

Gobeil & Associates

The Canadian Investment Regulatory Exam

Sample Question

Topic 5.1 Remember the basic economic theories.

Olivia Chen, a 33-year-old financial analyst, is planning a long-term investment strategy for her retirement portfolio. She asks her advisor what factors most strongly influence sustained economic growth over decades, as this will affect her equity allocation. Olivia wants to understand the underlying drivers before committing to growth-oriented investments.

Which factor is most critical for driving long-term economic growth?

- A. Seasonal consumer spending
- B. Technological innovation and productivity improvements
- C. Short-term interest rate adjustments
- D. Temporary fiscal stimulus programs

Syllabus Topic: 5.1 Remember the basic economic theories

To answer this question, you must know that long-term economic growth depends on factors that increase productive capacity, such as technological innovation, capital investment, and improvements in labor productivity. These structural changes enable economies to produce more goods and services over time.

Short-term measures like fiscal stimulus or interest rate changes can influence demand temporarily but do not create lasting growth unless accompanied by productivity gains.

Understanding these determinants is essential for advisors because they shape equity market performance and inform strategic asset allocation for long-term portfolios.

(Choice A is false.) Seasonal consumer spending creates short-term fluctuations but does not sustain long-term growth. So, this option reflects a misunderstanding of structural growth drivers.

(Choice B is true.) Technological innovation and productivity improvements are key determinants of long-term economic growth because they enhance efficiency and output over time. So, this option correctly identifies the primary driver.

(Choice C is false.) Short-term interest rate adjustments influence monetary conditions but do not fundamentally alter long-term growth potential. So, this option is incorrect.

(Choice D is false.) Temporary fiscal stimulus programs can boost demand in the short run but do not guarantee sustained growth without structural improvements. So, this option misinterprets the nature of long-term growth.