

Economic Growth and Development

- What is the term used by economists to signify the combined valuation of services and products manufactured by citizens of a particular nation and their cumulative property price?
- GDP or gross domestic product
- GNP or gross national income
- NDP or net domestic product
- NNI or net national income

Ans. Option (A)

2. In which industrial sector there is ample probability of coming across a disguised unemployment scenario?

- Agricultural sector
- Manufacturing industries
- National Defence
- Small scale plants

Ans. Option (A)

3. Hereby we have put a few instances which are commonly referred to as scenarios that explain the economic growth and development of a community by the general population. Please choose the option that specifically explains economic growth.

- Improvement in production frequency.
- Advancement of the distribution or chain networks.
- Technological upgrades.
- Each of the above options is true.

Ans. Option (D)

4. The instances of severe unemployment rates, lack of net capital, and increased percentage of technological imports are repeatedly noticed in which type of the following economies?

- Partially developed or marginalized economies
- Backward economies

- Developed economies
- Not applicable

Ans. Option (B)

5. What is the theory of nominal national income?

- It is the improvement of national monetary gains that are calculated at base fiscal price periods.
- National income of any country is directly proportional to the appreciation of prices of commodities and services.
- Increase in each citizen's average income.
- National income increment noticed at constant costs.

Ans. Option (B)

6. Point out the indicator which is absent as a determining factor for an economically strong nation.

- Commendable literacy rate.
- Significant lower risks of death from

chronic diseases.

- Significant proportion of workers or laborers directly involved in the primary industrial sectors to earn their livelihood.
- Improved figures of income per capita.

Ans. Option (C)

7. What is the underlying concept of economic development?

- It is just another synonymous term with economic growth.
- It is obtained by tracking modifications in output allocation and financial structure.
- Economic development is sustainable improvement in GNP.
- Improving the livelihood of urban people.

Ans. Option (C)

8. We often come across the abbreviation PQLI when we read reports of economic

development. Please choose the option that lists the correct set of indicators that are eligible for assessing the quality of life of a particular community.

- Crime frequency, housing conditions, and water pollution
- Water pollution, air pollution index, and sanitation status
- Infant mortality rate, literacy strength among adults, and average life expectancy
- None of the above.

Ans. Option (B)

9. The Lewis model of economic growth discusses the theory of dual economy. A dual economy develops when any one of the below-mentioned criteria is met.

Choose the right option.

- The manufacturing sector of the modernized nations must be labor-intensive.

- The output share of modern sectors must increase compared to the output ratio contributed by traditional units.
- Economic considerations are strictly adhered to while employing laborers in the agricultural fields.
- Agricultural firms resolve using modern pieces of machinery to boost their production.

Ans. Option (B)

10. What do we learn about economic growth from the Harrod-Domar theory?

- Economic growth shares a direct relation to aggregate savings. It is inversely proportional to the output ratio of sectors.
- Economic growth is directly related to both capital/output proportion and savings.
- Growth is inversely proportional to both savings and output of firms.

- None of them are correct.

Ans. Option (B)

11. Among the following four options can you choose the correct indicator that is considered an index of growth?

- Overall improvement in the country's income would directly affect the individual income of the citizens.
- Improvement in country's income in accordance to present prices over time.
- An enhancement in national gains at constant rates throughout an annual financial cycle.
- A stable increase that is perceived through real parameters per capita income.

Ans. Option (D)

12. Which of the following is a non-economic factor of growth?

- Ideal legislative structure
- Collection of natural resources

- Growth of overall population in course of time
- Capital accumulation

Ans. Option (A)

13. With a considerable advancement of policies that leads to the economic development of a community, we prepare a graph that expresses income inequality. Can you identify the characteristics of that graph?

- Convex shaped
- I- shaped curve
- Inverted u-shaped curve
- S- form curve

Ans. Option (C)

14. What information can be derived specifically through the Lorenz curve?

- Poverty gap between developed, developing, and marginalized economies.
- The transformation of gross domestic

product per capita over time.

- Income concentration against a 45-degree curve
- None of the above.

Ans. Option (C)

So, these were a few questions on economic growth and development which have been hand-picked from the collection of most important questions that are repeatedly asked by the examinees. It covers most of the major sectors of economic development in general

MCQs (Multiple Choice Questions)

Q1 What do intermediate goods and services imply?

- Plant, buildings, vehicles, and machinery are examples of capital goods.
- Products that one company purchases from another and then incorporate into its own products.
- All inputs purchased by businesses, such as labor and raw materials.
- Imports are the fourth category.

Answer =B

Statement b is the only one that is correct. Statement an is false because capital goods are not consumed in the production process, despite the fact that they are consumed. Because labor is not an

intermediate good or service that must be purchased from another producer,
statement c is false

Q2 Which of the following statements about resource use is not one of economics' key questions?

- What are the methods for utilizing resources?
- How are resources allocated?
- What are the resources used for?
- Who are the resources used for?

Answer =B

Statement d is the only one that is correct. It's worth noting that statement a covers macroeconomics while statement b covers microeconomics.

Q3 Which of the statements below is correct?

- Microeconomics is primarily concerned with the overall economy.
- Individual markets are the focus of

macroeconomics.

- Governments do not have any control over market prices.
- When economists study a market's price, their main goal is to figure out why the price is what it is and how it might change.

Answer =D

Only statement b isn't one of economics' most important questions. It isn't a crucial question because, in terms of the scarcity problem, it makes no difference where resources are used to produce goods and services. To be sure, some people are deeply concerned about this issue: for example, unemployed people in one country may prefer resources to be used there rather than elsewhere in order to give them a chance to work. However, from the standpoint of scarcity, it makes no difference where the resources are used.

Q4. What exactly do you mean when you say “mixed economy”?

- Traditional and modern industries
- Both the public and private sectors are involved
- Involvement of both foreign and domestic investors
- Subsistence and commercial farming

Answer =B

The characteristics of capitalism and socialism are combined in a mixed economy. In essence, a country with this type of economy has both public and private sectors, with private enterprises aiming for profit maximization and the government sector working for the citizens' welfare.

Q5 What happens if the price floor is set higher than the equilibrium price?

- Scarcity
- Stability

- Surpluses
- None of the preceding

Answer =C

Surpluses are created when the amount of goods available exceeds the amount of goods requested because a price floor is set above the equilibrium price.

Q6 A profit-maximizing strategy If the monopolist keeps it open, the best output is 50 per week, but at this output, it will lose money. What are the conditions under which it should be turned off?

- If AR is less than SAC at this output.
- If AR is less than AVC at this output.
- If the MR at this output is less than the SAC.
- If the MR at this output is less than the AVC

Answer =B

The second statement is correct. If AR is less than AVC, then revenue per unit of

output is less than variable cost. As a result, total revenue is less than total variable cost, and the company's loss is equal to the difference between total revenue and total variable cost plus total fixed cost. Instead of shutting down and producing nothing, the company would generate zero total revenue and buy no variable inputs, resulting in a zero total variable cost. As a result, its loss would be limited to its total fixed cost.

Q7 What is society's primary economic problem?

- Unemployment
- Inequality
- Poverty
- Scarcity

Answer=D

Scarcity is the fundamental economic problem that all societies face. Economic resources are insufficient to meet people's

desires and needs. Human desires are limitless, but the means to satisfy them are finite. Scarcity has an impact on the country's economic growth.

Q8 Which of the following statements about a profit-maximizing monopolistic competitor's long-run equilibrium is false?

- The company will simply break even.
- The SMC and LMC curves will almost meet at the output level selected by the company.
- At the firm's chosen output, the SAC and LAC curves will just brush up against each other.
- At the chosen output, the firm's AR curve and SAC curve will just touch.

Answer=B

Statement b is incorrect. Its SMC and LMC curves will not intersect each other at the output it chooses, but they will both intersect its MR curve.

Q9 What exactly do you mean when you say “under perfect competition in the product market”?

- $VMP = MRP$
- $MRP > VMP$
- $VMP > MRP$
- None of the preceding

Answer=D

None of the above

Q10 Which of the following claims about price-takers is untrue?

- Monopolistic competitors and monopolists are among them.
- They can raise their prices at any time and still retain some customers.
- They have the option of setting different prices in the short and long term.
- We don't use supply and demand curve diagrams to analyze them

Answer=B

Statement b is incorrect. A monopolist or monopolistic competitor may be able to raise its price without losing all of its customers, but there will inevitably come a time when its price is so high that it loses all of its customers. The demand and average revenue curves it faces meet the price axis at this price. Note that, while the demand curves in the diagrams we use for these firms exist, they do not include supply curves.

Q11 What effect will a 10% increase in the money stock have on the price level in the long run, according to the quantity theory of money?

- There is no effect.
- The price level will increase, but not by more than 10%.
- The price level will increase by 10%.
- The price level will increase by at least 10%.

Answer=C

The statement c is true. The theory is based on the fact that MV must equal PY by definition, as well as the assumption that V is constant and Y will be at its potential level in the long run, so a change in M of any percentage leads to an equal percentage change in P .

Q12 What is the primary reason for classical economists' belief that the government does not need to respond to a demand shock that results in unemployment?

- Demand shocks are almost always minor.
- Real wages are extremely malleable.
- Governments are notorious for acting too late.
- Unemployment was never caused by a lack of demand

Answer =C

Flexible real wages mean that if demand-deficient unemployment arises, real wages will quickly fall to the point where it is no longer a problem.

Q13 Which of the following individuals is not considered economically inactive?

- People who are looking for work but don't have one.
- Caregivers in the family or at home.
- Students who are unemployed.
- Workers who are discouraged.

Answer = A

Statement an is correct: people who want a job but don't have one are unemployed, but because they are in the labor force, they are considered economically active.

Q14 Where does equilibrium occur in the basic neoclassical growth model?

- When per-worker investment equals per-worker savings.
- Where depreciation per worker equals

investment per worker.

- Where capital per worker equals investment per worker.
- In which output per worker equals capital per worker

Answer=B

The second statement is correct. The capital available to each worker is constant when investment per worker equals depreciation per worker.

Q15 The world's population has more than doubled in the last 50 years. Which of the following has happened as well?

- As Malthus predicted, the majority of people have been reduced to subsistence living.
- In comparison to average wages, the prices of most natural resources have risen dramatically.
- 1 and 2 are both correct.
- Only 1

- only 2
- Neither 1 nor 2 are correct.

Answer =D

d is the correct answer. In regards to statement 1, the majority of people have a higher standard of living. When inflation is taken into account, many resource prices simply fell.

Q16 Assume that GDP remained constant over time while living standards rose.

Which of the following is unlikely to be the cause?

- There could be an increase in household output.
- The underground economy may be able to increase production.
- There is a chance that exports will increase.
- There could be a rise in leisure time.

Answer=C

The statement c is untrue. If GDP, or a

country's output of goods and services, remains constant but a larger share is sold abroad as exports, the amount available to benefit the country's own citizens decreases.

Q17 Consider a scenario in which a small country imposes a tariff on a product.

Which of the statements below is false?

- The good's consumer surplus will decrease.
- The surplus of the producer of the goods will decrease.
- The number of goods imported will decrease.
- The total drop in surplus will be less than the deadweight loss.

Answer=B

Statement b is incorrect. Producer surplus will rise as producers will be able to sell the goods to their country's consumers at a higher price than before, i.e. the world

price plus the tariff. In the case of d, keep in mind that the deadweight loss is the total loss minus the tariff revenue.

Q18 Which of the statements below is false?

- The World Trade Organization is made up of over 150 countries.
- When a country joins a customs union, it may do less business with non-members than before.
- A single market necessitates the removal of barriers to labor mobility.
- Members of a free trade zone agree to impose uniform tariffs on non-member imports.

Answer=D

The statement d is incorrect. A customs union would be formed if members of a free trade area had uniform tariffs on imports from non-union members

Q19 Which of the following trade barrier

arguments could be beneficial to consumers?

- To lessen the negative effects of declining industries.
- To protect industries from competition from low-wage countries.
- To protect industries from dumping.
- In order to nurture young industries, they must be protected from cheaper imports.

Answer=D

d appears to be the only one that could benefit consumers. If the infant industries are eventually able to produce their products at lower prices than consumers currently pay for imports, the benefits will accrue.

Q20 Which of the following would not result in a reduction in the supply of a storable product?

- A rise in demand for a collaborative

product.

- An increase in the cost of different inputs.
- A reduction in the number of companies that supply the product.
- An anticipated increase in the product's price.

Answer=A

An increase in demand for a joint product, for example, would not result in firms supplying less of the product in question. Instead, they would prefer to supply more of the joint product, whose demand has increased, and as a result, more of the product in question

