**MACRO-ECONOMICS**

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**Questions:**

1. What does Macroeconomic study?
2. Please, explain classical economic theory of Adam Smith?
3. What is Keynesian theory ?
4. What is the GDP and how it is calculated?
5. What are being included into GDP calculation?
6. Please, explain what are real and nominal GDP and GDP deflator?
7. How Gross National Product (GNP) differ from GDP?
8. What is Consumer Price Index (CPI)?
9. How CPI is different from GDP deflator?
10. What is unemployment rate?
11. What is Marginal Product of Labour (MPL)?
12. What is Marginal Product of Capital (MPK)?
13. What is Cobb-Douglas production function?
14. Please, prove that Cobb-Douglas production function of F(K,L) =AKaL(1-a)  is constant return to scale?
15. Prove that MPK=aY/K
16. Prove that MPL =(1-a)Y/L
17. What is consumption function?
18. Please, explain spending equation of Y=C+I+G?
19. What is investment function?
20. What are the functions and types of money?
21. How money has evolved as a mean of transaction?
22. How quantity of money is controlled in the economy?
23. Please, explain the quantity theory of money
24. How does money supply affect the price level (inflation)?
25. Please, explain Fischer equation?
26. How output use situation ( Y= C+I+…..) is different from close economy model in open economy model. What is trade balance?
27. How does saving differ in close and open economic models? ( please, explain on graphs)
28. What will happen to Net export if government increases national spending? (use graph for explanation convenience)
29. What will happen to Net Export if national taxes are reduced? (use graph for the convenience of explanation)
30. How will Net export in the country change if world rate increases? (use graph for the convenience of explanation)
31. How does net export change if local demand for investment increases? (use graph for the convenience of explanation)
32. What are nominal and real exchange rates. Please, explain connection
33. Please, explain net export as a function of real exchange rate. What is effect of exchange rate on capital outflow (S-I)?
34. What happens to real exchange rate if government decreases national spending? (use graph for explanation convenience)
35. What happens to real exchange rate if national taxes are increased (use graph for the convenience of explanation)
36. What happens to real exchange rate if world consumption is increased? (use graph for the convenience of explanation)
37. What happens to real exchange rate if local demand for investment increased? (use graph for the convenience of explanation)
38. What are unemployment and labor participate rate?
39. Please, explain reasons of frictional unemployment
40. How does government handle frictional unemployment?
41. What is wage rigidity and how does it affect the unemployment
42. Please, explain possible effect of minimum wage on employment?
43. Please, explain efficiency wage theory?
44. What is per capital production function and how it graph looks like? Why?
45. Please, explain per capita production and investment functions and their connection. ( please, graph)
46. What is the depreciation and how it affects capital growth?
47. What is “steady state” and why economic equilibrium achieved at this point? (use graph for the convenience of explanation)
48. What happens to steady state point if saving rate increases? If decreases? Please graph.
49. What is Golden Rule of Capital?
50. Please, explain why economic optimization is achieved at the point when MPK is equal to depreciation.
51. What is economic recession and how it is measured?
52. What are “leading indicators” signaling about expected recession?
53. Please, explain aggregated demand
54. How change in money supply affects aggregated demand? Why? Please, use graphs to explain.
55. Please explain what are aggregated supply, LRAS and SRAS?
56. Why aggregated supply is differentiated in long and short run? What causes it?
57. 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.
58. When there is external shock to economy as union and cartels that raises price level, how new equilibrium point would look like? Use graph to explain.
59. What is marginal propensity to consume?
60. Please, explain what is Keynesian cross?
61. What happens to Keynesian cross model when government expenditures are increased? How much is the change?
62. What happens to Keynesian cross model when taxes are decreased ? How much is the change?
63. What is IS curve? How it is formed?
64. What is the effect of a) government expenditures increase and b) increase in taxed on IS curve
65. What is the “liquidity preference”?
66. What happens if money supply is decreased in “liquidity preference” model? Use graph for explanation
67. What is LM curve and how it is derived?
68. What happens to LM curve once money supply changes?
69. What does equilibrium point in IS – LM model shows?
70. How do income and rate change in IS-LM model once government spending is increased?
71. How do income and rate change if money supply is increased?
72. What happens in IS-LM model when taxes are increased? Use graph to explain
73. What happens in IS-LM model if central bank holds interest rate constant once taxes are increased? Use graph to explain
74. What happens in IS-LM model if central bank raises money supply once taxes are increased?
75. Please, explain shocks and their effects in IS-LM model.