Chapter 33 Exercises

Self-Check Questions

1. Using the data provided in the following table, rank the seven regions of the world according to GDP and then according to GDP per capita.

	Population (in millions)	GDP per Capita	GDP = Population × GDP per Capita (in millions)
East Asia and Pacific	2,369	$13,037	$30,884,653
South Asia	1,878	$2,177	$4,088,406
Sub-Saharan Africa	1,166	$1,645	$1,918,070
Europe and Central Asia	924	$27,114	$25,053,336
Latin America and Caribbean	658	$8,340	$5,487,720
Middle East and North Africa	472	$7,697	$6,632,984
North America	370	$67,514	$24,980,180

2. What are the drawbacks of analyzing the global economy on a regional basis?

3. **a.** Create a table that identifies the macroeconomic policies for a high-income country, a middle-income country, and a low-income country.

   b. Use the data in the text to contrast the policy prescriptions of the high-income, middle-income, and low-income countries.

4. What are the different policy tools for dealing with cyclical unemployment?

5. Explain how the natural rate of unemployment may be higher in low-income countries.

6. How does indexing wage contracts to inflation help workers?

7. Use the AD/AS model to show how increases in government spending can lead to more inflation.

8. Using the AD/AS model, show how monetary policy can be used to decrease the price level.

9. What do international flows of capital have to do with trade imbalances?

10. Use the demand and supply of foreign currency graph to determine what would happen to a small, open economy that experiences capital outflows.

Review Questions

11. What is the primary way economists measure standards of living?

12. What are some other ways to compare the standard of living in countries around the world?

13. What are the four other factors that determine the economic standard of living around the world?

14. What other factors—aside from labor productivity, capital investment, and technology—impact the economic growth of a country? How?

15. What strategies were employed by the Four Asian Tigers to stimulate economic growth?

16. What are the two types of unemployment problems?

17. In low-income countries, does it make sense to argue that most of the people without long-term jobs are unemployed?

18. Is inflation likely to be a severe problem for some high-income economies in the near future?

19. Is inflation likely to be a problem for some low- and middle-income economies in the near future?

20. What are the major issues with regard to trade imbalances for the U.S. economy?

21. What are the major issues with regard to trade imbalances for low- and middle-income countries?

Critical Thinking Questions

22. Demography can have important economic effects. The United States has an aging population. Explain one economic benefit and one economic cost of an aging population and of a young population.

23. Explain why it is difficult to set aside funds for investment in poverty.

24. Why do you think it is difficult for high-income countries to achieve high growth rates?

25. Is it possible to protect workers from being fired without distorting the labor market?

26. Explain what might happen if a nation tries to solve a structural unemployment problem using expansionary monetary and fiscal policy.

27. Why are inflationary dangers less in high-income economies than in low-income and middle-income economies around the world?

28. Explain why converging economies may present a strong argument for limiting flows of capital but not for limiting trade.

Problems

29. a. Retrieve the following data from the World Bank database (hawkes.biz/worldbankdata) for India, Spain, and South Africa for the most recent year available:

- GDP in constant U.S. dollars
- Population
- GDP per capita in constant U.S. dollars
- Mortality rate, infant (per 1,000 live births)
- Current health expenditure per capita (current U.S. dollars)
- Life expectancy at birth, total (years)

b. Prepare a chart that compares India, Spain, and South Africa based on the data you find. Describe the key differences between the countries. Classify each country as low, lower-middle, upper-middle, or high income given its GNI per capita. What is surprising or expected about this data?

c. Use the rule of 72 to estimate how long it will take for India, Spain, and South Africa to double their standards of living.

30. Retrieve the following data from the World Bank database (hawkes.biz/worldbankdata) for India, Spain, and South Africa for 2017 to 2022, if available:

- Fixed telephone subscriptions (per 100 people)
- Mobile cellular subscriptions (per 100 people)
- Secure internet servers (per 1 million people)
- Electricity production from renewable sources, excluding hydroelectric (kWh)

Prepare a chart that compares these three countries. Describe the key differences between the countries.

31. Retrieve unemployment data from the World Bank database (hawkes.biz/worldbankdata) for India, Spain, and South Africa for 2017 to 2022. Prepare a chart that compares these three countries. Describe the key differences between the countries. Classify each country as low, lower-middle, upper-middle, or high income given its GNI per capita. What is surprising or expected about the unemployment data?

32. Retrieve inflation data from the World Bank database (hawkes.biz/worldbankdata) for India, Spain, and South Africa for 2017 to 2022. Prepare a chart that compares these three countries. Describe the key differences between the countries. Classify each country as low, lower-middle, upper-middle, or high income given its GNI per capita. What is surprising or expected about the inflation data?