

**GLEF 4010 In class Multiple Choice questions –Thursday February 9<sup>th</sup>**

**Circle ONE answer. No negative point**

1. China can be described as:

- (a) **land-scarce and labor-abundant**
- (b) having high levels of natural and energy resources per capita
- (c) having a long coastline which explains China's historical outward-orientation
- (d) All of the above

2. China can be described as:

- (a) water scarce especially in the south-west
- (b) land scarce especially in the north-east
- (c) having more arable land per capita than in India and in the US
- (d) **being relatively arid**

3. Put these periods into their proper sequence.

A. Mao's death 1937; B. Civil war (Communist Party of China versus Kuomintang nationalists); C Establishment of the People's Republic of China; D Great Leap Forward; E Third Front

- (a) ABCDE
- (b) ABCED
- (c) BADCE
- (d) BACED
- (e) **BCDEA**

4. Put these periods into their proper sequence.

A. Treaty of Nankin; B. Sino-Japanese war 1895; C Qing government collapse; D Opium war; E Nationalist (Kuomintang) Party unification

- (a) BADCE
- (b) ABDCE
- (c) **DABCE**
- (d) DBACE
- (e) DBCAE

5. What was not a characteristic of Pre-reform China:

- (a) planned system (Resource-Allocation Mechanism)
- (b) distorted macro environment (prices do not reflect equilibrium)
- (c) collectivized agriculture
- (d) state ownership of the means of production
- (e) **light industry priority**

6. What was not a characteristic of the command economic system of Pre-reform China?

- (a) monopolization of the financial sector
- (b) centralized trade and foreign exchange administration and allocation mechanism
- (c) **great management authority given to state-owned firms**
- (d) planned allocation mechanism of industrial output
- (e) control of agricultural production through collectivization

7. The Maoist model differs from the Soviet model in the following ways EXCEPT
- (a) More pervasive militarization of the economy
  - (b) Greater autarky
  - (c) Looser control of the population**
  - (d) Almost complete absence of incentivization schemes
  - (e) Greater encouragement of rural industries
8. What is NOT a shortcoming of the pre-reform strategy?
- (a) Excessive focus on labor intensive consumer goods instead of technology-intensive products**
  - (b) Growth in services was neglected
  - (c) Employment creation was relatively slow
  - (d) Household consumption was neglected
  - (e) Huge inefficiencies
9. Which of the following was NOT a significant part of the industrial reform strategy during the 1980s:
- (a) Entry of new producers
  - (b) Centralization of authority**
  - (c) Incentivization
  - (d) Dual-track markets
  - (e) Cautious, consensual decision-making
10. The 1990s reforms are characterized by
- (a) State-sector downsizing**
  - (b) "Reform without losers"
  - (c) Price instability
  - (d) Progressive introduction of markets
  - (e) All of the above
11. China's economic growth rate is much more rapid than world average growth for all the following reasons EXCEPT:
- (a) The domestic saving rate is high
  - (b) Labor force growth is quite rapid
  - (c) Structural change is at a peak, enabling workers to move out of agriculture.
  - (d) High dependency rates enable faster improvements in human capital levels.**
  - (e) There is a stock of world technologies that China can imitate or copy.
12. Observers typically predict that the share of China in the world GDP in 2050 in nominal terms will be close to
- (a) 5%
  - (b) 10%
  - (c) 15%
  - (d) 25%**
  - (e) 40%

13. What is not an achievement of the past 35 years of reforms in China?
- (a) China's GDP per capita increased 50-fold from 150 USD to 8,000 USD
  - (b) China's share in world manufacturing exports went from 0 to 18%
  - (c) China's dynamic growth has been the driving force for the global recovery after the global crises of 1997 and 2008
  - (d) Poverty and inequality have declined dramatically**
  - (e) China's dynamic demand for raw materials has benefited oil, minerals and food net producers.

14. What can be said about the sustainability of China's future development?
- (a) Relaxation of migration barriers would be favorable to the maintenance of low labor costs.
  - (b) The current demographic pattern is unfavorable to the maintenance of low labor costs.
  - (c) It depends on the capacity to shift from an outward oriented strategy to a domestic consumption led growth strategy.
  - (d) It depends on the capacity to develop innovative products
  - (e) All of the above**

15. What is NOT a reason why China's reform defies "orthodox mainstream" economic policies?
- (a) China's radical opening to speculative capital flows did not trigger crises as in other transition countries**
  - (b) Fast growth occurred despite unclear land ownership regulations and weak property rights
  - (c) China achieved rapid agricultural productivity gains without full price and market liberalization in the beginning of the 1980s
  - (d) China did not resort to privatization until rather late in the reform process
  - (e) China liberalized trade and FDI but limited the competition for its domestic firms.

16. What can NOT be said of the nature of China's growth?
- (a) Productivity gains appear to be rather similar to those measured elsewhere in the world
  - (b) Some analysts believe that China's growth is a statistical mirage.**
  - (c) Capital accumulation accounts for most of China's GDP growth.
  - (d) The contribution of demography to China's GDP growth is positive but no larger than 1 or 2 percentage points.
  - (e) China's growth in part reflects a catch-up effect whereby China absorbs know how developed in rich countries.

17. What can NOT be said of the role of demography for economic growth?
- (a) Demography contributes positively to GDP increase when the working age population grows faster than total population.
  - (b) A low dependency rate helps maintaining a high propensity to save
  - (c) Rising working-age population is beneficial to economic development because it triggers wage hikes.**
  - (d) A low dependency rate is beneficial to economic activity as it means that a greater fraction of the population is fit to work
  - (e) Fast-growing supply of workers gives incentives to invest in fixed assets

18. What is NOT true of productivity differences across sectors?

- (a) Labor productivity is typically two times higher in manufacturing than in agriculture
- (b) Labor productivity is higher in services than in agriculture
- (c) Labor productivity is typically highest in mining sectors and public utilities
- (d) The labor productivity difference between manufacturing and agriculture in China rose in the 1990s
- (e) As more workers shift from agriculture to manufacturing, labor productivity in manufacturing is expected to rise and that in agriculture is expected to decline.**

19. What can NOT be said of Chinese economic growth since the 1980s?

- (a) China's growth benefited from the large surplus labor available in the countryside
- (b) China's growth benefited from the relatively low industrialization level at the start of the reforms
- (c) China's growth benefited from the ease of labor movement between agriculture and industry in the countryside
- (d) China's growth benefited from the ease of labor movement between rural agriculture and urban industry**
- (e) China's growth benefited from the massive imports of technology and management practices.

20. Why productivity gains are likely to be harder to achieve in the future?

- (a) China's service sector is already well-developed
- (b) The agriculture sector still accounts for 33.6% of total Chinese labor force
- (c) Township and Village Enterprises account for a declining share of rural employment
- (d) Inefficiencies have largely been absorbed**
- (e) China's capital stock per inhabitant is still low