Student name:__________

1) Assume a DVC has a real per capita output of $1,000 as compared to $20,000 for an IAC. If both nations realize a 5 percent growth of their real per capita outputs, after one year the absolute real per capita output gap will

A) increase by $950.
B) increase by $19,950.
C) decrease by $1,000.
D) remain unchanged at $19,000.

2) If the real output of a DVC increases from $120 billion to $150 billion and its population increases from 100 to 120 million, its real per capita output will have

A) increased by about $50.
B) increased by about $20.
C) decreased by about $30.
D) remained unchanged.

3) An IAC (industrially advanced country) had a per capita income of $28,200, while a DVC (developing country) had a per capita income of $1,200 in a given year. If both countries experience a per-capita-income growth of 6 percent, then the per-capita-income gap one year later will be

A) $28,620.
B) $620.
C) $27,000.
D) $29,400.

4) At the beginning of the year, one developing country (DVC) has a real income per capita of $2,200. In a developed country (IAC), the real income per capita is $30,000. Both countries experience a 4 percent growth rate for the year. At the end of the year, the absolute income gap between these two countries will have increased from $27,800 to

A) $28,912.
B) $31,200.
C) $30,120.
D) $33,488.

5) Assume that the real output of a developing nation increases from $98 billion to $112 billion, while its population expands from 100 to 112 million. As a result, real income per capita has increased by about

A) $20 per person.
B) $36 per person.
C) $14 per person.
D) $66 per person.

6) Assume the total real income of a developing country increases from $8.2 billion to $8.2 billion, while its population expands from 14 to 16 million people from one year to the next. Over the year, per capita income has

A) decreased by about $59 per person.
B) increased by about $2 per person.
C) decreased by about $25 per person.
D) increased by about $200 per person.

7) Suppose that the average annual rate of population increase in Econland in recent years was about 3.5 percent. Based on this rate of growth, the population of Econland will double in about

A) 20 years.
B) 25 years.
C) 7 years.
D) 4 years.

8) Government can play a major positive role in the early stage of economic development by

A) establishing the rule of law.
B) taking over private businesses.
C) printing money to pay the national bills.
D) creating marketing boards for export products.

9) Industrially advanced countries can help developing countries by

A) discouraging arms sales to DVCs.

B) making sure the DVC depends on foreign aid.

C) taking policy actions to reduce imports from DVCs.

D) increasing control over DVCs' capital markets.

Answer Key Bank - Algo

Test name: Microeconomics Chapter 28 Test

1) A

2) A

3) A

4) A

5) A

6) A

7) A

8) A

9) A