1. List reasons for government intervention to the market. Explain each of these reasons.
2. How might government intervene to the economy? Discuss each of the general approaches.
3. What are advantages of market economy from central planned economy? Does it always achieve efficiency in the economy? Why and why not?
4. Demand equation equals to Qdemand=1000-20\*P

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

Government decides 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. Demand equation equals to Qdemand=6000-30\*P

Supply equation equals to Qsupply=1000+20\*P

Government decides to intervene to the market and set quantity of good equal to 2500 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 the effect of price changes on budget constraint. Explain substitution and income effect. Show these effects graphically.
2. Explain why a consumer’s optimal choice is the point at which her budget constraint is tangent to an indifference curve?
3. A consumer consumes two goods x1 and x2. The utility function is given as following:

 U(x1, x2)=15\*x11/2x21/2

Compute the marginal utilities for x1 and x2 and briefly explain their characteristics. Compute MRSx1, x2 and interpret results.

1. Use production possibilities frontier to describe idea of efficiency.
2. A consumer consumes two goods x1 and x2. The utility function is given as following:

 U(x1, x2)=2\*x10.4x20.6

Compute the marginal utilities for x1 and x2 and briefly explain their characteristics. Compute MRSx1, x2 and interpret results. Is it diminishing marginal utility?

1. Discuss each type of externality with one example, such as negative production externality, positive production externality, negative consumption externality and positive consumption externality.
2. Separately explain the dead weight loss in social surplus due to negative production and positive consumption externality by the help of graph.
3. Discuss problems with Coasian solutions to internalize externality.
4. Briefly discuss distinctions between Price and Quantity Approaches to address Externalities.
5. How can government solve the problem of multiple plans with different reduction cost of externality? Explain your answer.
6. 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.

1. 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.

1. Why does government intervene to the publics goods market? List reasons and explain each of them.
2. Can private markets provide public goods efficiently? Why yes and why not?
3. When is private provision likely to overcome the free rider problem?
4. Private responses to public provision: The problem of crowd-out. Explain it.
5. 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?
6. Why is there a need for government intervention in case of monopoly? Explain reasons for inefficiency.
7. Discuss some antitrust laws in Azerbaijan toward regulating monopoly.
8. Discuss welfare cost of monopoly by the help of graph.
9. “The national debt is a huge burden on our economy.” How would you evaluate this
statement?
10. What is the impact of a change in government spending on aggregate demand and
economic equilibrium?
11. What is the impact of a lump-sum change in taxes on aggregate demand and
economic equilibrium? How does it differ from a change in government
spending? Give some examples of expansionary and contractionary fiscal policy.
12. What is meant by an automatic stabilizer? Give some examples of economic
institutions that function as automatic stabilizers.
13. What are some of the advantages and disadvantages of discretionary fiscal policy?
Give some examples of the use of discretionary fiscal policy.
14. How does an increase in exports affect economic equilibrium?
15. How would an increase in the trade deficit affect economic equilibrium?
16. Using the formulas and figures given in the text for the multiplier and tax
multiplier, calculate the effect on economic equilibrium of a government spending
level of 100 combined with a tax level of 100. What does this imply about the
impact of a balanced government budget on the economy?
17. Which of the following are examples of automatic stabilizers, and which are
examples of discretionary policy? Could some be both? Explain.
(a) Tax revenues rise during an economic expansion
(b) Personal tax rates are reduced
(c) Government spending on highways is increased
(d) Farm support payments increase
(e) Unemployment payments rise during a recession
18. Discuss demand-side effects of expansionary fiscal policy of government from Keynes perspective.
19. What is Keynes multiplier? Explain factors that may lower the effect of Keynes multiplier.
20. 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).
21. 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).
22. What are the neoclassic critiques of Keynes approach for expansionary fiscal policy?
23. Suppose exports (X) rise by 120 billion and imports (IM) rise by 200 billion,
resulting in an increase of 80 billion in the trade deficit. In an economy with an
mpc of 0.75, what will be the effect of these changes on economic equilibrium?
24. Discuss Ricardian equivalence of expansionary fiscal policy. Mention the main assumptions and principles of this model.
25. Describe the three attributes of monopolistic competition. How is monopolistic competition like monopoly? How is it like perfect competition?
26. 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.
27. 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?
28. 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?
29. How might advertising reduce economic well-being? How might advertising increase economic well-being?
30. How might advertising with no apparent informational content in fact convey information to consumers?
31. Explain benefits and costs that might arise from the existence of brand names.
32. 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
f. Produces the socially efficient quantity of output
33. Tax increases are generally politically unpopular. Would you ever be likely to favor a tax increase? Under what circumstances, if any, might a tax increase be beneficial to the economy?
34. Explain separately the effect of fiscal and monetary policy on long-run aggregate supply curve based on Keynes approach.
35. Explain separately the effect of fiscal and monetary policy on the short-run aggregate supply curve based on Keynes approach.
36. Discuss advantage and disadvantage of fiscal and monetary policy from perspective of changing Aggregate demand curve?
37. How does monetary policy influence Aggregate demand? Provide brief information about whole process.
38. Provide some examples about stabilization policy of government. What is the main goal of this policy?
39. Dicuss money and money aggregates. Explain money creation function of Central Bank with one example.
40. Discuss the long-run neutrality of money.
41. Discuss short-run nominal rigidities. List reasons.
42. What is the central bank creditability?
43. What is optimal interest-rate setting?
44. Discuss liquidity provision of central bank.
45. Discuss the price of liquidity.
46. Explain liquidity during stress times.
47. Explain yield curve. Provide an example.
48. 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.
49. Explain international linkage in the context of monetary policy.
50. Discuss the objectives of monetary policy.
51. Discuss the output stabilization and exchange-rate stability objective of monetary policy.
52. Discuss the financial stability objective of monetary policy.
53. Discuss the main threats of trade and logistic in Azerbaijan.
54. Criticize the idea of making Azerbaijan as a transportation hub in South Caucasus.
55. Provide brief information about the main ongoing infrastructure projects in Azerbaijan. (New Baku Sea Port, Baku-Tbilisi-Kars and etc.)
56. Discuss the main threats and weakness of agriculture sector in Azerbaijan.
57. Do you see any improvements in the export of agricultural products?
58. What are the main opportunities in agriculture sector?