

## ECO 407 – L0101

# Competing Views in Macroeconomic Theory and Policy

### Term Test

#### Instructions:

- The total time for this test is 1 hour. **Manage your time properly!**
  - Answer the three questions below.
  - Each Question is worth one-third of the total grade.
  - No aids allowed.
  - **Please write legibly.** If I can't read your handwriting, I can't award you any marks!
1. Critically comment on the following statement: *"The Task Force on Competitiveness, Productivity and Economic Progress concluded that Ontario is settling into a troubling era of stagnant growth that could be alleviated if businesses stop sitting on 'dead money' and ramp up investments."*
  2. Critically comment on the following statement: *"All of today's developed countries have become rich through free-market policies, especially through free trade with the rest of the world. As David Ricardo demonstrated almost two centuries ago, specialization and trade based on the principle of comparative advantages makes all countries better off. Therefore, developing countries should fully embrace free-trade policies in order to close the income-gap with developed countries."*
  3. Critically comment on the following statement: *"In periods of economic boom, it is argued that unrestricted cross-border movements of capital contribute to exchange rate appreciation, current account deficits, and/or excessive accumulation of foreign exchange reserves. Therefore, it appears that capital account regulations might be somehow justified."*