Gregory Clark Econ 110B, Spring 2003

Practice Review Test

1. The economy in Europe in 1600-1700 we believe was still a **Malthusian** economy. This was because:

A. Fertility within marriage was unrestricted.
B. Birth rates were above 30 per thousand.
C. The technology of the society was not improving.
D. The technology of the society was improving only slowly.
E. Agriculture was still the major occupation.

2. In a Malthusian economy there is a one time improvement in the technology. The effect of this in the **short run** is:

A. Wages go up, the birth rate stays the same, and the death rate falls.
B. Wages go up, the birth rate and death rate both fall.
C. Wages go down, the birth rate stays the same, and the death rate falls.
D. Wages, birth rates and death rates all stay the same.
E. Wages fall, birth rates and death rates stay the same.

3. In a Malthusian economy there is a one time improvement in the technology. The effect of this in the **long run** is:

A. Wages go up, the birth rate stays the same, and the death rate falls.
B. Wages go up, the birth rate and death rate both fall.
C. Wages go down, the birth rate stays the same, and the death rate falls.
D. Wages, birth rates and death rates all stay the same.
E. Wages fall, birth rates and death rates stay the same.

4. Suppose that in France in 1300 the government improved sanitation in towns by public health measures, and so reduced infant mortality. What will be the long run effect on **life expectancy** of this change?

A. Increases.
B. Stays the same
C. Decreases
D. Increases if wages increase.
E. Increases if wages decrease.

5. In 1349 the arrival of the Black Death caused death rates in Europe to increase for the next 300 years. The effect of this in the **long run** was:

A. Wages went up, births per 1000 stayed the same, and deaths per 1000 increased.
B. Wages went up, births and deaths per 1000 both increased.
C. Wages went up, births and deaths per 1000 stayed the same.
D. Wages, and births and deaths per 1000 all stayed the same.
E. Wages fell, and births and deaths per 1000 all stayed the same.

6. In a Malthusian economy the birth rate is 20 per thousand. What will life expectancy at birth be in the long run?

A. 100
B. 50
C. 25
D. 20
E. 10

7. We know that the peoples of the America's were much less technologically advanced than the invading Europeans circa 1500 because

A. Mayan pyramids were very similar to those of the Ancient Egyptians
B. The Aztecs practiced human sacrifice
C. Cortez and a small band of Spaniards were able to conquer the entire Aztec Empire in 1519
D. There were only about 25 million people in the whole of the Americas in 1492.
E. The Incas spoke only Spanish.

8. For the Western European economies since the Industrial Revolution growth accounting suggests that the **PROXIMATE CAUSE** of growing output per person has been:

A. All efficiency advance
B. 2/3 efficiency advance, 1/3 capital accumulation
C. ½ efficiency advance, ½ capital accumulation
D. 1/3 efficiency advance, 2/3 capital accumulation
E. All capital accumulation

9. Income per capita between the richest and poorest countries in the world now vary by a factor of about

A. 3 to 1
B. 4 to 1
C. 5 to 1
D. 10 to 1
E. 30 to 1

10. Suppose that in an economy output is growing at 6%, the capital stock is growing at 4%, the labor supply is growing at 2%, the land supply is fixed and the share of capital, labor and land in national income are respectively ¼, ½, and ¼. What is the rate of growth of output per worker?

A. 0%
B. 2%
C. 3%
D. 4%
E. 5%

11. With the same data as in question 10 what is the rate of growth of efficiency?

A. 0%
B. 2%
C. 3%
D. 4%
E. 5%

12. Suppose that in an economy efficiency is growing at 3%. Output prices are increasing at 2% the cost of capital is constant and land rents grow at 4%. The share of capital, labor and land in national income are respectively ¼, ½, and ¼. What is the growth rate of wages?

A. 2%
B. 4%
C. 5%
D. 6%
E. 8%

13. A **rough approximation** for the rate of growth of efficiency in modern economies which depends on the constancy of the real rate of return on capital and the small share of land rents would be

A. $g_A = \beta g_{w/p}$
B. $g_A = \alpha g_r + \beta g_w + \gamma g_s - g_p$
C. $g_A = -\beta g_w$
D. $g_A = \alpha g_{r/p} + \beta g_{w/p} + \gamma g_{s/p}$
E. $g_A = \beta g_w$

14. If efficiency in an economy increases by 10% then output per person will increase by how much?

A. Less than 10%
B. More than 10%
C. 10%

15. Why is the calculated rate of growth of efficiency in an economy also known as the "residual."

A. Because it comes at the end of the equation.
B. Because it is the part of the growth of output that is left unexplained in growth accounting
C. Because most residuals come from efficiency growth
D. Because 1% growth in the residual is the same as 1% efficiency growth
E. Because capital is the other major source of growth.

16. Suppose that **efficiency** is the fundamental source of economic growth, and that capital accumulation is induced just by the income increases brought about through efficiency advances. Suppose also that $g_{Q/N} = g_{K/N}$. Then the rate of growth of output per person is given by,

A. $g_{Q/N} = -\gamma g_N + g_A$
B. $g_{Q/N} = -[\gamma/(1-\alpha)]g_N + g_A/(1-\alpha)$
C. $g_{Q/N} = g_A$
D. $g_{Q/N} = (1-\alpha)g_A$
E. $g_{Q/N} = -\gamma g_N + (1-\alpha)g_A$