

3. Which of the following is true?
  - a. Productivity may be measured by the growth rate of real GDP per person.
  - b. The level of real GDP per person is a good gauge of economic prosperity, and the growth rate of real GDP per person is a good gauge of economic progress.
  - c. Productivity is not closely linked to government policies.
  - d. Although levels of real GDP per person vary substantially from country to country, the growth rate of real GDP per person is similar across countries.
  - e. All of the above are correct.
  
4. When the quality of a good improves the purchasing power of the dollar
  - a. decreases, so the CPI overstates the change in the cost of living if the quality change is not accounted for.
  - b. decreases, so the CPI understates the change in the cost of living if the quality change is not accounted for.
  - c. increases, so the CPI overstates the change in the cost of living if the quality change is not accounted for.
  - d. increases, so the CPI understates the change in the cost of living if the quality change is not accounted for.
  
- X 5. National income differs from net national product in that it includes business subsidies and excludes
  - a. profits of corporations.
  - b. retained earnings of corporations.
  - c. indirect business taxes.
  - d. depreciation.
  
6. If there are constant returns to scale, the production function can be written as
  - a.  $Y/L = A F(1, K/L, H/L, N/L)$ .
  - b.  $L = AF(Y, K, H, N)$ .
  - c.  $Y/L = A F(xL, xK, xH, xN)$ .
  - d.  $xY = 2xAF(L, K, H, N)$ .
  
7. Which of the following is not a widely acknowledged problem with the CPI as a measure of the cost of living?
  - a. unmeasured quality change
  - b. introduction of new goods
  - c. unmeasured price change
  - d. substitution bias
  
8. Suppose the price of a gallon of ice cream rises from \$4 to \$5 and the price of coffee rises from \$2 to \$2.50 . If the CPI rises from 150 to 200 people will likely buy
  - a. more ice cream and more coffee.
  - b. less ice cream and more coffee.
  - c. more ice cream and less coffee.
  - d. less ice cream and less coffee.
  
9. Which of the following is correct?
  - a. Countries with the highest growth rates over the last 100 years are the ones that had the highest level of real GDP 100 years ago.
  - b. Over the last 100 years, Japan had the highest real GDP growth rate, and now has the highest real GDP per person.
  - c. The ranking of countries by income changes substantially over time.
  - d. Most countries have had little fluctuation around their average growth rates during the past 100 years.