

ECO 2113B Canada and the World Economy — First Midterm Exam — October 8, 2013  
Prof. Lawrence Harris

**Instructions:**

*On your scantron sheet, indicate the BEST answer for each question.  
80 minutes maximum. No electronic devices permitted.*

1. Japan is the largest single importer of energy products in the world, and is particularly interested now

- a. **in expanding imports of Canadian liquid natural gas**
- b. in expanding imports of bitumen from the Alberta oil sands
- c. in expanding imports of Canada crude oil
- d. in supporting the proposed pipeline from Alberta oil sands to the west coast
- e. none of the above

2. Alberta supplies approximately how many barrels of oil to the USA each day?

- a. 35 million
- b. 20 million
- c. 9.8 million
- d. 5 million
- e. **1.4 billion**

3. The most important Canada-USA issue at the moment is

- a. lowering tariffs on Canadian petroleum entering the USA
- b. import quotas
- c. NAFTA
- d. **the Keystone pipeline proposal**
- e. appointment of a new US ambassador to Canada

4. The third largest video game production centre in the world is

- a. Tokyo
- b. Toronto
- c. Los Angeles
- d. **Vancouver**
- e. Montreal

5. The Keystone pipeline is going to

- a. transport Alberta bitumen to the west coast for shipment to Asia
- b. **transport Alberta bitumen to refineries on the coast of Texas**
- c. transport Alberta bitumen to a refinery on the coast of New Brunswick
- d. be reversed to transport Alberta petroleum to eastern Canada
- e. none of the above

6. According to a recent Conference Board report, which Canadian cities are expected to lead the country's metropolitan areas in economic growth this year?

- a. Halifax and Toronto
- b. Saskatoon, Regina, Edmonton, Calgary and Vancouver**
- c. Ottawa-Gatineau and Victoria (The lowest two)
- d. Montreal, Quebec City and Hamilton
- e. Calgary and Toronto

7. Imperial, Exxon Mobil and BP have recently filed a joint application to

- a. build a pipeline to transport Alberta bitumen to refineries on the coast of Texas
- b. build a pipeline to transport Alberta bitumen to the west coast for shipment to Asia
- c. drill for petroleum in deep water wells in the Beaufort Sea, north of the Yukon and Northwest Territories and west of the Canadian arctic islands.**
- d. drill for petroleum in deep water wells in Hybernia, off the coast of Newfoundland
- e. none of the above

8. Who is the newly named US ambassador to Canada?

- a. John Baird
- b. Ed Fast
- c. Bruce Heyman**
- d. Justin Trudeau
- e. Justin Bieber

9. \$700 million is being invested by the Ford Motor Company

- a. to pay its Ontario unionized workforce higher wages and benefits
- b. to pay corporate taxes owed to the Canadian government
- c. to construct a new factory in Windsor, Ontario
- d. to retool its assembly plant in Oakville, Ontario**
- e. to retool its assembly plant in Arvida, Quebec

10. One of the criticisms of the government contributions to the Ford deal is

- a. no new factories will be built
- b. the investment is not creating new jobs, just maintaining existing jobs**
- c. the deal was supported by the unions as well as politicians
- d. the federal government will contribute less than the provincial government
- e. none of the above

11. Which countries of the world have larger petroleum reserves than Alberta?

- a. Venezuela and Saudi Arabia**
- b. Iraq, Iran and Saudi Arabia
- c. Venezuela and Mexico
- d. Norway and Great Britain
- e. Libya, Iraq and Iran

12. Which of the following statements is best?

- a. Alberta's petroleum revenues are stable, since production is generally stable
- b. Alberta's petroleum revenues are volatile**
- c. Every one-cent rise in the price of the Canadian dollar will cause Alberta to gain approximately \$250 million more revenue.
- d. Natural gas and natural gas liquids provide the most tax revenue for Alberta
- e. none of the above

13. Alberta's major export is
- refined petroleum products
  - crude petroleum**
  - natural gas and liquefied natural gas
  - petrochemicals
  - bitumen
14. Which Canadian province has the greatest increase in small business over the last decade?
- British Columbia
  - Alberta
  - Ontario**
  - Quebec
  - Nova Scotia
15. Approximately what is the Canadian unemployment rate?  
**(From 2015, steady at 6.8%)**
- 5%
  - 7.2%
  - 6.3%
  - 8.2%
  - 8.9%
16. Do Ontario and Quebec have higher or lower rates of unemployment than the national average?  
**(Ontario is the same as national average, Manitoba, Saskatchewan, Alberta & BC lower than national average)**
- lower
  - higher
  - same
  - Ontario is lower but Quebec is higher
  - Quebec is lower but Ontario is higher
17. Is Canada's GDP-per-capita above or below the USA? (all expressed in \$US)  
**(2014: US:54,597; CA: 44,843; Japan: 37,390; The top three: Qatar, Luxemburg and Singapore)**
- Above: \$46,588 vs \$40,440
  - Above: \$55,438 vs \$51,454
  - Below: \$40,440 vs \$46,588
  - Below: \$51,454 vs \$55,438
  - none of the above
18. What is Canada's federal debt-to-GDP ratio? Approximately:
- 12%
  - 17%
  - 22%
  - 27%
  - 32% (nearly the same in recent 5 years)**
19. Does Canada have a trade surplus or deficit now?  
**(Before 2014: surplus, after 2014: deficit)**
- Surplus
  - Deficit
  - neither – there is a balance of exports and imports
  - both
  - none of the above

20. Who is Canada's Minister of International Trade?

- a. John Baird
- b. Ed Fast**
- c. Bruce Heyman
- d. Justin Trudeau
- e. Justin Bieber

21. What was the approximate value of Canada's GDP in 2011?

**(2014:1838.96; 2015:1786.66)**

- a. 350 million
- b. 600 million
- c. 850 million
- d. 1.0 trillion
- e. 1.5 trillion

22. Approximately what is today's price of the Canadian dollar?

**(\$C 1.00 = \$US 0.78)**

- a. \$C 1.00 = \$US 0.91
- b. \$C 1.00 = \$US 0.94
- c. \$C 1.00 = \$US 0.97
- d. \$C 1.00 = \$US 1.00
- e. \$C 1.00 = \$US 1.03

23. What is Canada's population?

- a. 20 million
- b. 25 million
- c. 30 million
- d. 35 million**
- e. 40 million

24. What are Canada's biggest exports?

- a. Motor vehicles and parts
- b. Metal and non-metallic minerals
- c. Manufactured goods
- d. Energy products (Crude oil)**
- e. Agricultural products

25. What country is our main trading partner?

- a. USA**
- b. Mexico
- c. China
- d. United Kingdom
- e. European Union

26. What is the Canadian rate of inflation, as measured by the CPI (Consumer Price Index)?

**(Last ten year around 1%, now 0.9%)**

- a. Approximately 2% on average, over the last ten years. Right now, approximately 2.5%
- b. Approximately 2% on average, over the last ten years. Right now, approximately 1%
- c. Approximately 1% on average, over the last ten years. Right now, approximately 1%
- d. Approximately 1% on average, over the last ten years. Right now, approximately 2%
- e. Approximately 3% on average, over the last ten years. Right now, approximately 4%

27. What industries contribute most to Canada's GDP?
- a. Mining, quarrying, and oil and gas extraction  
**(3rd)**
  - b. Public Administration
  - c. Manufacturing  
**(2nd)**
  - d. **Real estate and rental and leasing**  
**(1st)**
  - e. Health Care
28. Which region has the lowest unemployment right now?
- a. Atlantic
  - b. Central
  - c. **Prairies (Alberta, SAS and Manitoba)**
  - d. British Columbia
  - e. northern territories
29. In which Canadian service-industries are the most people employed?
- a. **Trade (1st)**
  - b. Petroleum and mining
  - c. Health care and social assistance  
**(2nd)**
  - d. banking and insurance
  - e. Education
30. Are more Canadians employed in producing goods or services?
- a. **services (80%)**
  - b. goods
  - c. stocks
  - d. bonds
  - e. none of the above
31. What is the size of the Canadian labour force?
- (66%, male: 70.6%, female: 61.6%)**
- a. 48% of the population
  - b. 54% of the population
  - c. 60% of the population
  - d. 65% of the population
  - e. 70% of the population
32. What is the projected amount of the federal government deficit for 2012-13?
- Approximately: **(2014: 5.2 billion, Now: 3 billion)**
- a. \$500-550 billion
  - b. \$110 billion
  - c. \$42-45 billion
  - d. \$22-24 billion
  - e. \$14-16 billion
33. Half of Canadian families earn more than what income?
- (family: 76,000; individual: 27,000)**
- a. 2010 median income is \$25,000 per year
  - b. 2010 median income is \$40,500 per year
  - c. 2010 median income is \$50,000 per year
  - d. 2010 median income is \$65,500 per year
  - e. 2010 median income is \$80,500 per year

34. What is Canada's third largest city?

- a. Halifax
- b. Montréal
- c. Vancouver
- d. Calgary**
- e. Ottawa-Gatineau

35. The idea of specializing in producing what you are best at, and trading your surplus production for other goods and services that you want is known as

- a. autarky
- b. comparative advantage**
- c. mercantilism
- d. infant industry argument
- e. isolationism

36. Autarky means

- a. buying cheaply in one market and selling at a higher price in another
- b. speculating in foreign exchange markets
- c. comparative advantage
- d. having no trade**
- e. having only exports and no imports

37. Arbitrage means

- a. buying cheaply in one market and selling at a higher price in another**
- b. speculating in foreign exchange markets
- c. comparative advantage
- d. having no trade
- e. having only exports and no imports

38. The infant industry argument

- a. is a protectionist policy to reduce tariffs while a new domestic industry gets established
- b. is a policy to give government revenue to domestic industries so they can compete with foreign imports
- c. is a protectionist policy designed to maximize the amount of exports of a new domestic industry
- d. is a policy designed to minimize competition from imports while a new domestic industry gets established**
- e. none of the above

39. A beggar-thy-neighbor approach to trade issues could be compared to

- a. a charity that gives subsidies to help the local poor
- b. somebody who pushes and shoves their way through a crowded bus with no concern for anyone else's welfare (only concern about self-interest without considering others)**
- c. someone who will not help out the people living next door
- d. King Midas, who found that anything he touched turned to gold
- e. Robinson Caruso, who was poor

40. A central flaw of mercantilism was
- a. that it was an outlook only prominent in the colonial era
  - b. that it was not concerned with accumulating precious metals as payment for exports**
  - c. it failed to realize that standards of living go up only when money is spent on goods and services
  - d. it emphasized exports to colonies over imports
  - e. none of the above

41. NAFTA means
- a. North American Federal Trade Agency
  - b. North American Free Trade Agency
  - c. Non-American Free Trade Act
  - d. North American Free Trade Agreement**
  - e. North American Fair Trade Agreement

42. NAFTA was signed in **(Sign in 1993, take effect in 1994)**
- a. 1991
  - b. 1994**
  - c. 1999
  - d. 2002
  - e. 2011

43. Since 1960, in Canada exports and imports have increased from
- a. approximately 20% to approximately 50% of GDP**
  - b. approximately 40% (**1980**) to approximately 50% of GDP
  - c. approximately 20% to approximately 30% of GDP
  - d. have remained relatively stable, even though our trade surplus fluctuates widely
  - e. none of the above

44. Anti-trade arguments are wrong when they fail to recognize that
- a. environmental and labour standards are important issues
  - b. most of our economy is service-based rather than goods-based
  - c. tariffs provide revenue to the government
  - d. currency markets determine exchange rates
  - e. trade makes both sides better off**

45. When a Canadian takes a vacation in Mexico, his or her hotel expenditures there are
- a. an export for Canada
  - b. an import of goods to Canada
  - c. an import for Mexico
  - d. an import of services to Canada**
  - e. an export of goods for Mexico

46. When a Canadian buys bonds issued by an American company
- a. this is a capital inflow for Canada
  - b. this is a capital outflow for Canada**
  - c. ownership is being exported from Canada to the USA
  - d. ownership is being imported from Canada to the USA
  - e. this is a transaction on the current account of the balance of payments

47. When a European company buys shares in a Canadian company,
- a. this is a capital inflow for Europe
  - b. this is a capital outflow for Canada
  - c. ownership is being exported from Canada to Europe**
  - d. ownership is being imported from Europe to Canada
  - e. this is a transaction on the current account of the balance of payments
48. When Alberta bitumen is sold to the refineries in the USA,
- a. this is a capital inflow for Canada
  - b. this is a capital outflow for Canada
  - c. ownership is being exported from Canada to the USA
  - d. ownership is being imported from Canada to the USA
  - e. this is a transaction in the current account of the balance of payments**
49. The balance of payments
- a. is an accounting system for keeping track of goods and services trade with foreign countries**
  - b. is an accounting system for keeping track of international transactions in financial instruments
  - c. is an accounting system for keeping track of all transactions with foreign countries
  - d. doesn't actually balance
  - e. always has a balance between exports and imports
50. If it costs more for us to buy an American dollar, we can say that
- a. the price of the Canadian dollar in terms of American funds has increased
  - b. the American dollar now buys fewer Canadian dollars
  - c. the Canadian dollar has depreciated (or the US dollar appreciated)**
  - d. the Canadian dollar has appreciated
  - e. none of the above
51. A tariff is
- a. a quota on an import
  - (quota)**
  - b. a tax on an export
  - c. a quota on an export
  - d. a tax on an import**
  - e. none of the above
52. An example of customs procedures being a barrier to trade might be
- a. taxes or import duties that have to be paid when you cross the border
  - b. inspections that impede your product from getting to market
  - c. quotas or limits on how much of a product you can bring into the country**
  - d. standards that are different from those in exporting countries
  - e. NAFTA
53. When an American company purchases Canadian pulp and paper products
- a. this causes an increase in the demand for the American dollar and the price of the Canadian dollar will rise
  - b. this causes an increase in the demand for the Canadian dollar and the price of the Canadian dollar will rise**
  - c. this causes a decrease in the demand for the Canadian dollar and the price of the Canadian dollar will fall
  - d. this causes an increase in the demand for the American dollar and the price of the American dollar will rise
  - e. none of the above

54. When a Canadian company exports auto parts to the USA

- a. this causes an increase in the demand for the American dollar and the price of the Canadian dollar will rise
- b. this causes an increase in the demand for the Canadian dollar and the price of the Canadian dollar will fall
- c. this causes a decrease in the demand for the Canadian dollar and the price of the Canadian dollar will fall
- d. this causes an increase in the demand for the American dollar and the price of the American dollar will rise
- e. none of the above (this causes an increase in the demand for the Canadian dollar and the price of the Canadian dollar will rise)**

55. When a Canadian millionaire buys American stocks

- a. this causes an increase in the demand for the American dollar and the price of the Canadian dollar will rise**
- b. this causes an increase in the demand for the Canadian dollar and the price of the Canadian dollar will rise
- c. this causes a decrease in the demand for the Canadian dollar and the price of the Canadian dollar will fall
- d. this causes an increase in the demand for the American dollar and the price of the American dollar will rise
- e. none of the above

56. When an American investor makes a transaction to become an owner of a Canadian company

- a. this causes an increase in the demand for the American dollar and the price of the Canadian dollar will rise
- b. this causes an increase in the demand for the Canadian dollar and the price of the Canadian dollar will rise**
- c. this causes a decrease in the demand for the Canadian dollar and the price of the Canadian dollar will fall
- d. this causes an increase in the demand for the American dollar and the price of the American dollar will rise
- e. none of the above

57. If the demand for the American dollar increases, what is the reciprocal increase or decrease in the market for Canadian dollars?

- a. the demand for the Canadian dollar decreases and the price of the Canadian dollar falls
- b. the demand for the Canadian dollar increases and the price of the Canadian dollar falls
- c. the supply of the Canadian dollar decreases and the price of the Canadian dollar falls
- d. the supply of the Canadian dollar increases and the price of the Canadian dollar falls**
- e. none of the above

58. If a Canadian consulting company works on a project in New York,

- a. this would be an export of ownership for Canada and the demand for the Canadian dollar would rise
- b. this would be an export of a service for Canada and the demand for the Canadian dollar would rise**
- c. this would be an export of a good for Canada and the demand for the Canadian dollar would rise
- d. this would be an export of a financial instrument for Canada and the demand for the Canadian dollar would fall
- e. none of the above

59. If a Canadian pension fund purchases American bonds,
- a. **this would be a capital outflow for Canada and the price of the Canadian dollar would fall (CAD supply increase, so depreciate)**
  - b. this would be a capital outflow for Canada and the price of the Canadian dollar would rise
  - c. this would be a capital inflow for Canada and the price of the Canadian dollar would fall
  - d. this would be a capital inflow for Canada and the price of the Canadian dollar would rise
  - e. none of the above

60. If a government introduces a tariff,
- a. the price consumers pay for an import will be higher, the price received by the producer will be less, and the government will collect a revenue equal to the tariff rate multiplied by the quantity of imports after the tariff is imposed
  - b. the price consumers pay for an import will be higher, the price received by the producer will be higher, and the government will collect a revenue equal to the tariff rate multiplied by the quantity of imports after the tariff is imposed
  - c. the price consumers pay for an import will be lower, the price received by the producer will be higher, and the government will collect a revenue equal to the tariff rate multiplied by the quantity of imports before the tariff is imposed
  - d. the price consumers pay for an import will be lower, the price received by the producer will be less, and the government will collect a revenue equal to the tariff rate multiplied by the quantity of imports after the tariff is imposed
  - e. **none of the above (the price consumers pay for an import will be higher, the price received by the producer will be the same, and the government will collect a revenue equal to the tariff rate multiplied by the quantity of imports after the tariff is imposed) However, the surplus from domestic producer will be higher due to less competition from foreign competitor**