1. Explain why economists construct economic models.
2. What is a market-clearing model? When is it appropriate to assume that markets clear?
3. Use the model of supply and demand to explain how a fall in the price of frozen yogurt would affect the price of ice cream and the quantity of ice cream sold. In your explanation, identify the exogenous and endogenous variables.
4. List the two things that GDP measures. How can GDP measure two things at once?
5. Consider an economy that produces and consumes bread and automobiles. In the following table are data for two different years.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Good | Quantity | Price | Quantity | Price |
| Bread |  |  |  |  |
| Automobiles |  |  |  |  |

Using the year 2000 as the base year, compute the following statistics for each year: nominal GDP, real GDP, the implicit price deflator for GDP.

1. A farmer grows a bushel of wheat and sells it to a miller for a. The miller turns the wheat into flour and then sells the flour to a baker for b. The baker uses the flour to make bread and sells the bread to an engineer for c. The engineer eats the bread. What is the value added by each person? What is GDP?
2. Place each of the following transactions in one of the four components of expenditure: consumption, investment, government purchases, and net exports.

a. Boeing sells an airplane to the Air Force.

b. Boeing sells an airplane to American Airlines.

c. Boeing sells an airplane to Air France.

d. Boeing sells an airplane to Amelia Earhart.

e. Boeing builds an airplane to be sold next year.

8. Adile consumes only apples. In year a, red apples cost $x each, green apples cost $y each, and Adile buys 10 red apples. In year b, red apples cost $z, green apples cost $d, and Adile buys f green apples.Compute a consumer price index for apples for each year. Assume that year 1 is the base year in which the consumer basket is fixed. How does your index change from year 1 to year 2?

9. What are the examples that are not sold in the marketplace which still included in the measurement of GDP? Please explain why.

10. Write the formula for GDP calculated related with national income, capital consumption allowance and statistical discrepancy. Explain what each term means.

11. What is the prime concern of macroeconomists and why is the subject matter of macroeconomics important?

12. Argue Huntington’s ideas about modelling.

13. Discuss what Mankiw and Keynes think of the role of government.

14. What are the top reasons for Great Depression and why is it important for economists?

15. Briefly discuss the schools of thought in macroeconomics after Keynes.

16. Discuss the new political macroeconomics and renaissance of economic growth research.

17. Discuss Say’s law and its main substance.

18. What determines real output according to the classical model? Discuss that item.

19. What does the quantity theory of money assume? What are the two highly influential versions of the theory in the literature?

20. Discuss the Cambridge approach of quantity theory.

21. Discuss the Fisher approach for quantity theory.

22. What are the three primary interpretations of Keynes?

23. What are the central beliefs within orthodox Keynesian school?

24. Discuss the goods market and IS curve.

25. Discuss the money market and LM curve.

26. Discuss the influence of Robert Lucas on new classical economics.

27. Discuss the main features of the new classical economics.

28. Briefly explain the rational expectations hypothesis.

29. Briefly explain the aggregate supply hypothesis.

30. Discuss the main points of equilibrium business cycle theory.

31. What are the policy implications the new classical approach?

32. How is the labor market view by RBC schools criticized?

33. Discuss the following sentence: “RBC models give aggregate supply a more prominent role than many other theories.

34. Briefly discuss the main features of the real business cycle theory.

35. What is the main reason of business cycles according to the models with money?

36. Briefly discuss the groups of dynamic general equilibrium models.

37. What are the main ideas of Neo-Keynesians?

38. Argue the “menu costs” explanation by Neo-Keynesians.

39. What concept does the neoclassical analysis bank on? Explain.

40. Briefly explain Schumpeter’s creative destruction theory.

41. Discuss what happened with the Great Depression in the world.

42. The Austrian school focused mostly on two wide topics. Please discuss those topics.

43. Briefly discuss misguided government intervention theory.

44. Discuss the crucial differences between the neoclassical framework and Austrian school.

45. What are the main building blocks of the Post Keynesian School?

46. According to the Post Keynesian School when governments might play an outstanding role in improving the economic performance of markets?

47. According to Post Keynesians what are the main roles of economics institutions on improvement of economic performance?

48. Explain the term “business cycle” and its phases in brief.

49. What are the main theories of business cycle? Briefly discuss them.

50. What is the main difference between the New Classical and Neo-Keynesian models? Please explain.

51. Briefly discuss the intertemporal budget constraint.

52. Discuss what normal and inferior goods are. Give examples.

53. Shortly discuss income and substitution effect by giving real-life examples.

54. Jack and Jill both obey the two-period Fisher model of consumption. Jack earns a in the first period and b in the second period. Jill earns nothing in the first period and cin the second period. Both of them can borrow or lend at the interest rate *r.* You observe both Jack and Jill consuming d in the first period and e in the second period. What is the interest rate r?

55. Shortly discuss the three types of investment spending.

56. What are the roles and objectives of monetary and fiscal policy?

57. What are the drawbacks of barter economy?

58. All nominal interest rates are actually composed of three components. What are they? Please discuss them in brief.

59. Shortly discuss the roles of central banks.

60. What are the limitations of monetary policy?

61. What are the advantages and disadvantages of using the different tools of fiscal policy?

62. What are the difficulties in implementing fiscal policy? (Discuss recognition, impact and action lag)

63. Define import, export, comparative advantage and absolute advantage.

64. What are the benefits and costs of international trade?

65. Briefly discuss and compare *Ricardian and Heckscher–Ohlin Models of Comparative Advantage.*

66. Shortly discuss tariffs, quotas, VER and export subsidies.

67. Based on the graph showcasing the imports and effects of tariffs calculate the following:

a) The tariff and the tariff revenue

b) The loss in consumer surplus and the gain in producer surplus

c) The deadweight loss arising from the imposition of the tariff.

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68. Explain different types of regional trading blocs.

69. Discuss the balance of payment components (current account, financial account and capital account).

70. Briefly discuss the main objectives of IMF, WTO and World Bank Group.

71. Discuss the production function and explain what total factor productivity is.

72. What are the sources of economic growth?

73. What are the measures of sustainable growth? Discuss Solow growth model and labor productivity.

74. An economic forecasting firm has estimated the following equation from historical data based on the neoclassical growth model:

Potential output growth = a + b × Growth of labor + c × Growth of capital

1. The intercept (a) in this equation is *best* interpreted as:
2. The coefficient on the growth rate of labor (b) in this equation is *best* interpreted as:

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