Choose the one alternative that best completes the statement or answers the question.

1) The best definition for economic growth is
   A) a sustained expansion of consumption goods over a given period.
   B) a sustained expansion of production possibilities measured as the increase in real GDP over a given period.
   C) a sustained expansion of production possibilities measured as the increase in nominal GDP over a given period.
   D) a sustained expansion of production goods over a given period.

1) _____

2) In 2008, Armenia had a real GDP of $4.21 billion and a population of 2.98 million. In 2009, real GDP was $4.59 billion and population was 2.97 million. What was Armenia's economic growth rate from 2008 to 2009?
   A) 8.3 percent   B) 0.38 percent   C) 9.0 percent   D) 3.8 percent

2) _____

3) In 2008, Armenia had a real GDP of approximately $4.21 billion and a population of 2.98 million. In 2009, real GDP was $4.59 billion and population was 2.97 million. From 2008 to 2009, Armenia's standard of living _____.
   A) decreased
   B) did not change
   C) might have increased, decreased, or remained unchanged but more information is needed to determine which.
   D) increased

3) _____

4) Using the Rule of 70, if the country of Flowerdom's current growth rate of real GDP per person was 7 percent a year, how long would it take the country's real GDP per person to double?
   A) 1 year   B) 49 years   C) 2 years   D) 10 years

4) _____

5) The Rule of 70 is used to
   A) estimate how much of an economy's growth rate is due to increases in capital per hour of labor
   B) calculate the economy's growth rate
   C) calculate the standard of living
   D) estimate how long it will take the level of any variable to double

5) _____

6) Real GDP per person in the country of Flip is $10,000, and the growth rate is 10 percent a year. Real GDP per person in the country of Flap is $20,000 and the growth rate is 5 percent a year. When will real GDP per person be greater in Flip than in Flap?
   A) in 2 years   B) in 15 years   C) in 10 years   D) never

6) _____

7) As labor increases, there is a
   A) movement along the aggregate production function and real GDP will increase less with each additional increase in labor.
   B) movement along the aggregate production function and real GDP will decrease less with each additional increase in labor.
   C) shift of the aggregate production function, but no movement along it.
   D) movement along the aggregate production function, but no shift in it.

7) _____

8) According to the law of diminishing returns, an additional unit of

8) _____

    A) labor decreases output.

    B) capital produces more output than an additional unit of labor.

    C) labor produces more output than the previous unit.

    D) labor produces less output than the previous unit.

9) Labor productivity rises

9) _____

    A) if firms invest in hiring more workers rather than buying more capital.

    B) in the absence of technological progress.

    C) if the amount of capital per worker increases.

    D) if the amount of capital per worker decreases.

10) Which of the following contributes to an increase in labor productivity?

10) _____

    A) increased capital stock

    B) decreased investment

    C) increased consumption expenditure

    D) All of the above contribute to an increase in labor productivity.

Write your answer in the space provided or on a separate sheet of paper.

Labor demand (billions of hours per year)	Real wage rate (2005 dollars)	Labor supply (billions of hours per year)
0	30	6
1	25	5
2	20	4
3	15	3
4	10	2

Employment (billions of hours per year)	Real GDP (billions of 2005 dollars)
6	95
5	90
4	80
3	60
2	30

11) The first table above gives the labor demand and labor supply schedules for a nation. The second table gives its production function.
    a)   What is the equilibrium real wage rate and the level of employment?
    b)   What is potential GDP?