**Chapter 5 MC**

1. Which of the following factors will *increase* the steady state capital stock?

* lower capital intensity of production (lower )
* higher real interest rate
* higher mark-up
* higher depreciation rate
* **better technology (higher E)**

1. According to the theory, income per capita will converge to the same level in all countries which fulfil certain conditions. Which of the following conditions is **not** required?

* The countries have the same technology of production (same )
* The countries have the same depreciation rate of capital
* **The countries have the same size of the population**
* The countries have the same rate of unemployment
* The countries have the same labour force relative to the population
* There is constant returns to scale in production

1. Which of the following is **not** true about the steady state growth path?

* **The capital stock grows faster than GDP**
* The ratio of capital to income is constant
* Investment is a constant share of GDP
* Consumption is a constant share of GDP
* Income per capita grows at the same rate as the technology improves (growth rate of E)

1. Let the production function be . Suppose that the capital stock becomes 8 times higher while N is unchanged. How many times higher will GDP be?

* 8 times higher
* 6 times higher
* 4 times higher
* **2 times higher**

1. Let the production function be . Suppose that employment becomes 8 times higher while K is unchanged. How many times higher will GDP be?

* 8 times higher
* 6 times higher
* **4 times higher**
* 2 times higher

1. Which of the following statements is true?

* **most countries that grow very fast are relatively poor**
* almost all poor countries grow faster than the high-income countries
* high-income countries generally grow faster than poor countries
* most countries with negative income growth are high-income countries

1. What does it mean if ?
2. The consumer is relatively patient and plans to consume less tomorrow than today
3. The consumer is relatively impatient and plans to consume less tomorrow than today
4. **The consumer is relatively patient and plans to consume more tomorrow than today**
5. The consumer is relatively impatient and plans to consume more tomorrow than today
6. Consider two countries A and B which cannot borrow in international financial markets. They are identical except that consumers are more impatient in country A . Both economies are on a steady state growth path. How do they differ?
7. Steady-state production grows faster in country A
8. Steady state production is higher in country A
9. Steady-state production grows faster in country B
10. **Steady state production is higher in country B**
11. Consider two countries A and B which cannot borrow in international financial markets. They are identical except that consumers are more impatient in country A . Both economies are on a steady state growth path. What can we say about the real interest rates in the two countries?
12. **The real interest rate is higher in country A**
13. The real interest rate is lower in country A
14. The real interest rate is the same in country A as in country B
15. Consider an economy which is in steady state and which cannot borrow from the rest of the world. There is no technological change over time. Suddenly, consumers become more impatient, i.e.  increases permanently. What will happen?
16. **Consumption per capita will rise and then fall to a level below the initial one**
17. Consumption per capita will fall and then rise to a level above the initial one
18. Consumption per capita will rise and stay above the original level
19. Consumption per capita will increase and then fall back to the original level
20. In our model we assumed constant returns to scale in production. Suppose that there was increasing returns to scale in aggregate production. Would GDP per capita still converge to the same level?
21. Yes, GDP per capita would still converge to the same level
22. **No, in steady state, GDP per capita would be higher in a country with many workers**
23. No, in steady state, GDP per capita would be lower in a country with many workers
24. Consider a country where the subjective rate of discount is 1 percent , population grows 2 percent per year  and the technology improves 3 percent per year . What is the steady state growth rate of real GDP?
25. 2 percent
26. 3 percent
27. 4 percent
28. **5 percent**
29. 6 percent
30. Consider a country where the subjective rate of discount is 1 percent , population grows 2 percent per year  and the technology improves 3 percent per year . What is the steady state growth rate of the real capital stock?
31. 2 percent
32. 3 percent
33. 4 percent
34. **5 percent**
35. 6 percent
36. Consider a country where the subjective rate of discount is 1 percent , population grows 2 percent per year  and the technology improves 3 percent per year . What is the steady state real interest rate?
37. 2 percent
38. 3 percent
39. **4 percent**
40. 5 percent
41. 6 percent
42. Consider a country where the subjective rate of discount is 1 percent , population grows 2 percent per year  and the technology improves 3 percent per year . What is the steady state growth rate of real GDP *per capita*?
43. 2 percent
44. **3 percent**
45. 4 percent
46. 5 percent
47. 6 percent
48. What fraction of the income differences between the countries of the world can be explained by observed differences in physical capital and schooling?
49. No more than 10 percent
50. No more than 20 percent
51. **No more than 50 percent**
52. Above 50 percent
53. About 80 percent