

- (d) A tax imposed on cigarettes will reduce the supply of cigarettes.
 - (e) High interest rates tend to reduce the level of investment spending, therefore, interest rates should always be kept as low as possible.
4. Decide whether each of the following falls under the heading of positive economics or normative economics: (L.O. 7)
- (a) a study of the effect of an increase in investment on the level of income;
 - (b) an evaluation of the outcome of a ban on the importation of alcohol to determine whether the ban is good or bad;
 - (c) a description of how higher interest rates affect the economy;
 - (d) the compilation of data with the aim of describing certain economic facts;
 - (e) a program designed to make people better off based on assumptions about what is in their best interest;
 - (f) the elimination of the deficit by the federal government because it is believed that it will make Canadians better off;
 - (g) a study of the effect of a reduction in the money supply on interest rates;
 - (h) the notion that taxing the wealthy in order to give welfare payments to the poor is unfair;
 - (i) a detailed study of the relationship between consumer spending and economic performance.
5. Identify which of the following are economic predictions and which are economic forecasts, (L.O. 6)
- (a) If the level of income rises, people will buy more consumer goods.
 - (b) If the money supply increases, the rate of inflation will rise.
 - (c) The output of goods and services in Canada will grow by 3.2% in the year 2001.
 - (d) If interest rates rise, the growth rate of output will decline.
 - (e) By the end of the year, the unemployment rate will be 8.2%.
 - (f) An increase in government spending will put upward pressure on interest rates.
 - (g) By the year 2004, government purchases of goods and services will account for 35% of total spending.
6. List each of the following variables as stocks or flows: (L.O. 9)
- (a) the number of pairs of jeans in a Zellers department store;
 - (b) the number of pairs of jeans sold by Zellers in one month;
 - (c) the number of cars produced by an automobile manufacturer in a year;
 - (d) the amount of office space available for rent on September 3, 1999;
 - (e) the amount of equipment owned by the High Tech Company;
 - (f) the amount deposited in your bank account each month;
 - (g) the unpaid balance on your student loan as of January 15, 1999;
 - (h) the annual interest payable on a bank loan.
7. Formulate two examples of: (L.O. 6)
- (a) economic prediction;
 - (b) economic forecast.



8. Write up a list of five social, economic, or political problems or issues facing Canada today. For each problem or issue, discuss its economic aspects (if any). What role can economics play in helping us to understand the problem or issue, or in finding solutions? (L.O. 2,3)
9. Indicate whether each of the following falls under the category of microeconomics or macroeconomics: (L.O.11)
 - (a) an explanation of what causes the price of wheat to increase;
 - (b) an explanation of the factors that affect the total amount of spending by consumers;
 - (c) an explanation of how the level of investment spending affects aggregate employment;
 - (d) an explanation of how the price of your textbook is determined;
 - (e) a theory which attempts to predict changes in the average level of income and employment in an economy;
 - (f) a theory that leads to a prediction of the rate of growth of the economy's output of goods and services;
 - (g) an explanation of how a firm can maximize its profits;
 - (h) a theory that explains why the prices of home computers have fallen over the past few years.