

ECG1102 D, WINTER CONN. MID # 1

V/T	F	C	D	E	V/T	F	C	D	E	V/T	F	C	D	E
1 A	B	C	D	E	61 A	B	C	D	E	121 A	B	C	D	E
2 A	B	C	D	E	62 A	B	C	D	E	122 A	B	C	D	E
3 A	B	C	D	E	63 A	B	C	D	E	123 A	B	C	D	E
4 A	B	C	D	E	64 A	B	C	D	E	124 A	B	C	D	E
5 A	B	C	D	E	65 A	B	C	D	E	125 A	B	C	D	E
6 A	B	C	D	E	66 A	B	C	D	E	126 A	B	C	D	E
7 A	B	C	D	E	67 A	B	C	D	E	127 A	B	C	D	E
8 A	B	C	D	E	68 A	B	C	D	E	128 A	B	C	D	E
9 A	B	C	D	E	69 A	B	C	D	E	129 A	B	C	D	E
10 A	B	C	D	E	70 A	B	C	D	E	130 A	B	C	D	E
11 A	B	C	D	E	71 A	B	C	D	E	131 A	B	C	D	E
12 A	B	C	D	E	72 A	B	C	D	E	132 A	B	C	D	E
13 A	B	C	D	E	73 A	B	C	D	E	133 A	B	C	D	E
14 A	B	C	D	E	74 A	B	C	D	E	134 A	B	C	D	E
15 A	B	C	D	E	75 A	B	C	D	E	135 A	B	C	D	E
16 A	B	C	D	E	76 A	B	C	D	E	136 A	B	C	D	E
17 A	B	C	D	E	77 A	B	C	D	E	137 A	B	C	D	E
18 A	B	C	D	E	78 A	B	C	D	E	138 A	B	C	D	E
19 A	B	C	D	E	79 A	B	C	D	E	139 A	B	C	D	E
20 A	B	C	D	E	80 A	B	C	D	E	140 A	B	C	D	E
21 A	B	C	D	E	81 A	B	C	D	E	141 A	B	C	D	E
22 A	B	C	D	E	82 A	B	C	D	E	142 A	B	C	D	E
23 A	B	C	D	E	83 A	B	C	D	E	143 A	B	C	D	E
24 A	B	C	D	E	84 A	B	C	D	E	144 A	B	C	D	E
25 A	B	C	D	E	85 A	B	C	D	E	145 A	B	C	D	E
26 A	B	C	D	E	86 A	B	C	D	E	146 A	B	C	D	E
27 A	B	C	D	E	87 A	B	C	D	E	147 A	B	C	D	E
28 A	B	C	D	E	88 A	B	C	D	E	148 A	B	C	D	E
29 A	B	C	D	E	89 A	B	C	D	E	149 A	B	C	D	E
30 A	B	C	D	E	90 A	B	C	D	E	150 A	B	C	D	E
31 A	B	C	D	E	91 A	B	C	D	E	151 A	B	C	D	E
32 A	B	C	D	E	92 A	B	C	D	E	152 A	B	C	D	E
33 A	B	C	D	E	93 A	B	C	D	E	153 A	B	C	D	E
34 A	B	C	D	E	94 A	B	C	D	E	154 A	B	C	D	E
35 A	B	C	D	E	95 A	B	C	D	E	155 A	B	C	D	E
36 A	B	C	D	E	96 A	B	C	D	E	156 A	B	C	D	E
37 A	B	C	D	E	97 A	B	C	D	E	157 A	B	C	D	E
38 A	B	C	D	E	98 A	B	C	D	E	158 A	B	C	D	E
39 A	B	C	D	E	99 A	B	C	D	E	159 A	B	C	D	E
40 A	B	C	D	E	100 A	B	C	D	E	160 A	B	C	D	E
41 A	B	C	D	E	101 A	B	C	D	E	161 A	B	C	D	E
42 A	B	C	D	E	102 A	B	C	D	E	162 A	B	C	D	E
43 A	B	C	D	E	103 A	B	C	D	E	163 A	B	C	D	E
44 A	B	C	D	E	104 A	B	C	D	E	164 A	B	C	D	E
45 A	B	C	D	E	105 A	B	C	D	E	165 A	B	C	D	E
46 A	B	C	D	E	106 A	B	C	D	E	166 A	B	C	D	E
47 A	B	C	D	E	107 A	B	C	D	E	167 A	B	C	D	E
48 A	B	C	D	E	108 A	B	C	D	E	168 A	B	C	D	E
49 A	B	C	D	E	109 A	B	C	D	E	169 A	B	C	D	E
50 A	B	C	D	E	110 A	B	C	D	E	170 A	B	C	D	E
51 A	B	C	D	E	111 A	B	C	D	E	171 A	B	C	D	E
52 A	B	C	D	E	112 A	B	C	D	E	172 A	B	C	D	E
53 A	B	C	D	E	113 A	B	C	D	E	173 A	B	C	D	E
54 A	B	C	D	E	114 A	B	C	D	E	174 A	B	C	D	E
55 A	B	C	D	E	115 A	B	C	D	E	175 A	B	C	D	E
56 A	B	C	D	E	116 A	B	C	D	E	176 A	B	C	D	E
57 A	B	C	D	E	117 A	B	C	D	E	177 A	B	C	D	E
58 A	B	C	D	E	118 A	B	C	D	E	178 A	B	C	D	E
59 A	B	C	D	E	119 A	B	C	D	E	179 A	B	C	D	E
60 A	B	C	D	E	120 A	B	C	D	E	180 A	B	C	D	E

Short-Answer Questions (20 points)
Answer in the space provided

41. (5 points) Answer the questions below about Canada's recent productivity performance. Your answer may be in point form.

a. What has been Canada's productivity performance in recent years? (relative to that of the U.S. for example)

(2) - Very slow productivity growth in Canada
- Canada - U.S. productivity gap is about 20%
larger than it was in 2000.

b. Provide some elements of explanation for that performance.

(3) - Canada is doing well in the human capital/education area.
- The major problem is in the innovation/R&D area.
In particular, Canadian businesses don't invest as much in R&D as their U.S. counterparts.
- Also capital investment in Canada is not as large as it should be.

42. (5 points) **Totally Gross**

Over the years, GNP and GDP have proved spectacularly useful in tracking economic change—both short-term fluctuations and long-run growth. This isn't to say GDP doesn't miss some things. Amartya Sen, a development economist at Harvard, has long argued that health is a big part of living standards—and in 1990 he helped create the United Nations' Human Development Index, which combines health and education data with per capita GDP to give a more complete view of the wealth of nations (the United States currently comes in 12th, while on per capital GDP alone, it ranks second). Joseph Stiglitz, a Columbia professor and former World Bank chief economist, advocates a "green net national product" that takes into account the depletion of natural resources. Also sure to come up... is the currently fashionable idea of trying to include happiness in the equations. The issues with these alternative benchmarks is not whether they have merit (most do) but whether they can be measured with anything like the frequency, reliability and impartiality of GDP.

Time Magazine, April 21, 2008

- a. List the factors identified here that limit the usefulness of using GDP to measure quality of life.

② *GDP does not account for health of population, education, depletion of natural resources and "happiness."*

- b. What are the challenges involved in trying to incorporate measurements of those factors in an effort to better measure quality of life?

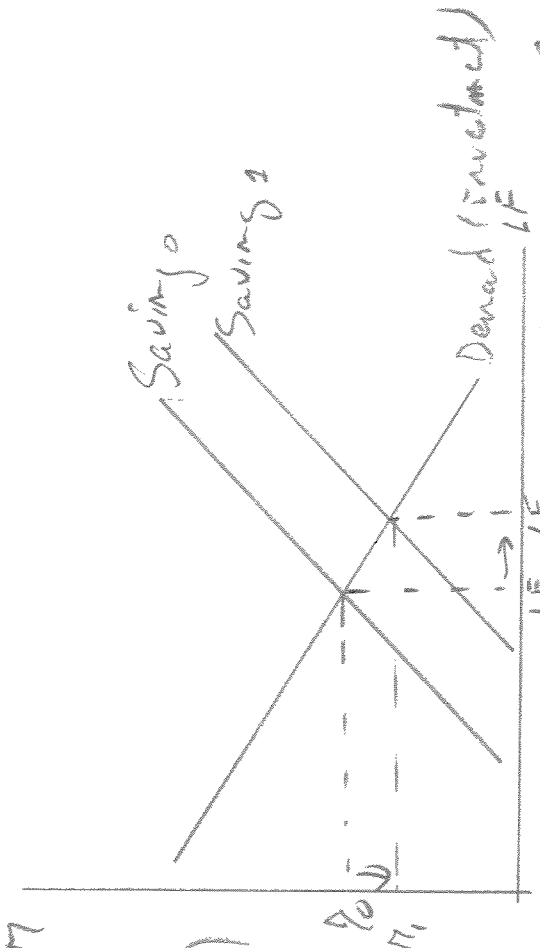
② *Challenges relate to the frequency, reliability and impartiality of obtaining measures of such factors.*

- c. Canada currently ranks third in the Human Development Index but tenth in real GDP per capita. What does it imply about Canada's health and education relative to other nations?

① *Ranks above 16th for health and education*

45. (10 points) The 2008 Federal Budget introduced Tax-Free Savings Accounts (TFSA) which allow, among other things, taxpayers to earn their first \$5,000 of interest income tax free.

a. Graphically illustrate and explain the impact of the introduction of TFSA on the interest rate and the quantity of loanable funds in Canada.



(7 points)
 (3 for points)

④ TFSA are tax-free saving accounts. Their introduction reduced taxes on saving (by Savings) \Rightarrow shift to the right of the saving curve $\Rightarrow \downarrow r \Rightarrow \uparrow I$

b. What is the likely long-run impact on living standards of the introduction of such a program? Explain.

③ An increase in investment means more capital stock, more productivity and a higher standard of living in the long run.