***Macroeconomics, 8e, Global Edition* (Blanchard)**
Chapter 10: The Facts of Growth

10.1 Measuring the Standard of Living

1) Of the following, the most often used measure of changing living standards is
A) the growth rate of nominal GDP.
B) the growth rate of real GDP.
C) the growth rate of nominal GDP per capita.
D) the growth rate of real GDP per capita.
E) unemployment per capita.

2) Over the last hundred years,
A) movements in output due to recessions and recoveries dominate the movement caused by long-run growth.
B) output has decreased in as many years as it has increased.
C) U.S. output has approximately doubled.
D) all of these
E) none of these

3) Suppose individuals wish to obtain the most accurate comparison of living standards between the Canada and Saudi Arabia. To do so, one would convert Saudi Arabian output into dollars using
A) the current nominal exchange rate.
B) the current real exchange rate.
C) the prior year's real exchange rate.
D) an average of the last five years' exchange rates.
E) purchasing power parity methods.

4) Using current exchange rates, the U.S. standard of living is ranked
A) higher than it would be under the purchasing power parity method.
B) lower than it would be under the purchasing power parity method.
C) number one in the world.
D) among the lowest in the world.
E) none of these

5) If output per capita grows by a constant 6% per year, then the standard of living would grow by about ________ over 3 years.
A) 12%
B) 17%
C) 18%
D) 19%
E) 20%

10.2 Growth in Rich Countries since 1950

1) Which of the following is a main conclusion about growth for OECD countries and the four rich countries examined in the chapter?
A) There has been a large increase in the standard of living since 1950.
B) The growth rates have decreased since the mid-1970s.
C) There has been a convergence of output per capita since 1950.
D) all of these
E) none of these

2) Which of the following best characterizes the economic growth for OECD countries since the mid-1970s?
A) Growth has come to a complete halt.
B) Growth has slowed down.
C) Growth has not changed since the 1950s and 1960s.
D) Growth has increased slightly.
E) Growth has increased dramatically.

3) Between 1950 and 2017, standards of living in the OECD countries
A) did not change at all.
B) were converging.
C) all increased at the same rate.
D) decreased at the same rate.
E) decreased, but at different rates.

4) In the OECD countries, there is a negative relationship between output per capita in 1950 and
A) growth since 1950.
B) output per capita in the 1990s.
C) distance from the equator.
D) population.
E) none of these

5) Over the last half-century, which of the following countries has had the highest growth rate of output per capita?
A) Japan
B) France
C) United Kingdom
D) United States

6) When switching from the "current exchange rate" method to the "purchasing power parity" method, India's standard of living in dollars
A) decreases.
B) remains essentially the same.
C) rises, but still remains far below that of the U.S.
D) rises almost to the level of the U.S.
E) leapfrogs over that of the U.S.

7) Which of the following countries had the highest level of output per capita in 1950?
A) United States
B) France
C) Japan
D) United Kingdom

8) Which of the following countries had the lowest level of output per capita in 1950?
A) United States
B) France

C) Japan
D) United Kingdom

9) Which of the following countries experienced the lowest level of output per capita in 2017?
A) United States
B) France
C) Japan
D) United Kingdom

10) Which of the following countries had the highest rate of growth of output per capita between 1950 and 2017?
A) United States
B) France
C) Japan
D) United Kingdom

11) By 2017, which of the following countries had the highest level of real output per capita?
A) United States
B) France
C) Japan
D) United Kingdom

12) Research by Richard Layard indicates that an increase in a country's level of output per capita will
A) always increase happiness in that country.
B) always decrease happiness in that country.
C) generally have no effect on happiness in that country.
D) increase happiness in that country if output per capita is relatively low.

13) Research by Richard Layard indicates that happiness
A) increases as output per capita increases.
B) decreases as output per capita increases.
C) does not change as output per capita changes.
D) appears to depend on people's relative incomes.

10.3 A Broader Look across Time and Space

1) Which of the following is not among the four tigers?
A) China
B) Taiwan
C) Hong Kong
D) Singapore

2) "Convergence" has been occurring among the OECD countries because
A) the richer countries give away more of their output than the poorer ones.
B) the poorer countries have had higher growth rates than the richer ones.
C) the richer countries have had higher growth rates than the poorer ones.
D) the poorer countries have had positive growth rates, while the richer ones have had negative growth rates.
E) the procedures for measuring output per capita have been changing.

10.4 Thinking about Growth: A Primer

1) For this question, assume that there are decreasing returns to capital, decreasing returns to labor, and constant returns to scale. Now suppose that both capital and labor decrease by 5%. Given this information, we know that output (Y) will
A) not change.
B) decrease by less than 5%.
C) decrease by 5%.
D) decrease by more than 5% but less than 10%.
E) none of these

2) For this question, assume that there are decreasing returns to capital, decreasing returns to labor, and constant returns to scale. A reduction in the capital stock will cause which of the following?
A) a reduction in output
B) no change in output
C) an increase in output per capita
D) increase the capital-labor ratio
E) none of these

3) For this question, assume that the production function exhibits the same characteristics as those presented in the textbook. Based on these characteristics (i.e., assumptions), successive and equal increases in capital per worker will cause which of the following to occur?
A) Output per worker will decline.
B) Output per worker will not change.
C) Output per worker will increase by a constant amount.
D) Output per worker will increase by a larger amount.
E) none of these

4) Which of the following will cause a reduction in output per worker in the long run run?
A) capital accumulation or technological progress
B) capital accumulation
C) an increase in the number of workers
D) expansionary monetary policy
E) none of these

5) For this question, assume that a country experiences a permanent increase in its saving rate. Which of the following will occur as a result of this increase in the saving rate?
A) a permanently faster growth rate of output
B) a permanently higher level of output per capita
C) a permanently higher level of capital per worker
D) all of these
E) a permamently higher level of output per capita and capital per worker.

6) For this question, assume that a country experiences a permanent reduction in its saving rate. Which of the following will occur as a result of this reduction in the saving rate?
A) a permanently slower growth rate of output
B) no permanent effect on the level of output per capita
C) a permanently lower level of output per worker
D) a permamently slower growth rate of output but no permanent effect on the level of output per capita

7) When using a logarithmic scale to plot output per capita over time, an upward-sloping curve that becomes increasingly steep indicates
A) output per capita is not changing.
B) output per capita is growing by a constant amount each year.
C) output per capita is growing by a constant percentage each year.
D) output per capita is growing by an increasing percentage each year.
E) output per capita is not defined.

8) An upward-sloping straight line on a linear scale will become a (an) ________ on a logarithmic scale.
A) upward sloping straight line
B) upward sloping curve that gets continually steeper
C) upward sloping curve that gets continually flatter
D) horizontal line
E) downward sloping straight line

9) Which of the following must occur to sustain economic growth in the long run?
A) technological progress
B) capital accumulation
C) a higher saving rate
D) all of these

10) Given the broadest interpretation of technology, technology will include which of the following?
A) how well firms are run
B) the organization and sophistication of markets
C) the political environment
D) the list of blueprints defining the types of products and the techniques available to produce them
E) all of these

11) Given the narrow interpretation of technology, technology will include which of the following?
A) how well firms are run
B) the organization and sophistication of markets
C) the political environment
D) none of these

12) Suppose there are two countries that are identical with the following exception. The saving rate in country A is greater than the saving rate in country B. Given this information, we know that in the long run
A) the growth rate of output per capita will be greater in B than in A.
B) the growth rate of output per capita will be greater in A than in B.
C) the capital-labor ratios (K/N) will be the same in both countries.
D) the growth rate of output per capita will be the same in both countries.

13) Suppose there are two countries that are identical with the following exception. The saving rate in country A is greater than the saving rate in country B. Given this information, we know that in the long run
A) the capital-labor ratio (K/N) will be greater in B than in A.
B) the capital-labor ratio (K/N) will be greater in A than in B.
C) the capital-labor ratio (K/N) will be the same in the two countries.
D) economic growth will be higher in A than in B.

14) Suppose there are two countries that are identical with the following exception. The saving rate in country A is greater than the saving rate in country B. Given this information, we know that in

the long run
A) output per capita will be greater in B than in A.
B) output per capita will be greater in A than in B.
C) economic growth will be higher in A than in B.
D) more information is needed to answer this question.

15) Which of the following will *not* cause an increase in aggregate output (Y) in the long run?
A) an increase in N
B) an increase in K
C) an increase in technology
D) a reduction in the saving rate
E) none of these

16) Over the past fifty years, convergence has generally occurred for all of the following groups of countries with the exception of
A) the five richest countries.
B) European countries.
C) the "four tigers" in Asia.
D) OECD countries.
E) none of these

17) Assume that constant returns to scale exists and that N and K both increase by 2%. Given this information, we know that
A) output (Y) will increase by 4%.
B) Y will increase by 2%.
C) Y will increase by less than 2%.
D) Y will increase by less than 4% and more than 2%.

18) Assume that constant returns to scale exists and that N and K both decrease by 3%. Given this information, we know that
A) output (Y) will decrease 6%.
B) Y will decrease by 3%.
C) Y will decrease by less than 3%.
D) the capital-labor ratio (K/N) will decrease.

19) Constant returns to scale implies that if N and K both increase by 3% that
A) output (Y) will increase by 3%.
B) Y/N will increase by 3%.
C) Y/N will increase by less than 3%.
D) the capital-labor ratio will increase by 3%.

20) For this question, assume that the saving rate increases. We know that this increase in the saving rate will cause which of the following?
A) a temporary increase in the level of output per capita
B) no permanent change in the level of output per capita
C) a temporary increase in the rate of growth of output per capita
D) a permanently higher rate of growth of output per capita
E) none of these

21) Which of the following will cause a reduction in output per worker (Y/N)?
A) a reduction in the capital stock (K)
B) a reduction in the saving rate
C) a reduction in K/N
D) all of these

22) Assume that employment increases by 3%. Holding all other factors constant, we know with certainty that which of the following will occur?
A) output will increase by 3%
B) output per capita will increase by 3%
C) output will increase by less than 3%
D) the capital labor ratio will increase
E) none of these

23) Suppose the stock of capital increases by 2% and employment increases by 2%. Given this information, we know that
A) output per capita will increase by 6%.
B) output will increase by 4%.
C) output per capita will increase by less than 4% and more than 2%.
D) none of these

24) Decreasing returns to capital (K) implies that a 4% increase in K will cause
A) a reduction in output per worker (Y/N).
B) a reduction in K/N.
C) Y to increase by exactly 4%.
D) Y to increase by less than 4%.
E) no change in Y/N.

25) For this question, assume that the saving rate decreases. We know that this decrease in the saving rate will cause which of the following?
A) a temporary decrease in the level of output per capita
B) no permanent change in the level of output per capita
C) a temporary decrease in the rate of growth of output per capita
D) a permanently lower rate of growth of output per capita
E) none of these

26) Which of the following will cause an increase in output per worker (Y/N)?
A) an increase in the capital stock (K)
B) an increase in the saving rate
C) an increase in K/N
D) all of these

27) Decreasing returns to capital (N) implies that a 4% increase in N will cause
A) Y to increase by more than 4%.
B) Y to increase by exactly 4%.
C) Y to increase by less than 4%.
D) no change in Y/N.

28) Assume that employment decreases by 3%. Holding all other factors constant, we know with certainty that which of the following will occur?
A) output will decrease by 3%
B) output per capita will decrease by 3%
C) output will decrease by less than 3%
D) the capital labor ratio will decrease
E) none of these

29) If output per capita grows by a constant 5% per year, then the standard of living would grow by about ________ over 3 years.
A) 12%
B) 16%
C) 17%
D) 18%
E) 20%

30) If output per capita grows by a constant 3% per year, then the standard of living would grow by about ________ over 4 years.
A) 13%
B) 14%
C) 15%
D) 16%
E) 17%