

PRACTICE GLEF 4010 In class Multiple Choice questions on Chapter “Capital accumulation and China’s emergence”

Circle ONE answer. No negative point

1. In class we saw that the expenditure approach allows decomposing GDP into:
 - (a) effective demand by age group
 - (b) effective demand of domestic versus foreign agents**
 - (c) effective demand by firms depending on whether they are state-owned or not
 - (d) effective demand by firms depending on whether they operate in the primary, secondary or tertiary sector.

2. What is true of China’s capital to laborer ratio?
 - (a) it is declining as a result of decreasing returns to capital
 - (b) it is rising but is still much lower than that of Germany**
 - (c) it is rising and is approaching that of Germany
 - (d) it is excessive as indicated by the negative rate of return on capital

3. What is true regarding China’s investment rate?
 - (a) it was boosted by the process of structural transformation and industrialization**
 - (b) it is largely driven by the massive inflows of foreign financing
 - (c) it is likely to grow with the development of services
 - (d) it is high despite the high cost of financing

4. What explains the decline in the share of household consumption in GDP?
 - (a) wages have risen faster than returns to capital
 - (b) the propensity to save rose as income rose**
 - (c) the propensity to save declined with the improvement in the pension system
 - (d) fiscal transfers rose

5. What is an element suggesting the frailty of China’s economic pillars?
 - (a) the most supported industries have low employment requirements
 - (b) the most supported industries have low income elasticity of demand
 - (c) the most supported industries depend on international markets’ demand
 - (d) all of the above**

6. What can be said of savings in China?
 - (a) the savings rate is close to 50%**
 - (b) the savings rate is lower than the investment rate
 - (c) the savings rate has risen in the past years to converge to the world average
 - (d) the savings rate rose as the trade surplus declined

7. What can be said of China’s balance of payments?
 - (a) reserves accumulation since 2000 reflects both a capital account surplus and a trade account surplus.**
 - (b) reserves accumulation is fastest since the 2008 global recession
 - (c) the trade balance is much more in surplus in 2015 than in 2007
 - (d) none of the above

8. What can be said of corporate savings in China?

- (a) corporate savings rose thanks to dividend payment
- (b) corporate savings rose thanks to exports expansion**
- (c) corporate savings rose thanks to the exhaustion of the labor surplus
- (d) corporate savings rose thanks to land price liberalization

9. What would **NOT** contribute to the rebalancing of China to “consumption-led” growth?

- (a) lower dividend payments in state-owned firms**
- (b) greater government spending on health care
- (c) greater government spending on pensions
- (d) less unbalanced gender ratio

10. What can **NOT** be said of the benefits from FDI into China?

- (a) Large benefits emerge from vertical spillovers
- (b) Benefits are expected as foreign firms are more productive
- (c) Benefits are greatest for domestic firms in the sector in which the FDI goes to.**
- (d) Benefits are greatest when FDI does not come from Hong Kong