

Chapter 7 Assignment

- C 1. Which of the following is the primary reason that Canadian living standards are higher today than they were a century ago?

 - a. More productive natural resources have been discovered.
 - b. Physical capital per worker has increased.
 - c. Technological knowledge has increased.
 - d. Human capital has increased.

- B 2. Many countries in Africa have low growth rates. This is primarily due to which of the following?

 - a. few natural resources
 - b. high trade barriers
 - c. low incomes, making it very difficult for them to grow
 - d. lack of natural resources.

- C 3. A government can encourage growth and, in the long run, raise the economy's standard of living by encouraging which of the following?

 - a. population growth
 - b. consumption spending
 - c. saving and investment
 - d. trade restrictions

- B 4. Which of the following statements best describes the term diminishing returns?

 - a. As the stock of capital ages, the extra output produced decreases.
 - b. As the stock of capital increases, the extra output produced from an additional unit of capital falls.
 - c. As resources are used to produce capital goods, fewer additional capital goods can be produced.
 - d. The benefit from an extra unit of an input increases as the quantity of the input increases

- C 5. As compared to richer countries, which of the following is a common characteristic of poorer countries?

 - a. higher real gross domestic product per person
 - b. greater political stability
 - c. more rapid population growth
 - d. more strongly enforced property rights

- B 6. Which of the following factors would be most likely to encourage capital formation in a poorer country?
- a. the expectation of sustained high rates of inflation in the future
 - b. the expectation that property rights will remain secure
 - c. the expectation that a struggle between capitalist and socialist forces will lead to major structural change in the economy
 - d. an increase in corporate taxes in order to finance an expanded government welfare program
- B 7. Which of the following is the most likely to cause the productivity of labour to increase?
- a. higher money wage rates
 - b. a higher rate of investment in human and physical capital
 - c. more flexible working hours and improved retirement plans
 - d. government investment
- B 8. Suppose that factory output rose from 50 000 units to 55 000 units while labour hours rose from 1100 to 1200. Which of the following is true?
- a. Labour productivity remained unchanged
 - b. Labour productivity increased slightly.
 - c. Labour productivity decreased slightly.
 - d. Labour productivity increased sharply
- D 9. Which of the following is most likely to cause the real income per person of poorer countries to rise?
- a. a more rapid population growth
 - b. a rapid rate of inflation
 - c. an international minimum-wage law
 - d. an increase in foreign investment that enhanced the productivity of the labour force
- A 10. Which of the following is true if a production function has constant returns to scale?
- a. Doubling inputs will double output.
 - b. Doubling inputs will triple output.
 - c. Doubling inputs will cause output to increase
 - d. Doubling inputs will decrease output.

- C 11. Which of the following is the most important source of rising living standards over time?
- a. an increase in the size of the labour force
 - b. an increase in the labour force participation rate
 - c. an increase in productivity
 - d. an increase in human capital—the skills embodied in the work force

True or False?

- F 12. One way to raise future productivity is to invest fewer current resources in the production of capital.
- F 13. Diminishing returns occurs when the benefits from an extra unit of output decline as the quantity of output declines.
- T 14. Malthusian theory states that an ever-increasing population would continually strain society's ability to provide for itself. This would doom human beings to live forever in poverty.
- T 15. Productivity growth is measured by real output per worker.
- T 16. The primary reason that living standards are higher today than they were a century ago is that technological knowledge has advanced.

17. What is productivity and why is it important?

Productivity is the amount of g&s produced from each hour of a worker's time. It's the major determinant of the standard of living of a country.

18. What determines productivity?

$\frac{Y}{L}$ depends on A , $\frac{K}{L}$, $\frac{H}{L}$, $\frac{N}{L}$.

19. How would you define property rights? What role does property rights play in economic growth?

Property right refers to the ability of people to exercise authority over the resources they own. There must be an economy-wide respect for property rights for the p-system or the free mkt to work. Lack of respect of property rights or for the enforcement of property rights causes political instability & discourage S&I. Property rights are necessary for economic growth.

20. If children are a "good" then why do people have fewer children in higher income countries?

- Expensive or inconvenient child care
- High cost of education
- High OC of taking time off of work. women work & earn relatively higher income in developed countries.
- gender inequality → women have jobs & still do more of the domestic work.