

Weekly Class Activity 3

Concept Check

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1. In 2015, Real GDP was \$17,150 billion

In 2016, Real GDP was \$17,684 billion

What is the growth rate for Real GDP between 2015 and 2016?

2. The average growth rate for an economy is 3.5% per year. **Using the rule of 70, approximately how long will it take for the economy to double its GDP?**

3. What are three main factors that affect labor productivity growth?

1)

2)

3)

4. Potential GDP is

A. always less than actual real GDP.

B. always greater than actual real GDP.

C. sometimes greater, sometimes less, and sometimes equal to actual real GDP.

D. the level of GDP that would be produced when firms are operating below capacity.

5. Which of the following are financial securities that represent promises to repay a fixed amount of funds?
- A. stocks
 - B. neither stocks or bonds
 - C. both stocks and bonds
 - D. bonds
6. Which of the following is NOT a service that the financial system provides for savers and borrowers?
- A. risk sharing among savers
 - B. increased liquidity for savers
 - C. guaranteeing savers high rates of return
 - D. matching savers with borrowers
7. From a trough to a peak, the economy goes through
- A. the expansionary phase of the business cycle.
 - B. falling real GDP.
 - C. the recessionary phase of the business cycle.
 - D. rising real GDP but falling real GDP per capita.
8. A government that collects more in taxes than it spends experiences
- A. an increase in the national debt.
 - B. a budget balance.
 - C. a budget deficit.
 - D. a budget surplus.
9. Which of the following does NOT lead to long-run economic growth (i.e. increase in real GDP per capita)
- A. Improved labor productivity
 - B. Technological change
 - C. Increase in average wages
 - D. Increase in the capital stock