Müəllim

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| **logo_unec**  **AZƏRBAYCAN DÖVLƏT İQTİSAD UNİVERSİTETİ** |
| **BEYNƏLXALQ İQTİSADİYYAT MƏKTƏBİ** |
| **BEYNƏLXALQ İQTİSADİYYAT (İNGİLİS DİLLİ) KAFEDRASI**  Fənn: \_\_İqtisafdiyyatın tənzimlənməsi  Müəllim: \_\_ Vüsal Məmmədrzayev  Qrup: \_\_\_ 1025-1026  **(2017-2018 YAZ)**  **İmtahan suallar** |

1. What is discretionary fiscal policy? Explain different types of fiscal policy by providing appropriate example.
2. Discuss Keynesian multiplier by providing proper mathematical notations and formulas. Provide one example for stressing out the effect of fiscal policy.
3. Let’s to say that government increases its purchase by 1200 dollars. Consider the followings:
4. What is change on AD curve if marginal propensity to save is 20%. Assume we are talking about closed economy case.
5. If the corporate tax rate is 15% and households spend 70% of their extra income, what is change on Aggregate demand curve.
6. If we relax price rigidity assumption of Keynes and allow 10% of price adjustment, what would be change on AD curve by considering all information given on task b?
7. If the expectations of households about the future is negative, what changes will we observe on marginal propensity to consume? What is effect on AD curve if the economy is closed by assuming mpc=95? What changes do we observe if the economy is open by using information was given on taks b? (don’t take into account price adjustment)
8. Government increases purchase by 5000 manats. Assume followings at t time period:

Saving=22%

Tax rate=17

Marginal propensity on import (mpi)=5

Find Keynes multiplier. Interpret it. Find the change on AD curve.

Assume export=200 and investment=100 at period of t+1. Find total change in AD curve by taking into account period t and t+1 together.

1. List many factors that may lower the multiplier. Provide proper mathematical notations and formulas.
2. What is meant by an automatic stabilizer? Give some examples of economic  
   institutions that function as automatic stabilizers.
3. What are some of the advantages and disadvantages of discretionary fiscal policy?  
   Give some examples of the use of discretionary fiscal policy.
4. Discuss the expansionary fiscal policy of government under fixed exchange rate and perfect capital mobility. Draw graph and show respective adjustments. What will change under the limited capital mobility condition? (Answer without graph will not be considered).
5. Discuss the expansionary fiscal policy of government under floating exchange rate and perfect capital mobility. Draw graph and show respective adjustments. What will change under the limited capital mobility condition? (Answer without graph will not be considered).
6. What are the neoclassic critiques of Keynes approach for expansionary fiscal policy?
7. Explain Ricardian equivalence model. What is main idea behind this model? Provide Lagrange function and get first order condition. Give some insights about first order condition.
8. List the main assumption of Ricardian Equivalence theorem.
9. Criticize the validity of Ricardian model.
10. Assume the following utility function U(t)=2X10.9X20.1 and budget constraint of P1\*X1+P2\*X2=120. If price of the first good is 3$ and price of good 2 is 5$. Set up Lagrange function and find optimal level of X1 and X2 that maximizes utility.
11. First order condition of Ricardian Equivalence model is the following

U1(Ct+i)=ƛ(

and utility function is U=0.4(2Ct+i)i. Assume the value of ƛ=1

1. What is marginal utility and consumption at t=2 period, If we want to achieve constant consumption over time?
2. What is marginal utility and consumption at t=2 period, If we want to achieve consumption grows over time?
3. What is marginal utility and consumption at t=2 period, If we want to achieve consumption decrease over time?
4. What is public debt solvency and source of it? Provide some examples from history about debt solvency problem.
5. What is debt sustainability? Why is it important for country to have sustainable debt?
6. What is the main implication of stabilizing debt to GDP ratio model? Interpret the result of this model. (You do not need to derive).
7. Discuss *generational accounting* approach for assessing debt.
8. Explain the Politics of Debt According to Tabellini. What are his main arguments and claims about debt?
9. Explain supply side effects and reconciliation attempts.
10. Explain the main differences on the view of neoclassical and Keynesian economists about public spending.
11. Discuss the Non-Keynesian models.
12. Explain the Impact of Public Debt on Fiscal Policy Effectiveness model. What are the main findings or claims of this model?
13. Discuss the political aspects of government debt or budget deficit.
14. List reasons for government intervention to the market. Explain each of these reasons.
15. How might government intervene to the economy? Discuss each of the general approaches.
16. What are advantages of market economy from central planned economy? Does it always achieve efficiency in the economy? Why and why not?
17. Demand equation equals to Qdemand=1000-20\*P

Supply equation equals to Qsupply=-200+10\*P

Government decides to intervene to the market and set the number of quantity produced equal to 150 units. Find the social surplus before intervention of government. What is associated dead weight loss with government intervention? Provide graphical analysis as well.

1. Discuss each type of externality with one example, such as negative production externality, positive production externality, negative consumption externality and positive consumption externality.

31. Separately explain the dead weight loss in social surplus due to negative production and positive consumption externality by the help of graph.

32. Discuss problems with Coasian solutions to internalize externality.

33. Briefly discuss distinctions between Price and Quantity Approaches to address Externalities.

34. How can government solve the problem of multiple plans with different reduction cost of externality? Explain your answer.

35. Demand equation equals to Qdemand=2000-35\*P

Supply equation equals to Qsupply=-500+15\*P

There is positive consumption externality of 30$. Find the associated dead weight loss of this positive consumption externality. Draw graph.

36. Demand equation equals to Qdemand=200-15\*P

Supply equation equals to Qsupply=20+5\*P

There is negative consumption externality of 10$. Find the associated dead weight loss of this positive consumption externality. Draw graph.

37. Why does government intervene to the publics goods market? List reasons and explain each of them.

38. Can private markets provide public goods efficiently? Why yes and why not?

39. When is private provision likely to overcome the free rider problem?

40. Private responses to public provision: The problem of crowd-out. Explain it.

41. How can we overcome the crowd-out problem?

42. Think of an example of a free rider problem in your hometown. Can you think of a way for your local government to overcome this problem?

43. Why is there a need for government intervention in case of monopoly? Explain reasons for inefficiency.

44. Discuss welfare cost of monopoly by the help of graph.

45. Describe the three attributes of monopolistic competition. How is monopolistic competition like monopoly? How is it like perfect competition?

46. Draw a diagram depicting a firm that is making a profit in a monopolistically competitive  
market. Now show what happens to this firm as new firms enter the industry.

47. Draw a diagram of the long-run equilibrium in a monopolistically competitive market. How is price related to average total cost? How is price related to marginal cost?

48. Does a monopolistic competitor produce too much or too little output compared to the most  
efficient level? What practical considerations make it difficult for policymakers to solve this problem?

49. How might advertising reduce economic well-being? How might advertising increase economic well-being?

50. For each of the following characteristics, say whether it describes a monopoly firm, a monopolistically competitive firm, both, or neither. Explain the reason  
a. Faces a downward-sloping demand curve  
b. Has marginal revenue less than price  
c. Faces the entry of new firms selling similar products  
d. Earns economic profit in the long run  
e. Equates marginal revenue and marginal cost

51. Discuss the importance of monetary policy for regulating economic variables.

52. List and explain the conventional and unconventional monetary tools that are used by the Central Bank.

53. What is the “liquidity provision” function of Central Bank? Discuss the importance of it.

54. Discuss the price of liquidity? Provide the name of some interbank rates.

55. European Central Bank and Euro Area’s Monetary policy instruments.

56. The Central Bank of Azerbaijan and its main intervention tools.

57. Discuss the importance of liquidity provision during stress times. Provide some real examples

58. Discuss the liquidity stress during financial crisis of 2007 and 2008.

59. Yield curve. Discuss the difference between short and long-term interest rate.

60. Discuss ex-ante and ex-post real interest rate. What are the main differences between nominal and real interest rate?

61. Discuss the international linkages and interdependency of different money markets.

62. Discuss money and money aggregates.

63. Briefly explain money creation process of commercial bank by using one example on T account.

64. Discuss the price stability objective of monetary policy.

65. What is monetary neutrality? Discuss short-term and long-term differences.

66. Exchange rate stability objective. Fixed exchange rate vs floating exchange rate.

67. Output stabilization objective of Monetary policy.

68. Discuss financial stability objective.

69. List the advantages and disadvantages of fixed exchange rate.

70. Discuss the exchange rate regime of Azerbaijan.

71. Why is yield of long-term bonds always higher the yield of short-term bonds? We observe different yield curve for bond of different countries. Discuss the reason for this difference.

72. What is the central bank creditability?

73. What is optimal interest-rate setting?

74. Discuss the importance of liquidity provision and its effect on main macroeconomic variables.

75. What is repurchase agreement? How is it used to control money supply in the money market?

**Kafedra müdiri: İsmayılov A.H.**