

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 million

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?
- Halifax and Toronto
 - Saskatoon, Regina, Edmonton, Calgary and Vancouver
 - Ottawa-Gatineau and Victoria
 - Montreal, Quebec City and Hamilton
 - Calgary and Toronto
7. Imperial, Exxon Mobil and BP have recently filed a joint application to
- build a pipeline to transport Alberta bitumen to refineries on the coast of Texas
 - build a pipeline to transport Alberta bitumen to the west coast for shipment to Asia
 - 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.
 - drill for petroleum in deep water wells in Hybernia, off the coast of Newfoundland
 - none of the above
8. Who is the newly named US ambassador to Canada?
- John Baird
 - Ed Fast
 - Bruce Heyman
 - Justin Trudeau
 - Justin Bieber
9. \$700 million is being invested by the Ford Motor Company
- to pay its Ontario unionized workforce higher wages and benefits
 - to pay corporate taxes owed to the Canadian government
 - to construct a new factory in Windsor, Ontario
 - to retool its assembly plant in Oakville, Ontario
 - to retool its assembly plant in Arvida, Quebec
10. One of the criticisms of the government contributions to the Ford deal is
- no new factories will be built
 - the investment is not creating new jobs, just maintaining existing jobs
 - the deal was supported by the unions as well as politicians
 - the federal government will contribute less than the provincial government
 - none of the above
11. Which countries of the world have larger petroleum reserves than Alberta?
- Venezuela and Saudi Arabia
 - Iraq, Iran and Saudi Arabia
 - Venezuela and Mexico
 - Norway and Great Britain
 - Libya, Iraq and Iran
12. Which of the following statements is best?
- Alberta's petroleum revenues are stable, since production is generally stable
 - Alberta's petroleum revenues are volatile
 - Every one-cent rise in the price of the Canadian dollar will cause Alberta to gain approximately \$250 million more revenue.
 - Natural gas and natural gas liquids provide the most tax revenue for Alberta
 - 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?
- 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?
- 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)
- 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%
19. Does Canada have a trade surplus or deficit now?
- 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?
- John Baird
 - Ed Fast
 - Bruce Heyman
 - Justin Trudeau
 - Justin Bieber
21. What was the approximate value of Canada's GDP in 2011?
- 350 million
 - 600 million
 - 850 million
 - 1.0 trillion
 - 1.5 trillion
22. Approximately what is today's price of the Canadian dollar?
- \$C 1.00 = \$US 0.91
 - \$C 1.00 = \$US 0.94
 - \$C 1.00 = \$US 0.97
 - \$C 1.00 = \$US 1.00
 - \$C 1.00 = \$US 1.03
23. What is Canada's population?
- 20 million
 - 25 million
 - 30 million
 - 35 million
 - 40 million
24. What are Canada's biggest exports?
- Motor vehicles and parts
 - Metal and non-metallic minerals
 - Manufactured goods
 - Energy products
 - Agricultural products
25. What country is our main trading partner?
- USA
 - Mexico
 - China
 - United Kingdom
 - European Union
26. What is the Canadian rate of inflation, as measured by the CPI (Consumer Price Index)?
- Approximately 2% on average, over the last ten years. Right now, approximately 2.5%
 - Approximately 2% on average, over the last ten years. Right now, approximately 1%
 - Approximately 1% on average, over the last ten years. Right now, approximately 1%
 - Approximately 1% on average, over the last ten years. Right now, approximately 2%
 - Approximately 3% on average, over the last ten years. Right now, approximately 4%

27. What industries contribute most to Canada's GDP?
- Mining, quarrying, and oil and gas extraction
 - Public Administration
 - Manufacturing
 - Real estate and rental and leasing
 - Health Care
28. Which region has the lowest unemployment right now?
- Atlantic
 - Central
 - Prairies
 - British Columbia
 - northern territories
29. In which Canadian service-industries are the most people employed?
- Trade
 - Petroleum and mining
 - Health care and social assistance
 - banking and insurance
 - Education
30. Are more Canadians employed in producing goods or services?
- services
 - goods
 - stocks
 - bonds
 - none of the above
31. What is the size of the Canadian labour force?
- 48% of the population
 - 54% of the population
 - 60% of the population
 - 65% of the population
 - 70% of the population
32. What is the projected amount of the federal government deficit for 2012-13?
Approximately:
- \$500-550 billion
 - \$110 billion
 - \$42-45 billion
 - \$22-24 billion
 - \$14-16 billion
33. Half of Canadian families earn more than what income?
- 2010 median income is \$25,000 per year
 - 2010 median income is \$40,500 per year
 - 2010 median income is \$50,000 per year
 - 2010 median income is \$65,500 per year
 - 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
- 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
- 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% 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,
- this is a capital inflow for Europe
 - this is a capital outflow for Canada
 - ownership is being exported from Canada to Europe
 - ownership is being imported from Europe to Canada
 - 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,
- this is a capital inflow for Canada
 - this is a capital outflow for Canada
 - ownership is being exported from Canada to the USA
 - ownership is being imported from Canada to the USA
 - this is a transaction in the current account of the balance of payments
49. The balance of payments
- is an accounting system for keeping track of goods and services trade with foreign countries
 - is an accounting system for keeping track of international transactions in financial instruments
 - is an accounting system for keeping track of all transactions with foreign countries
 - doesn't actually balance
 - always has a balance between exports and imports
50. If it costs more for us to buy an American dollar, we can say that
- the price of the Canadian dollar in terms of American funds has increased
 - the American dollar now buys fewer Canadian dollars
 - the Canadian dollar has depreciated
 - the Canadian dollar has appreciated
 - none of the above
51. A tariff is
- a quota on an import
 - a tax on an export
 - a quota on an export
 - a tax on an import
 - none of the above
52. An example of customs procedures being a barrier to trade might be
- taxes or import duties that have to be paid when you cross the border
 - inspections that impede your product from getting to market
 - quotas or limits on how much of a product you can bring into the country
 - standards that are different from those in exporting countries
 - NAFTA
53. When an American company purchases Canadian pulp and paper products
- this causes an increase in the demand for the American dollar and the price of the Canadian dollar will rise
 - this causes an increase in the demand for the Canadian dollar and the price of the Canadian dollar will rise
 - this causes a decrease in the demand for the Canadian dollar and the price of the Canadian dollar will fall
 - this causes an increase in the demand for the American dollar and the price of the American dollar will rise
 - 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

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
 - 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