

# Introduction to Macroeconomics 1012

## Final Exam

Spring 2013

Instructor: Elsie Sawatzky

Name \_\_\_\_\_

Time: 2 hours

Marks: 80 Multiple choice questions 1 mark each and a choice of 2 out of 3 short answer question marks each .

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 1) If Wolfgang transfers \$1,000 out of his non-chequable deposit account and places it in his chequable deposit account, 1) \_\_\_\_\_
- A) M1 and M2 fall.
  - B) M1 falls and M2 rises.
  - C) M1 falls and M3 rises.
  - D) M1 falls and M2 remains the same.
  - E) M1 rises and M2 remains the same.
- 2) Suppose that the Canadian dollar exchanges for 1.05 U.S. dollars and also for 0.65 Euros. A U.S. dollar exchanges for 2) \_\_\_\_\_
- A) 1.00 Euro.
  - B) 1.70 Euros.
  - C) 0.40 Euros.
  - D) 0.68 Euros.
  - E) 0.62 Euros.

Use the figure below to answer the following questions.

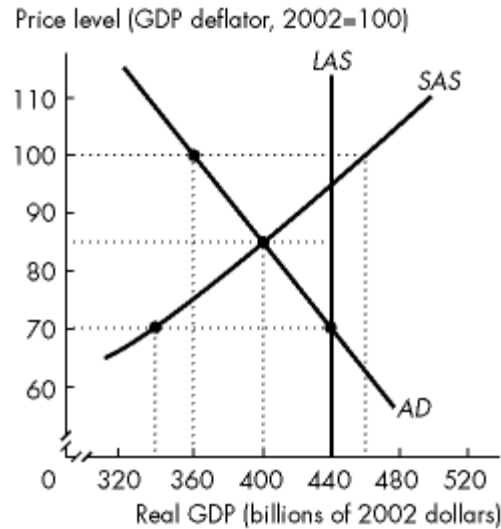


Figure 26.3.1

- 3) Refer to Figure 26.3.1. Econoworld is at its short-run macroeconomic equilibrium. There is a difference between \_\_\_\_\_ real GDP and potential GDP of \$ \_\_\_\_\_ billion. 3) \_\_\_\_\_
- A) above full-employment equilibrium; 40
  - B) above full-employment equilibrium; 20
  - C) below full-employment equilibrium; 40
  - D) below full-employment equilibrium; 20
  - E) full-employment equilibrium; 0
- 4) The components of aggregate expenditure that are influenced by real GDP are \_\_\_\_\_. 4) \_\_\_\_\_
- A) investment, exports, and imports
  - B) consumption expenditure, government expenditure, investment, and imports
  - C) consumption expenditure, investment, and imports
  - D) consumption expenditure and imports
  - E) wages, transfer payments, and government expenditure
- 5) When the Bank of Canada fights recession by lowering the overnight loan rate, the supply of loanable funds curve shifts \_\_\_\_\_ and the aggregate demand curve shifts \_\_\_\_\_. 5) \_\_\_\_\_
- A) leftward; leftward
  - B) leftward; rightward
  - C) rightward; leftward
  - D) rightward; rightward
  - E) rightward and the demand for loanable funds curve shifts rightward; rightward
- 6) When the Bank of Canada fights recession by lowering the overnight loans rate, the supply of reserves curve shifts \_\_\_\_\_ and the supply of money curve shifts \_\_\_\_\_. 6) \_\_\_\_\_
- A) leftward; leftward
  - B) leftward; rightward
  - C) rightward; leftward
  - D) rightward; rightward
  - E) rightward; rightward, and the demand for loanable funds increases

- 7) If the Bank of Canada buys government securities in the open market, the supply curve of real money shifts \_\_\_\_\_ 7) \_\_\_\_\_
- A) leftward and the overnight rate rises.
  - B) leftward and the overnight rate falls.
  - C) rightward and the overnight rate rises.
  - D) rightward and the overnight rate remains constant because the demand for money increases at the same time.
  - E) none of the above.
- 8) To decrease aggregate demand, the Bank of Canada can \_\_\_\_\_ 8) \_\_\_\_\_
- A) raise the overnight loans rate, which decreases the quantity of money.
  - B) lower the overnight loans rate, which increases the quantity of money.
  - C) lower the overnight loans rate, which decreases the quantity of money.
  - D) raise the overnight loans rate, which increases the quantity of money.
  - E) raise the overnight loans rate, which decreases the government budget deficit.
- 9) If the Bank of Canada wants to eliminate an inflationary gap, which of the following would be an appropriate policy? \_\_\_\_\_ 9) \_\_\_\_\_
- A) Raise the overnight loans rate.
  - B) Lower the overnight loans rate.
  - C) Buy government securities.
  - D) Decrease the government budget deficit.
  - E) Lower the exchange rate.
- 10) The Bank of Canada can lower the overnight loans rate by \_\_\_\_\_ 10) \_\_\_\_\_
- A) raising the bank rate.
  - B) lowering the bank rate.
  - C) raising the settlement balances rate.
  - D) lowering the settlement balances rate.
  - E) both B and D.
- 11) If Canadian interest rates rise, the exchange rate value of the dollar \_\_\_\_\_ and net exports \_\_\_\_\_ 11) \_\_\_\_\_
- A) rises; increase
  - B) rises; decrease
  - C) falls; increase
  - D) falls; decrease
  - E) rises only if the U.S. interest rates fall concurrently; decrease
- 12) If the overnight rate is above target, the Bank \_\_\_\_\_ securities to \_\_\_\_\_ reserves, which \_\_\_\_\_ the supply of overnight funds and \_\_\_\_\_ the overnight rate. \_\_\_\_\_ 12) \_\_\_\_\_
- A) buys; increase; decreases; raises
  - B) sells; increase; increases; lowers
  - C) buys; decrease; decreases; raises
  - D) sells; decrease; decreases; raises
  - E) buys; increase; increases; lowers

- 13) How does the Bank of Canada set the bank rate? 13) \_\_\_\_\_
- A) The Bank of Canada does not determine the bank rate.
  - B) The bank rate is set at a quarter percentage point above the prime lending rate.
  - C) The bank rate is set at a quarter percentage point above the target overnight loans rate.
  - D) The bank rate is set at a quarter percentage point below the overnight loans rate.
  - E) The bank rate is set at 25 basis points above the operating band.
- 14) What is the overnight loans rate? 14) \_\_\_\_\_
- A) The percentage change in the volume of loans that take place overnight.
  - B) The interest rate that the Bank of Canada charges chartered banks.
  - C) The interest rate on loans that the big banks make to each other.
  - D) The volume of loans that take place during the night.
  - E) The interest rate that the Bank of Canada pays when it buys securities from chartered banks.
- 15) The government increases the tax rate on labour income and at the same time cuts the rate of sales tax to keep the amount of tax collected constant. As a result, the supply of labour \_\_\_\_\_, the demand for labour \_\_\_\_\_, and the equilibrium level of employment \_\_\_\_\_. The before-tax wage rate \_\_\_\_\_, and the after-tax wage rate \_\_\_\_\_. Potential GDP \_\_\_\_\_. 15) \_\_\_\_\_
- A) decreases; does not change; decreases; rises; falls; decreases
  - B) decreases; increases; does not change; rises; falls; does not change
  - C) does not change; does not change; does not change; does not change; does not change; does not change
  - D) decreases; decreases; decreases; rises; falls; decreases
  - E) does not change; increases; increases; does not change; decreases; increases
- 16) Everything else remaining the same, as the economy enters a recession, 16) \_\_\_\_\_
- A) tax revenues rise and interest payments on the debt rise.
  - B) tax revenues and transfer payments rise.
  - C) government outlays rise and tax revenues fall.
  - D) government outlays tend to fall and tax revenues fall.
  - E) interest payments on the debt rise and tax revenues fall.
- 17) If real GDP is less than potential GDP, which of the following fiscal policies would increase real GDP? 17) \_\_\_\_\_
- A) a decrease in taxes
  - B) an increase in government expenditures
  - C) a fall in the interest rate
  - D) Both A and B are correct
  - E) Both B and C are correct.
- 18) All of the following statements are true *except* 18) \_\_\_\_\_
- A) total revenues have no strong trends.
  - B) revenues include corporate income taxes, personal income taxes; indirect taxes and investment income.
  - C) the main source of fluctuations in revenues is corporate income taxes.
  - D) indirect taxes decreased during the 1990s due to the introduction of the GST.
  - E) total revenues increased through the 1960s and 1980s.
- 19) If the nominal interest rate is 11%, the inflation rate is 4% and the tax rate is 25%, what is the real after-tax interest rate? 19) \_\_\_\_\_
- A) -1.25%
  - B) 4.25%
  - C) 5.25%
  - D) 8%
  - E) 10%

- 20) If outlays exceed revenues, the government's budget balance is \_\_\_\_\_, and the government has a budget \_\_\_\_\_. 20) \_\_\_\_\_
- A) negative; deficit
  - B) positive; surplus
  - C) positive; deficit
  - D) negative; surplus
  - E) zero; surplus
- 21) Suppose the government starts with a debt of \$0. Then in year 1, there is a deficit of \$100 billion, in year 2 there is a deficit of \$60 billion, in year 3 there is a surplus of \$40 billion, and in year 4 there is a deficit of \$20 billion. What is government debt at the end of year 4? 21) \_\_\_\_\_
- A) \$20 billion.
  - B) \$140 billion.
  - C) \$180 billion.
  - D) Somewhat greater than \$220 billion, depending on the interest rate.
  - E) Somewhat greater than \$140 billion, depending on the interest rate.
- 22) During a recession, revenues \_\_\_\_\_ and government outlays \_\_\_\_\_. 22) \_\_\_\_\_
- A) and government outlays decrease.
  - B) decrease and government outlays increase.
  - C) increase and government outlays decrease.
  - D) and government outlays increase.
  - E) remain constant and government outlays increase.

Use the figure below to answer the following questions.

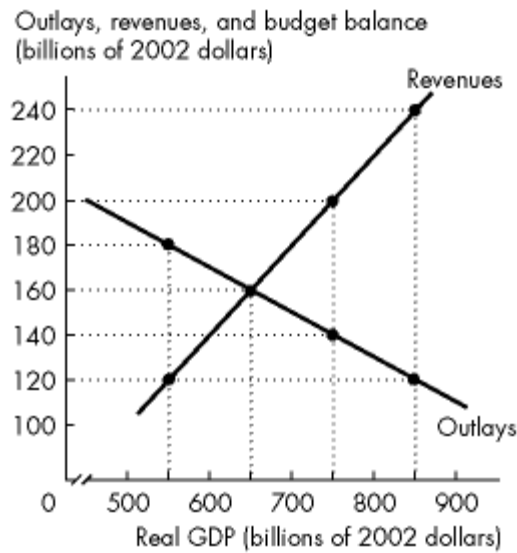


Figure 29.3.1

- 23) Refer to Figure 29.3.1, which shows the outlays and revenues for the government of Pianoland. If real GDP equals \$550 billion, the structural deficit is \_\_\_\_\_ 23) \_\_\_\_\_
- A) zero.
  - B) \$60 billion.
  - C) a surplus of \$60 billion.
  - D) a surplus of \$40 billion.
  - E) unknown given the available information.

Use the figure below to answer the following questions.

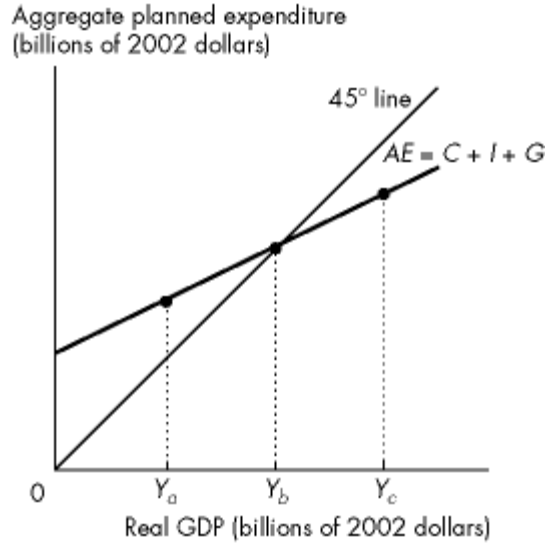


Figure 27.2.1

There are no exports or imports in this economy.

- 24) Refer to Figure 27.2.1. When real GDP is equal to  $Y_b$ , then 24) \_\_\_\_\_
- A) actual expenditure is less than planned expenditure.
  - B) actual expenditure is greater than planned expenditure.
  - C) planned expenditure is equal to actual expenditure.
  - D) real GDP increases.
  - E) real GDP decreases.
- 25) Everything else remaining the same, an increase in the marginal propensity to consume \_\_\_\_\_ the slope of the  $AE$  curve and \_\_\_\_\_ equilibrium expenditure. 25) \_\_\_\_\_
- A) decreases; increases
  - B) increases; increases
  - C) decreases; decreases
  - D) increases; decreases
  - E) does not change; does not change
- 26) In the long run, the multiplier 26) \_\_\_\_\_
- A) has a larger effect on real GDP than it has in the short run, because the multiplier effect has a longer time period to exert its impact on the economy.
  - B) has a larger effect on real GDP than it has in the short run, because there are more induced expenditures in the long run.
  - C) has a larger effect on real GDP than it has in the short run because of changes in the price level.
  - D) has a smaller effect on real GDP than it has in the short run because of changes in the price level.
  - E) can have a smaller or larger effect on real GDP than it has in the short run.

- 27) If there is an unplanned increase in inventories, aggregate planned expenditure is 27) \_\_\_\_\_
- A) greater than real GDP and firms increase production.
  - B) greater than real GDP and firms decrease production.
  - C) less than real GDP and firms increase production.
  - D) less than real GDP and firms decrease production.
  - E) less than real GDP and firms decrease investment.

Use the table below to answer the following questions.

**Table 27.1.3**

Disposable Income (dollars)	Consumption Expenditure (dollars)
0	100
100	165
200	230
300	295
400	360

- 28) Refer to Table 27.1.3. The marginal propensity to consume is 28) \_\_\_\_\_
- A) 0.35.
  - B) 0.65.
  - C) 1.15.
  - D) 1.65.
  - E) 1.54.
- 29) Refer to Table 27.1.3. Autonomous consumption is equal to 29) \_\_\_\_\_
- A) \$0.
  - B) \$65.
  - C) \$100.
  - D) \$260.
  - E) \$400.

Use the information below to answer the following question.

**Fact 27.5.1**

The economy of Beverly Hills has a consumption function of  $C = 10 + 0.8Y$ , investment equal to 6, government expenditure equal to 10, exports equal to 10, and an import function of  $M = 0.1Y$ .

- 30) Refer to Fact 27.5.1. What is consumption expenditure in equilibrium in this economy? 30) \_\_\_\_\_
- A) 298
  - B) 106
  - C) 38.8
  - D) 114
  - E) none of the above
- 31) We observe a decrease in the price level and an increase in real GDP. Which of the following is a possible explanation? 31) \_\_\_\_\_
- A) a decrease in the quantity of money
  - B) a decrease in expected future income
  - C) an increase in factor prices
  - D) an increase in the quantity of capital
  - E) an increase in expected future profits

- 32) If factor prices remain constant , an increase in aggregate demand 32) \_\_\_\_\_
- A) increases the price level and increases real GDP.
  - B) increases the price level and decreases real GDP.
  - C) decreases the price level and increases real GDP.
  - D) decreases the price level and decreases real GDP.
  - E) increases the price level, and leaves real GDP unchanged.
- 33) Complete the following sentence. Potential GDP 33) \_\_\_\_\_
- A) increases as the price level rises.
  - B) is the level of real GDP when unemployment is zero.
  - C) increases as the quantity of money in the economy increases.
  - D) does not vary with the price level.
  - E) never changes.
- 34) Which one of the following is a reason for the negative slope of the aggregate demand curve? 34) \_\_\_\_\_
- A) the real wage effect
  - B) the substitution effects
  - C) the expected inflation effect
  - D) the nominal balance effect
  - E) the income effect
- 35) Which of the following will lower the price level for sure? 35) \_\_\_\_\_
- A) The *AD* curve shifts rightward and the *SAS* curve shifts leftward.
  - B) The *AD* curve shifts rightward and the *SAS* curve remains unchanged.
  - C) The *SAS* curve shifts leftward.
  - D) The *LAS* curve shifts leftward.
  - E) None of the above.



Use the figure below to answer the following questions.

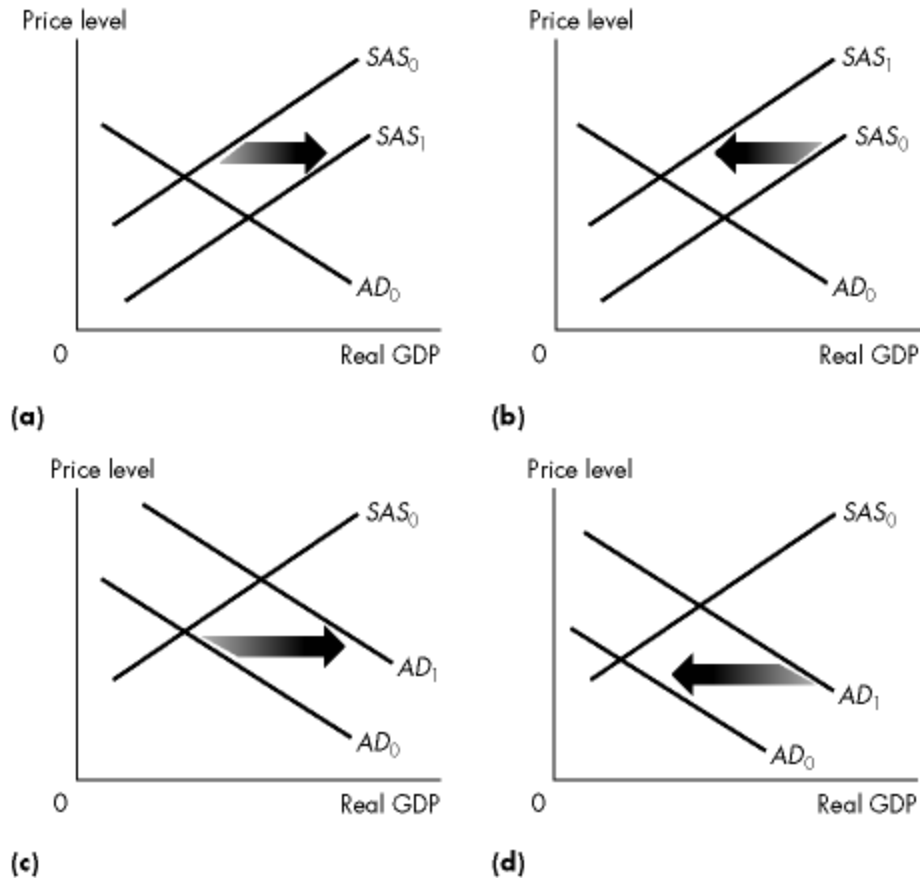


Figure 26.2.1

36) Refer to Figure 26.2.1. Which graph illustrates what happens when government expenditure increases?

36) \_\_\_\_\_

- A) (a)
- B) (b)
- C) (c)
- D) (d)
- E) None of the above

37) Potential GDP is the level of real GDP at which

37) \_\_\_\_\_

- A) aggregate demand equals short-run aggregate supply.
- B) there is full employment.
- C) there is a recessionary gap.
- D) there is over-full employment.
- E) prices are sure to rise.

Use the figure below to answer the following questions.

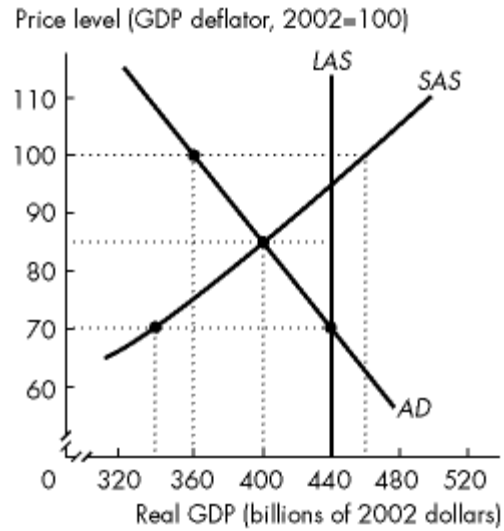


Figure 26.3.1

- 38) Refer to Figure 26.3.1. Consider statements (1) and (2) and select the correct answer.
- (1) The economy of Econoworld is experiencing a below full-employment equilibrium.  
(2) The actual unemployment rate equals the natural unemployment rate.
- A) (1) is true; (2) is false.  
B) (2) is true; (1) is false.  
C) (1) and (2) are false.  
D) (1) and (2) are true.  
E) (1) is true; (2) is true if the natural unemployment rate is too high.

38) \_\_\_\_\_

Use the figure below to answer the following questions.

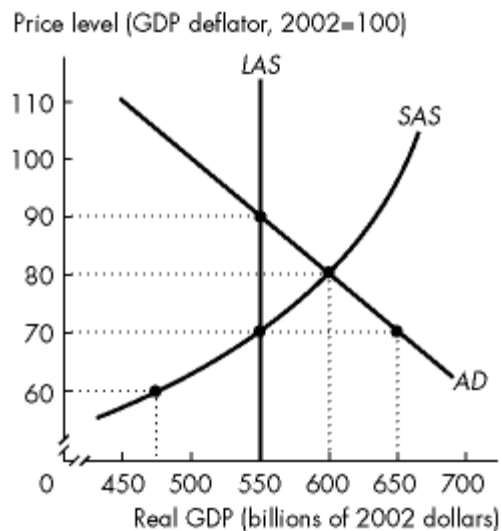


Figure 26.3.2

- 39) Refer to Figure 26.3.2. Short-run macroeconomic equilibrium real GDP in Mythlo is \_\_\_\_\_ billion. 39) \_\_\_\_\_
- A) \$500                      B) \$650                      C) \$550                      D) \$600                      E) \$475
- 40) A \_\_\_\_\_ macroeconomist believes that the economy is self-regulating and always at full employment. 40) \_\_\_\_\_
- A \_\_\_\_\_ macroeconomist believes the economy requires active help from fiscal policy and monetary policy to maintain full employment.
- A) Keynesian; new Keynesian  
 B) classical; monetarist  
 C) classical; Keynesian  
 D) new classical; monetarist  
 E) monetarist; classical
- 41) Which of the following news quotes *best* describes a *new classical* view of a recession? 41) \_\_\_\_\_
- A) "Rapid computerization is creating obsolete workers and higher unemployment."  
 B) "The unexpectedly tight fiscal policy is raising spending and lowering unemployment."  
 C) "The anti-inflationary policy of the Bank of Canada is increasing spending."  
 D) "The cuts in government spending have helped lower consumer spending and created unemployment."  
 E) "Businesses are very worried about future sales and have lowered their purchases of capital equipment."
- 42) The defining feature of the classical view of macroeconomics is that the economy is 42) \_\_\_\_\_
- A) rarely at full employment.  
 B) driven by expectations called "animal spirits."  
 C) self-regulating and always at full employment.  
 D) constantly bombarded by shocks that arise from the uneven pace of technological change.  
 E) the most significant influence on aggregate demand is expectations.

Use the figure below to answer the following questions.

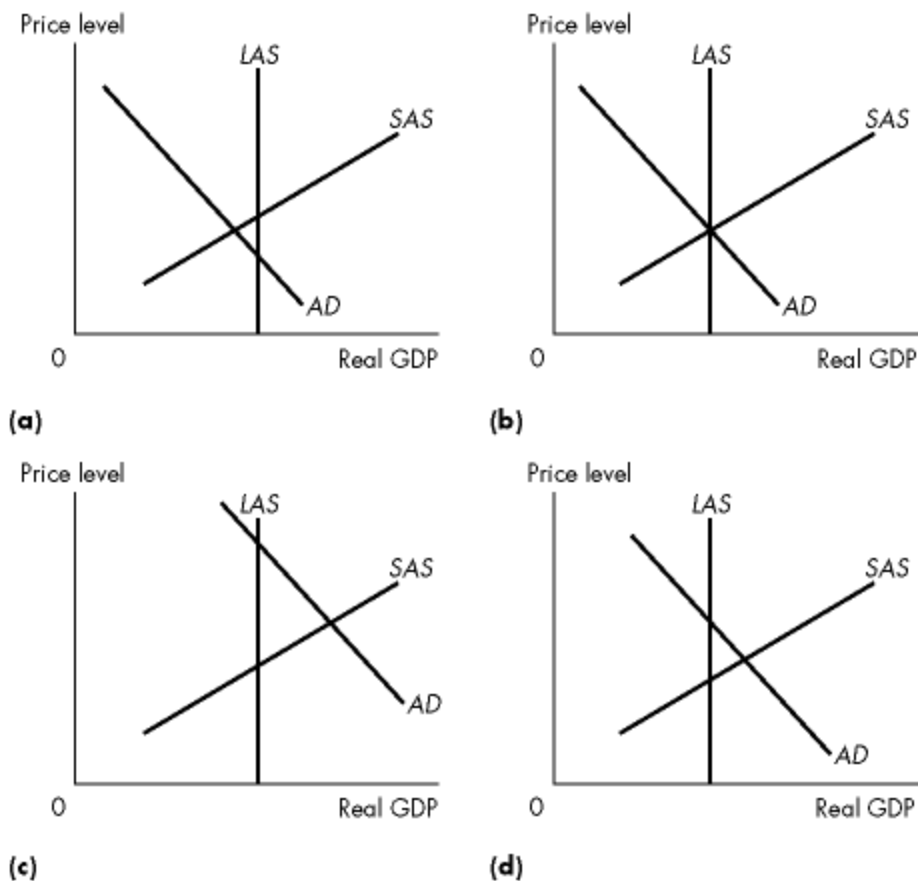


Figure 26.3.3

- 43) Refer to Figure 26.3.3. In which of the graphs would we predict that eventually the price level will fall and real GDP will increase, all else remaining the same? 43) \_\_\_\_\_  
 A) (a) only      B) (b) only      C) (c) only      D) (d) only      E) (c) and (d)
- 44) The quantity of real GDP demanded does *not* depend on decisions made by 44) \_\_\_\_\_  
 A) foreigners.  
 B) households.  
 C) suppliers.  
 D) governments.  
 E) firms.
- 45) Which one of the following would result in the dollar appreciating against the Japanese yen? 45) \_\_\_\_\_  
 A) a rise in the Canadian interest rate  
 B) a fall in the Canadian interest rate  
 C) a fall in the Japanese interest rate  
 D) a decrease in the expected future Canadian exchange rate  
 E) both A and C
- 46) If the price level in Canada is 120, the price level in South Africa is 140, and the exchange rate is 7 South African rands per dollar, then the real exchange rate is \_\_\_\_\_. 46) \_\_\_\_\_  
 A) 8.2      B) 7      C) 6      D) 8.4      E) 9.8

- 47) Suppose that the following situation exists in the foreign exchange market: 1 Canadian dollar buys 7.2 Chinese yuan and 1 Canadian dollar buys 5.77 South African rand. How many yuan will one rand buy? \_\_\_\_\_
- A) 0.80 yuan      B) 1.25 yuan      C) 7.20 yuan      D) 5.77 yuan      E) 1.43 yuan
- 48) Suppose that a country's government expenditures are \$400 billion, net taxes are \$300 billion, saving is \$300 billion, and investment is \$250 billion. Net exports are a \_\_\_\_\_
- A) surplus of \$150 billion.  
 B) surplus of \$50 billion.  
 C) deficit of \$150 billion.  
 D) deficit of \$50 billion.  
 E) deficit of \$250 billion.

Refer to the figure below to answer the following questions.

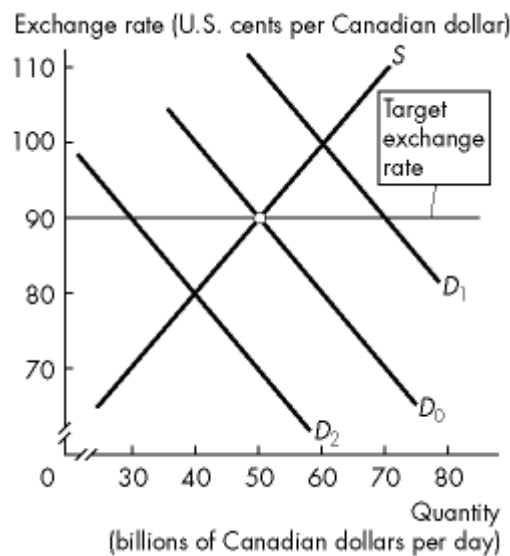


Figure 25.3.1

- 49) In Figure 25.3.1, suppose the demand for dollars temporarily increases so that the demand curve shifts to  $D_1$ . To maintain the target exchange rate, the Bank of Canada \_\_\_\_\_
- A) sells dollars.  
 B) buys dollars.  
 C) must violate interest rate parity but not purchasing power parity.  
 D) must raise the target exchange rate.  
 E) must lower the target exchange rate.
- 50) Suppose that a country's government expenditures are \$500 billion, net taxes are \$400 billion, saving is \$200 billion, and investment is \$250 billion. The country has a government budget \_\_\_\_\_
- A) surplus and a private sector surplus.  
 B) surplus and a private sector deficit.  
 C) deficit and a private sector surplus.  
 D) deficit and a private sector deficit.  
 E) surplus and a private sector balance.

- 51) Suppose that a country's government expenditures are \$400 billion, net taxes are \$300 billion, saving is \$300 billion, and investment is \$250 billion. This country has a government budget 51) \_\_\_\_\_
- A) surplus and a private sector surplus.
  - B) surplus and a private sector deficit.
  - C) deficit and a private sector surplus.
  - D) deficit and a private sector deficit.
  - E) surplus and a private sector balance.
- 52) Appreciation of a currency means 52) \_\_\_\_\_
- A) an increase in the amount of goods and services that currency can purchase within its own country.
  - B) an increase in the precious metal content in coins.
  - C) a shortage of currency.
  - D) that currency can buy more foreign currency.
  - E) that currency can buy less foreign currency.
- 53) If you can find someone to swap what you have for what you want, then 53) \_\_\_\_\_
- A) money is necessary for the exchange to work.
  - B) specialization is impossible in the society in which you live.
  - C) there exists a double coincidence of wants.
  - D) there exists a double system of money.
  - E) there exists a monetary exchange system.
- 54) If the interest rate is below the equilibrium, how is equilibrium achieved in the money market? 54) \_\_\_\_\_
- A) People buy goods to get rid of their excess money, lowering the price of goods and raising the interest rate.
  - B) People sell goods to get rid of their excess money, lowering the price of goods and raising the interest rate.
  - C) People sell bonds to get rid of their excess money, lowering the price of bonds and raising the interest rate.
  - D) People sell bonds to try and raise more money, lowering the price of bonds and raising the interest rate.
  - E) People buy bonds to get rid of their excess money, raising the price of bonds and raising the interest rate.
- 55) Which one of the following is *not* a function of money? 55) \_\_\_\_\_
- A) medium of exchange
  - B) means of payment
  - C) store of value
  - D) measure of liquidity
  - E) unit of account
- 56) Money is 56) \_\_\_\_\_
- A) equivalent to barter.
  - B) currency plus credit cards plus debit cards.
  - C) the same as gold.
  - D) a means of payment.
  - E) currency plus coins.

- 57) Real GDP is \$2,560 billion, the quantity of money \$800 billion, and the velocity of circulation is 4. The price level is \_\_\_\_\_  
 A) 125.                      B) 6.4.                      C) 1,000.                      D) 3,200.                      E) 3.2.
- 58) Which of the following is a function of money? \_\_\_\_\_  
 A) A medium of exchange.  
 B) A measure of liquidity.  
 C) A means of pooling risk.  
 D) A store of exchange.  
 E) A means of reducing transactions costs.
- 59) According to the quantity theory of money, an increase in the quantity of money will increase the price level \_\_\_\_\_  
 A) but have no effect on real GDP or the velocity of circulation.  
 B) and increase real GDP and the velocity of circulation.  
 C) and increase real GDP but decrease the velocity of circulation.  
 D) and decrease real GDP and increase the velocity of circulation.  
 E) but have no effect on real GDP and will decrease the velocity of circulation.
- 60) Real GDP is \$2,000 billion, the price level is 120, and the velocity of circulation is 5. Nominal GDP is \_\_\_\_\_  
 A) \$24 billion.  
 B) \$600 billion.  
 C) \$2,000 billion.  
 D) \$2,400 billion.  
 E) \$166.67 billion.
- 61) The money multiplier will decrease if the currency drain ratio \_\_\_\_\_  
 A) increases or the desired reserve ratio increases.  
 B) decreases or the desired reserve ratio decreases.  
 C) decreases or the desired reserve ratio increases.  
 D) increases or the desired reserve ratio decreases.  
 E) decreases and the monetary base increases.
- 62) Which one of the following would *not* be considered a depository institution? \_\_\_\_\_  
 A) The Bank of Canada.  
 B) a credit union  
 C) a *caisse populaire*  
 D) a trust and mortgage loan company  
 E) The Bank of Montreal
- 63) The Canadian currency drain ratio for M1 is approximately \_\_\_\_\_ percent in 2010. \_\_\_\_\_  
 A) 15                      B) 24                      C) 11                      D) 34                      E) 75
- 64) When the quantity of labour demanded exceeds the quantity of labour supplied, the real wage rate \_\_\_\_\_  
 A) rises to eliminate the labour market shortage.  
 B) falls to eliminate the labour market surplus.  
 C) rises to eliminate the labour market surplus.  
 D) falls to eliminate the labour market shortage.  
 E) does not change but the money wage rate rises to eliminate the labour market shortage.

- 65) Suppose a country's population grows by 2 percent a year and, at the same time, its real GDP grows by 5 percent a year. Real GDP per person is increasing by \_\_\_\_\_ a year. 65) \_\_\_\_\_  
 A) 2 percent      B) 5 percent      C) 10 percent      D) 16 percent      E) 3 percent
- 66) Which theory of economic growth argues that growth does *not* automatically slow down? 66) \_\_\_\_\_  
 A) classical growth theory  
 B) neoclassical growth theory  
 C) new growth theory  
 D) all of the theories  
 E) none of the theories
- 67) Which of the following statements about Canada's long-term growth trends is *false*? 67) \_\_\_\_\_  
 A) Economic growth rates have been steady, except for the business cycle.  
 B) Economic growth rates show periods of slow and high growth.  
 C) Economic growth rates were faster in the 1990s than in the 1980s.  
 D) Economic growth rates have slightly faster in the United States than in Canada.  
 E) African countries have fallen further behind Canada in recent years.
- 68) Which of the following is a suggestion for increasing Canadian economic growth rates? 68) \_\_\_\_\_  
 A) Stimulate saving by taxing consumption.  
 B) Reduce the time period for patent protection to increase replication.  
 C) Put less public research funds into universities.  
 D) Protect our industries from foreign competition.  
 E) Tax education.
- 69) According to Thomas Robert Malthus, \_\_\_\_\_. 69) \_\_\_\_\_  
 A) labour productivity increases continuously  
 B) the population growth rate is fixed  
 C) technological advances lead to permanent increases in real GDP per person  
 D) increases in real GDP per person are only temporary  
 E) knowledge capital does not experience diminishing returns
- 70) In 2010, Northland had real GDP of \$4.21 billion and a population of 2.98 million. In 2011, real GDP was \$4.59 billion and population was 2.97 million. Northland's real GDP per person in 2011 was 70) \_\_\_\_\_  
 A) \$1,545.      B) \$380.      C) \$1,413.      D) \$132.      E) \$1.41.
- 71) Human capital is the 71) \_\_\_\_\_  
 A) machinery used by humans to produce GDP.  
 B) technology used by humans to produce GDP.  
 C) skill and knowledge accumulated by humans.  
 D) plant and equipment produced by humans and not by machines.  
 E) none of the above.



- 72) Which of the following ideas apply to the neoclassical growth theory?
- I. The rate of technological change influences the rate of economic growth.
  - II. Technological change promotes saving and investment.
  - III. Convergence of economic growth rates across countries.
- A) I only
  - B) II only
  - C) III only
  - D) I and II only
  - E) I, II, and III

72) \_\_\_\_\_

# Answer Key

Testname: PRACTISE FINAL EXAM SPRING 2013

- |                        |                    |                    |                    |
|------------------------|--------------------|--------------------|--------------------|
| 1) E<br>Page Ref:      | 24) C<br>Page Ref: | 47) B<br>Page Ref: | 70) A<br>Page Ref: |
| 2) E<br>Page Ref:      | 25) B<br>Page Ref: | 48) D<br>Page Ref: | 71) C<br>Page Ref: |
| 3) C<br>Page Ref:      | 26) D<br>Page Ref: | 49) A<br>Page Ref: | 72) E<br>Page Ref: |
| 4) D<br>Page Ref:      | 27) D<br>Page Ref: | 50) D<br>Page Ref: |                    |
| 5) D<br>Page Ref: 382, | 28) B<br>Page Ref: | 51) C<br>Page Ref: |                    |
| 6) D<br>Page Ref: 382, | 29) C<br>Page Ref: | 52) D<br>Page Ref: |                    |
| 7) E<br>Page Ref:      | 30) B<br>Page Ref: | 53) C<br>Page Ref: |                    |
| 8) A<br>Page Ref:      | 31) D<br>Page Ref: | 54) D<br>Page Ref: |                    |
| 9) A<br>Page Ref:      | 32) A<br>Page Ref: | 55) D<br>Page Ref: |                    |
| 10) E<br>Page Ref:     | 33) D<br>Page Ref: | 56) D<br>Page Ref: |                    |
| 11) B<br>Page Ref:     | 34) B<br>Page Ref: | 57) A<br>Page Ref: |                    |
| 12) E<br>Page Ref:     | 35) E<br>Page Ref: | 58) A<br>Page Ref: |                    |
| 13) C<br>Page Ref:     | 36) C<br>Page Ref: | 59) A<br>Page Ref: |                    |
| 14) C<br>Page Ref:     | 37) B<br>Page Ref: | 60) D<br>Page Ref: |                    |
| 15) C<br>Page Ref:     | 38) A<br>Page Ref: | 61) A<br>Page Ref: |                    |
| 16) C<br>Page Ref:     | 39) D<br>Page Ref: | 62) A<br>Page Ref: |                    |
| 17) D<br>Page Ref:     | 40) C<br>Page Ref: | 63) C<br>Page Ref: |                    |
| 18) C<br>Page Ref:     | 41) A<br>Page Ref: | 64) A<br>Page Ref: |                    |
| 19) B<br>Page Ref:     | 42) C<br>Page Ref: | 65) E<br>Page Ref: |                    |
| 20) A<br>Page Ref:     | 43) A<br>Page Ref: | 66) C<br>Page Ref: |                    |
| 21) B<br>Page Ref:     | 44) C<br>Page Ref: | 67) A<br>Page Ref: |                    |
| 22) B<br>Page Ref:     | 45) E<br>Page Ref: | 68) A<br>Page Ref: |                    |
| 23) E<br>Page Ref:     | 46) C<br>Page Ref: | 69) D<br>Page Ref: |                    |