

**ECO 407**  
**ALTERNATIVE VIEWS IN MACROECONOMIC**  
**THEORY AND POLICY**

**Term Test**

**October 15, 2018**

**U of T E-MAIL:** \_\_\_\_\_@MAIL.UTORONTO.CA

**SURNAME**  
**(LAST NAME):**

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**GIVEN NAME**  
**(FIRST NAME):**

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**UTORID**  
**(e.g., LIHAO118):**

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**INSTRUCTIONS:**

- The total time for this test is **1 hour**. Manage your time properly!
- No aids allowed.
- ***Write your name and identifying information above but keep this test paper closed until the start of the test is announced.***
- You must critically comment on each of the **three** statements provided below. Each question is worth **20 points**. The **total** point-value of the test is **60 points**.
- This test includes **10 pages**.
- Write your critical comments clearly and concisely in the space provided immediately after each question. ***Your entire comment must fit in the designated space.*** No extra space/pages are possible and you cannot use blank space for other questions.
- ***It is best to write in PENCIL and use an ERASER as needed.*** This way you can make sure to fit your final answer in the appropriate space.
- ***Please write legibly.*** If I can't read your handwriting, I can't award you any marks!

**Instructions:** Critically comment on the following three statements in the space provided. Each question is worth a maximum of 20 points.

1. Individual banks are not constrained in making loans in the short run, as they can always borrow needed reserves from other banks. If they do so that will put upward pressure on the overnight interest rate, and the Bank of Canada will thus supply the needed reserves to maintain the target for the overnight rate.

[illegible]

[illegible]

[illegible]



[illegible]

[illegible]





[illegible]

[illegible]