Dr.Surendra Kumar Class-M.A.Sem-IV

MCQ BASED ON SOLOW &KALDOR GROWTH MODEL

1. Examination of recent data for many countries shows that countries with high saving rates generally have high levels of output per person because:
A) high saving rates mean permanently higher growth rates of output.
B) high saving rates lead to high levels of capital per worker.
C) countries with high levels of output per worker can afford to save a lot.
D) countries with large amounts of natural resources have both high output levels and high saving rates.

2. In the Solow growth model, the assumption of constant returns to scale means that:
A) all economies have the same amount of capital per worker.
B) the steady-state level of output is constant regardless of the number of workers.
C) the saving rate equals the constant rate of depreciation.
D) the number of workers in an economy does not affect the relationship between output per worker and capital per worker.

3. In the Solow growth model of Chapter 7, the demand for goods equals investment:
A) minus depreciation.

B) plus saving.
C) plus consumption.
D) plus depreciation.

4. The Solow growth model describes:
A) how output is determined at a point in time.
B) how output is determined with fixed amounts of capital and labor.
C) how saving, population growth, and technological change affect output over time.
D) the static allocation, production, and distribution of the economy's output.

5. In an economy with no population growth and no technological change, steady-state consumption is at its greatest possible level when the marginal product of:
A) labor equals the marginal product of capital.
B) labor equals the depreciation rate.
C) capital equals the depreciation rate.
D) capital equals zero.

6. When $f(k)$ is drawn on a graph with increases in k noted along the horizontal axis, the slope of the line denotes:
A) output per worker.
B) output per unit of capital.
C) the marginal product of labor.
D) the marginal product of capital.

7. If the production function exhibits decreasing returns to scale in the steady state, an increase in the rate of population would lead to:

A) growth in total output and growth in output per worker.
B) growth in total output but no growth in output per worker.
C) growth in total output but a decrease in output per worker.
D) no growth in total output or in output per worker.

8. When capital increases by D*K* units, output increases by:

A) D*L* units.
B) *MPL* x D*L* units.
C) D*K* units.
D) *MPK* x D*K* units.

9. In the Solow growth model, capital exhibits ______ returns. In a basic endogenous growth model, capital exhibits ______ returns.

A) constant; diminishing
B) constant; constant
C) diminishing; constant
D) diminishing; diminishing

10. In a steady state with population growth and technological progress:

A) the capital share of income increases.
B) the labor share of income increases.

C) in some cases the capital share of income increases and sometimes the labor share increases.

D) the capital and labor shares of income are constant.