

**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