

Chapter 2 : Measuring Economic Growth and Development

MULTIPLE CHOICE

1. GNP or GDP divided by total population provides a measure of:
- a. the wellness index.
 - b. the gap between the rich and poor.
 - c. per capita income.
 - d. the poverty index.

ANS: C DIF: Easy REF: 24
TOP: Measuring Economic Growth MSC: Factual

2. More than three-quarters of Angola's national income is derived from:
- a. cotton.
 - b. oil.
 - c. rubber trees.
 - d. tourism.

ANS: B DIF: Easy REF: 24
TOP: Measuring Economic Growth MSC: Factual

3. In 2009, Bangladesh's GNP was 9 percent higher than its GDP; this occurred due to the fact that:
- a. large numbers of Bangladeshi men and women work abroad.
 - b. Bangladesh is rich in ore and mineral deposits.
 - c. Bangladesh is subject to frequent and unpredictable changes in weather patterns.
 - d. foreign investment has been robust in the country.

ANS: A DIF: Easy REF: 24
TOP: Measuring Economic Growth MSC: Factual

4. A country's nominal GNP for a given year is defined as the total market value of:
- a. labor plus capital plus technical change.
 - b. all final goods and services produced.
 - c. all final plus intermediate goods and services produced.
 - d. all final goods and services consumed.

ANS: B DIF: Medium REF: 25 TOP: Measuring GDP
MSC: Factual

5. One of the problems in measuring GDP is that family farm production of food for personal consumption is not included; this is illustrated by the problem of calculating Cambodia's GDP where unpaid family workers represent:
- a. 75 percent of the labor force.
 - b. 57 percent of the labor force.
 - c. 33 percent of the labor force.
 - d. 9 percent of the labor force.

ANS: C DIF: Easy REF: 25 TOP: Measuring GDP
MSC: Factual

6. In some nations, illegal activities may even be included when calculating GDP; this is most notable in Afghanistan where the GDP includes:
- a. military expenses.
 - b. child trafficking.
 - c. money laundering.
 - d. poppy production.

ANS: D DIF: Easy REF: 25 TOP: Measuring GDP
MSC: Factual

7. A criticism of using GDP to measure growth is that it does not include “social bads”; these include all of the following EXCEPT:
- a. crime.
 - b. pollution.
 - c. inflation.
 - d. congestion.

ANS: C DIF: Medium REF: 25 TOP: Measuring GDP
MSC: Applied

8. In order to effectively compare levels of GDP per capita across countries, it is necessary to convert GDP per capita into a:
- a. common currency.
 - b. series of stocks and bonds.
 - c. time-line series illustrating business cycles.
 - d. GNP per capita.

ANS: A DIF: Easy REF: 27
TOP: Exchange-Rate Conversion Problems MSC: Factual

9. Most economists agree that an effective way of comparing income levels between countries around the world is through the use of:
- a. employment statistics.
 - b. GDP divided by GNP.
 - c. foreign investment.
 - d. purchasing power parity.

ANS: D DIF: Medium REF: 27
TOP: Exchange-Rate Conversion Problems MSC: Factual

10. The human development index is a composite of three basic measures of human welfare. Which of the following is NOT a component of the human development index?
- a. life expectancy
 - b. dollars of income
 - c. infant mortality rate
 - d. years of schooling

ANS: C DIF: Medium REF: 27
TOP: Exchange-Rate Conversion Problems MSC: Applied

11. When world GDP (2009) is calculated by converting each nation’s GDP into a common currency using market exchange rates, world output by low- and middle-income economies account for:
- a. 17 percent.
 - b. 29 percent.
 - c. 58 percent.
 - d. 67 percent.

ANS: B DIF: Medium REF: 27
TOP: Exchange-Rate Conversion Problems MSC: Factual

12. For which of the following countries is the divergence between GNP per capita measured at official exchange rates and at purchasing power parity (PPP) likely to be largest?
- a. Japan
 - b. United States
 - c. Brazil
 - d. Ethiopia

ANS: D DIF: Medium REF: 32
TOP: Economic Growth Around the World MSC: Applied

13. Based on Maddison’s research, with an annual world income growth rate of 1.3 percent, average income doubles in:

- a. 21 years.
- b. 30 years.
- c. 55 years.
- d. 90 years.

ANS: C DIF: Easy REF: 32
TOP: Economic Growth Around the World MSC: Factual

14. According to Maddison, rapid economic growth in the world's per capita income as we know it began around the year:

- a. 1000.
- b. 1492.
- c. 1820.
- d. 1914.

ANS: C DIF: Medium REF: 32
TOP: Economic Growth Around the World MSC: Factual

15. The 1980s are often referred to as “the lost decade” in:

- a. Asia.
- b. the Middle East.
- c. Scandinavia.
- d. Latin America.

ANS: D DIF: Easy REF: 36
TOP: Economic Growth: 1970–2010 MSC: Factual

16. Since the year 2000, economic performance in sub-Saharan Africa has improved; this can be attributed to all of the following reasons EXCEPT for:

- a. improved economic policies and management.
- b. more democratic and accountable governments.
- c. a return to state-directed economic policies.
- d. new technologies.

ANS: C DIF: Medium REF: 36
TOP: Economic Growth: 1970–2010 MSC: Factual

17. According to economists, the objective of economic growth is to:

- a. increase happiness.
- b. provide more choices.
- c. increase development.
- d. decrease corruption.

ANS: B DIF: Medium REF: 38
TOP: What Do We Mean by “Economic Development”? MSC: Factual

18. The total number of Millennium Development Goals established in the year 2000 were:

- a. 5.
- b. 8.
- c. 10.
- d. 18.

ANS: B DIF: Easy REF: 46
TOP: Millennium Development Goals MSC: Factual

19. All of the regions will meet Target 1 (to halve the number of poor) EXCEPT:

- a. Europe and Central Asia.
- b. the Middle East and North Africa.
- c. sub-Saharan Africa and South Asia.
- d. South America.

ANS: C DIF: Easy REF: 46
TOP: Millennium Development Goals MSC: Factual

20. The Easterlin paradox concerns itself with the study of:

- a. wealth.
- b. happiness.
- c. environmental damage caused by development.
- d. the demise of the developed nations at the expense of the rapidly developing ones.

ANS: B DIF: Easy REF: 50
TOP: Is Economic Growth Desirable? MSC: Factual

SHORT ANSWER

IDs and Paired-Concept Questions

These terms can be used individually as short-answer identification questions, or they can be used in pairs. In the latter case, ask students to explain (1) the meaning and significance of each of the two terms and (2) the relationship between them.

1. Gross national product (GNP), gross domestic product (GDP)

ANS:
Answer will vary

2. Exchange rate conversion method, nontraded goods

ANS:
Answer will vary

3. GNP, net economic welfare

ANS:
Answer will vary

4. Economic development, capabilities

ANS:
Answer will vary

5. HDI, GNP per capita

ANS:
Answer will vary

6. MDGs, economic progress

ANS:
Answer will vary

7. Happiness, economic growth

ANS:
Answer will vary

8. Sen, Easterlin

ANS:

Answer will vary