

BPE MAC1 Macroeconomics 1 – Spring Semester 2011

**Tutorial Session 2 - 04.03.2011, 10:15-11:00 a.m.**

**Multiple Choice**

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

- \_\_\_\_\_ 1. If one wants to know how the material well-being of the average person has changed over time the appropriate measure to look at is the growth
- rate of real GDP.
  - rate of nominal GDP.
  - rate of per capita real GDP.
  - in the percentage of the labour force that is employed.
- \_\_\_\_\_ 2. Per capita real GDP differs from per capita nominal GDP in that real GDP
- measures the opportunity cost of growth.
  - has been adjusted for the time value of money.
  - has been adjusted for inflation.
  - has been discounted to the present.
- \_\_\_\_\_ 3. Poor countries are poor for all of the following reasons *except*
- their technology is less than modern.
  - their labour productivity is low.
  - foreign investment funds are difficult to attract.
  - their labour force is too small.
- \_\_\_\_\_ 4. Which of the following represents a productivity-enhancing investment in human capital?
- a new labour-saving technology
  - a new health clinic
  - a new factory that will employ 1,000 workers
  - an increase in fringe benefits, such as paid vacations and overtime pay
- \_\_\_\_\_ 5. An increase in the capital stock causes labour productivity to
- decrease and the standard of living to increase.
  - increase and the standard of living to increase.
  - decrease and the standard of living to decrease.
  - increase while the standard of living remains constant.
- \_\_\_\_\_ 6. Labour productivity, measuring the output per worker,
- increases with increases in technology.
  - decreases with increases in technology.
  - increases with increases in capital stock.
  - is impossible to measure since so many workers are involved in the service sector.
- \_\_\_\_\_ 7. Which of the following statements about technological knowledge is NOT correct.
- Technological knowledge is a key determinant of productivity.
  - Technological knowledge is the understanding of the best ways to produce goods and services.
  - Technological knowledge may be common knowledge, available to all, or proprietary knowledge, known only to certain people or firms.
  - Technological knowledge is an element of human capital.

- \_\_\_\_\_ 8. Inward-oriented policies hold back economic growth because
  - a. international trade leads to lower domestic employment.
  - b. they encourage the brain drain.
  - c. infant industries are unable to compete with the rest of the world.
  - d. they do not allow a country to take advantage of the gains from trade.
- \_\_\_\_\_ 9. An important link between politics and economics is that
  - a. democracies are more productive than non-democracies.
  - b. democracies must constantly make difficult budgetary choices.
  - c. political instability is incompatible with long-term private investment.
  - d. conservative governments tend to focus development on military industries.
- \_\_\_\_\_ 10. A key benefit of foreign direct investment to poorer countries is
  - a. they gain all the returns on such investment.
  - b. that such investment is very reliable.
  - c. they avoid the need to have their own stock market.
  - d. they gain state-of-the-art technological knowledge.

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**Answer Section**

**MULTIPLE CHOICE**

1. ANS: C  
rate of per capita real GDP.

PTS: 1

2. ANS: C  
has been adjusted for inflation.

PTS: 1

3. ANS: D  
their labour force is too small.

PTS: 1

4. ANS: B  
a new health clinic

PTS: 1

5. ANS: B  
increase and the standard of living to increase.

PTS: 1

6. ANS: A  
increases with increases in technology.

PTS: 1

7. ANS: D  
Technological knowledge is an element of human capital.

PTS: 1

8. ANS: D  
they do not allow a country to take advantage of the gains from trade.

PTS: 1

9. ANS: C  
political instability is incompatible with long-term private investment.

PTS: 1

10. ANS: D  
they gain state-of-the-art technological knowledge.

PTS: 1