Discussion handout 5 – Answer Keys

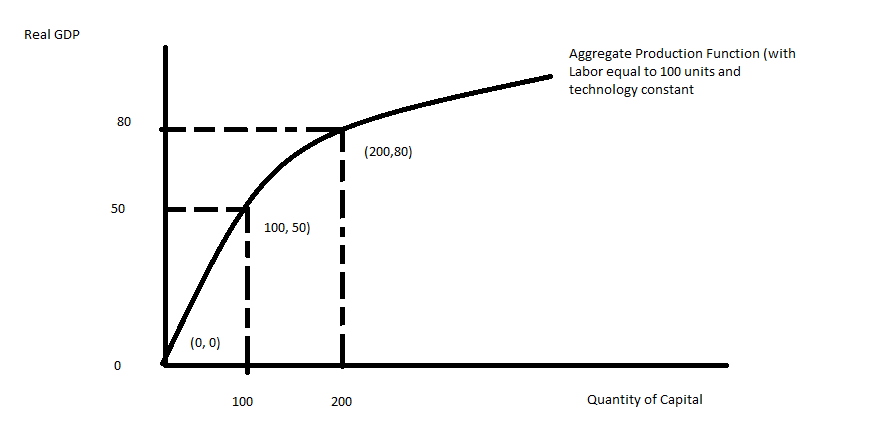
1. A
2. C
3. B
4. D
5. A
6. B
7. D

a)

b) Labor productivity will increase since each unit of labor will have more capital to work with: output/labor will increase.

c)

d)



e) Capital productivity = Y/K. As we hire more units of capital with a given amount of labor we see real GDP increase. But, due to diminishing returns to capital we expect capital productivity to fall: real GDP increases at a slower rate than does capital, so real GDP/K declines.

1. D
2. A
3. D
4. A
5. A
6. A