 1 percent per year.

25. Suppose that an economy's labor productivity and total worker-hours each grew by 3 percent between year 1 and year 2. We could conclude that this economy's:
A. real GDP remained constant.
B. capital stock increased by 3 percent.
C. production possibilities curve shifted inward.
D. long-run aggregate supply curve shifted to the right.
26. Refer to the above graphs. Growth of production capacity is shown by:
A. the shift from \( AB \) to \( CD \) only.
B. the shift from \( X \) to \( Y \) only.
C. both the shift from \( AB \) to \( CD \) and the shift from \( X \) to \( Y \).
D. both the shift from \( AB \) to \( CD \) and the shift from \( Y \) to \( X \).

27. Critics of economic growth:
A. contend that growth and industrialization reduce pollution.
B. argue that economic growth does not resolve socioeconomic problems such as income inequality.
C. point out that growth results in greater economic security for workers.
D. say that its benefits accrue nearly exclusively to white males.

28. Which of the following is the largest contributor to the growth of labor productivity in the United States?
A. technological advance
B. education and training of labor
C. economies of scale
D. improved resource allocation

29. Suppose that an economy's labor productivity rose by 3 percent and its total worker-hours remained constant between year 1 and year 2. We could conclude that this economy's:
A. capital stock increased.
B. real GDP increased.
C. production possibilities curve shifted inward.
D. long-run aggregate supply curve shifted to the left.
30. If the secular trend of labor productivity rises from 2 percent per year to 4 percent, the number of years that it will take for the standard of living to double will decline by about:
A. 5 years.
B. 10 years.
C. 17 years.
D. 23 years.

Pre-Test Chapter 16 ed17 **Key**

1. D  
2. C  
3. D  
4. D  
5. D  
6. B  
7. C  
8. A  
9. B  
10. B  
11. B  
12. A  
13. C  
14. C  
15. A  
16. D  
17. C  
18. C  
19. C  
20. B  
21. A  
22. C  
23. A  
24. B  
25. D  
26. C  
27. B  
28. A  
29. B  
30. C