Müəllimin adı: Sabina Taghiyeva

Fənnin adı: **Macro-economics**

Qrupun nömrəsi: 1082

**Mövzu 1: Introduction to Macro- economics**

1. What are main economic indices that Macroeconomics study? Please, elaborate on each.
2. Please, explain main points of Adam Smith’s theory
3. What is Keynesian Economics? Please, give description of 3 main tenets of the theory.

**Mövzu 2 : The Macro-economics indices**

1. What is the GDP and how it is calculated?
2. What are included into GDP calculation?
3. Please, explain what are real and nominal GDP and GDP deflator?
4. How Gross National Product (GNP) differ from GDP? Why they are being differentiated?
5. What is Consumer Price Index (CPI) and how it is calculated? What is the importance of CPI in economy?
6. How CPI is different from GDP deflator?

**Mövzu 3: Total production of Good and Services**

1. What is Marginal Product of Labor (MPL)? Please, explain diminishing return concept
2. Please, explain Euler’s theorem. (show how it is derived)
3. What is Cobb-Douglas production function? Why exactly it is the widely accepted form of production function?
4. Please, prove that Cobb-Douglas production function of F(K,L) =AKaL(1-a) is constant return to scale
5. Prove that MPK=aY/K
6. Prove that MPL =(1-a)Y/L

**Mövzu 4: Consumption of Good and Services**

1. Please, explain each element of spending equation: Y=C+I+G? Elaborate in details about consumption and investment functions
2. Please, explain savings and its relations with investments.
3. How interest rate changes when a) taxes are increased and b) government spending increased. Use graphs and provide reasoning.
4. How interest rate and saving react to change in demand for investment. Please, explain on graph.

**Mövzu 5: Money and Inflation**

1. What are the functions and types of money?
2. How money has evolved as a mean of transaction?
3. How quantity of money is controlled in the economy?
4. Please, explain the quantity theory of money
5. How does money supply affect the price level (inflation)?
6. Please, explain Fischer equation

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**Mövzu 6 & 7: Open Economy**

1. How output use situation ( Y= C+I+…..) is different from close economy model in open economy model. What is trade balance? How does saving differ in close and open economic models? ( please, explain on graphs)
2. What will happen to Net export if government increases national spending? (use graph for explanation convenience)
3. What will happen to Net Export if national taxes are reduced? (use graph for the convenience of explanation)
4. How will Net export in the country change if world rate increases? (use graph for the convenience of explanation)
5. How does net export change if local demand for investment increases? (use graph for the convenience of explanation)
6. Please, explain net export as a function of real exchange rate. What is effect of exchange rate on capital outflow (S-I)?
7. What happens to real exchange rate if government decreases national spending? (use graph for explanation convenience)
8. What happens to real exchange rate if national taxes are increased (use graph for the convenience of explanation)
9. What happens to real exchange rate if world consumption is increased? (use graph for the convenience of explanation)
10. What happens to real exchange rate if local demand for investment increased? (use graph for the convenience of explanation)

**Mövzu 8: Unemployment**

1. Please, explain reasons of frictional unemployment and the ways how government addresses it.
2. What is wage rigidity and how does it affect the unemployment. Why it has such critical impact?
3. Please, explain efficiency wage theory.
4. Please, explain possible effect of minimum wage on employment? (Use graphs)

**Mövzu 9: Economic Growth**

1. What is per capital production function and how does it graph look like? Why?
2. Please, explain per capita production and investment functions and their relation. (Use graph)
3. What is the depreciation and how it affects capital growth?
4. What is “steady state” and why economic equilibrium achieved at this point? (use graph for the convenience of explanation)
5. What happens to steady state point if saving rate increases? If decreases? Please graph.
6. What is Golden Rule of Capital? Please, explain formula
7. Please, explain why economic optimization is achieved at the point when MPK is equal to depreciation.

**Mövzu 10: Introduction to Economic Fluctuation**

1. Please, explain aggregated demand concept
2. How change in money supply affects aggregated demand? Why? Please, use graphs to explain.
3. Please explain what are aggregated supply, LRAS and SRAS?
4. When there is shock to Aggregated Demand (AD) that decreases it, what are equilibrium points in long and short run? How economy moves to its real equilibrium point. Use graph for explanation.

**Mövzu 11, 12, 13: Building IS & LM models**

1. What is marginal propensity to consume?
2. What are “Actual Expenditures” and “Planned expenditures”? Why they are being differentiated?
3. Please, explain what is Keynesian cross?
4. Why in Keynesian cross, equilibrium between “Actual Expenditures” and “Planned expenditures” can’t be achieved outside of equilibrium point?
5. What happens to Keynesian cross model when government expenditures are increased? How much is the change?
6. Please, explain government purchase and tax multipliers? Are they equal in effect? Why?
7. What happens to Keynesian cross model when taxes are decreased ? How much is the change?
8. What is IS curve? How it is formed?
9. What is the effect of the government expenditures increase on IS curve? (Please, use on graph)
10. What is the effect of increase in taxed on IS curve? (Please, use on graph)
11. Please, explain what are “liquidity preference”?
12. What happens if money supply is decreased in “liquidity preference” model? Use graph for explanation
13. Please, explain money demand function.
14. What is LM curve and how it is derived?
15. What happens to LM curve once money supply changes?
16. Why does IS curve slope downward and LM upward? What is economical explanation behind?

**Mövzu 14 & 15: Applying IS & LM models**

1. What does equilibrium point in IS – LM model show? Why it is important?
2. How do income and rate change in IS-LM model once government spending is increased?
3. How do income and rate change if money supply is increased?
4. What happens in IS-LM model when taxes are increased? Use graph to explain
5. What happens in IS-LM model if central bank holds interest rate constant once taxes are increased? Use graph to explain
6. What happens in IS-LM model if central bank raises money supply once taxes are increased
7. What happens to IS-LM equilibrium if government increases government purchase and taxes by equal amount?
8. Please, explain shocks and their effects in IS-LM model.
9. Please, explain the US recession case of 2001 from IS-LM respective