ANSWERS

Chapter 8 – Economic Growth – Quick Quiz

1. Growth is advantageous to a nation because it:   
A. promotes faster population growth.  
**B. lessens the burden of scarcity.**  
C. eliminates the economizing problem.  
D. slows the growth of wants.

2. Strong property rights are important for modern economic growth because:   
A. they allow governments to extract the gains from private citizens' investments.  
**B. people are less likely to invest if they are fearful that others can take their returns on investment without compensation.**  
C. they ensure an equitable distribution of income.  
D. business cycle fluctuations will be smaller and less likely to disrupt investment patterns.

3. Which of the following institutional arrangements is most likely to promote growth?   
A. Patents and copyrights that expire quickly and are loosely enforced.  
B. Strong government control over resource allocation decisions.  
**C. Unrestricted trade between nations.**  
D. All of these.

4. Free trade:   
A. discourages growth by increasing competitive pressures on domestic firms.  
B. encourages growth by effectively eliminating all patent and copyright barriers to growth.  
C. discourages growth compared to circumstances where the government strongly controls foreign trade.  
**D. encourages growth by promoting the rapid spread of new inventions and innovations.**

5. An outward shift of a nation's production possibilities curve:   
A. ensures the nation of an increase in real GDP per capita.  
B. ensures the nation of an increase in real GDP, but not of real GDP per capita.  
**C. neither ensures a nation of an increase in real GDP nor of an increase in real GDP per capita.**  
D. ensures a nation of an increase in both real GDP and real GDP per capita.

 Use the list below to answer the following questions:  
1. Improvements in technology  
2. Increases in the supply (stock) of capital goods  
3. Purchases of expanding output  
4. Obtaining the optimal combination of goods, each at least-cost production  
5. Increases in the quantity and quality of natural resources  
6. Increases in the quantity and quality of human resources

6. Refer to the above list. As distinct from the demand and efficiency factors of economic growth, the supply factors of economic growth are:   
A. 2, 5, and 6 only.  
B. 2, 4, 5, and 6 only.  
**C. 1, 2, 5, and 6 only.**  
D. 1, 3, 4 only.

7. Refer to the above list. As distinct from the supply factors and efficiency factor of economic growth, the demand factor of economic growth is:   
A. 1 only.  
B. 4 only.  
C. 1 and 3 only.  
**D. 3 only.**

8. Refer to the above list. As distinct from the supply factors and demand factor of economic growth, the efficiency factor of economic growth is:   
A. 1 only.  
**B. 4 only.**  
C. 1 and 3 only.  
D. 3 only.

9. Which set of items in the above list would shift an economy's production possibilities curve outward?   
A. 2, 5, and 6 only  
B. 2, 4, 5, and 6 only  
**C. 1, 2, 5, and 6 only**  
D. 1, 3, 4 only

10. Which set of items in the above list would move an economy from a point inside its production possibilities curve to a point on its production possibilities curve?   
A. 1, 2, 5, and 6 only  
**B. 3 and 4 only**  
C. 3 only  
D. 1, 3, 4 only