Unit 4 Examination

Multiple Choice Questions (Enter your answers on the enclosed answer sheet)

Year	*Real GDP (Billion of 2000 dollars)*
2002	$8,700
2003	8,875
2004	9,000
2005	9,280

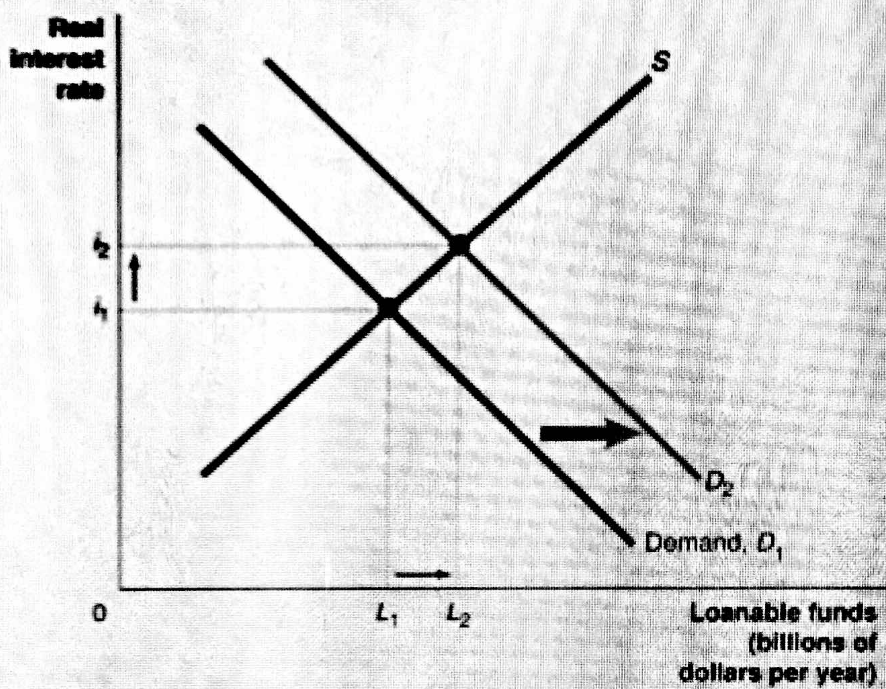
1) Refer to Table 13-1. Calculate the average annual growth rate from 2002 to 2005.

a. 3%
b. 1%
c. 2%
d. 1.5%

2) What two factors are the keys to determining labor productivity?

a. the average level of education of the workforce and the price level
b. the business cycle and the growth rate of real GDP
c. technology and the quantity of capital per hour worked
d. the growth rate of real GDP and the interest rate

Figure 13-1



10) Refer to Figure 13-1. Which of the following is consistent with the graph depic
above?

a. Technological change increases the profitability of new investment.
b. The government runs a budget surplus.
c. Households become spendthrifts and begin to save less.
d. An expected recession decreases the profitability of new investment.

11) Which of the following would encourage economic growth through increases in t
capital stock?

a. an increase in household savings
b. a change from an income tax to a consumption tax
c. a decrease in the government deficit
d. all of the above