Ahliman Abbasov- Introduction to Economics questions

1. Explain the role of economics as a science and distinguish positive and normative economics.
2. “People face tradeoffs”. Try to argue this statement.
3. “Governments can sometimes improve market outcomes”. Try to argue this statement.
4. “Economy faces a short run tradeoff between inflation and unemployment”. Try to argue this statement.
5. Indicate the core differences between market economy and planned economy, and argue which way of economic system may be efficient.
6. How does the concept of “invisible hand” work?
7. Introduce circular flow diagram and briefly explain how it works.
8. Indicate learning goals of two major subdivisions of economics.
9. Draw and explain production possibilities frontier for an economy that produces clothes and phones. Show a point that is impossible for the economy to achieve. Show a point that is achievable but inefficient.
10. Distinguish absolute andvantage from comparative advantage and indicate which one should be the base for trade.
11. Explain the concepts of opportunity cost and comparative advantage.
12. An American worker can produce 6 computers in a year. But his british counterpart can produce 3 computers in a year. An American worker can produce 10 tons of meat a year, whereas a British worker can produce 5 tons of grain a year.
13. Which country has an absolute advantage in producing computers and which country has an absolute advantage in producing meat.
14. Which country has a comparative advantage in producing computers and which country has a comparative advantage in producing meat.
15. Ali can produce 100 kg potatoes. He can also produce 220 kg onions. Draw the Ali’s production possibilities frontier for producing potatoes and onions. What is the opportunity cost of producing 1 kg potatoes.
16. Introduce the term of quantity demanded and factors that determine quantity demanded.
17. Introduce the law of demand and draw a typical demand curve.
18. When the demand curve shifts right or left? Indicate the factors that can shift the demand curve.
19. Introduce the term of quantity supplied and factors that determine quantity supplied.
20. Introduce the law of supply and draw a typical supply curve. Indicate the factors that can shift the demand curve.
21. Explain the concept of market equilibrium and illustrate it graphically.
22. Graphically illustrate and explain the causes of market surplus and market shortage.
23. Indicate graphically how the market equilibrium for black chocolate will change if consumers’ income decreases.
24. Indicate graphically how the market equilibrium for a good will change if the supply of this good increases because of the technological improvement.
25. Explain concepts of market, competition, competitive markets, monopoly and oligopoly.
26. Briefly explain how prices of related goods affect quantity demanded of a particular good.
27. Introduce the concept of indifference curve and graphically illustrate indifference curves for an economy producing .
28. State and explain the properities of indifference curves.
29. Introduce the concept of budget constraint and graphically illustrate budget constraint for a person with income of 1500 AZN who consumes ice-cream (price is 5 AZN) and chocolate (price is 10 AZN).
30. Graphically illustrate and explain apple and orange consuming person’s optimal consumption point by using budget constraint and indifference curves.
31. Graphically illustrate how income increase will change apple and orange consuming person’s optimal consumption point.
32. Graphically illustrate how apple and orange consuming person’s optimal consumption point will change if apple’s price will decrease. Try to distinguish income and substitution effects.
33. Define the concepts of positive and negative externalities. State an example for both cases.
34. Indicate graphically how socially desirable point differs from market equilibrium in the case of negative externality.
35. Indicate graphically how socially desirable point differs from market equilibrium in the case of positive externality.
36. Explain command-and-control and market based policies that governments may use to deal with externalities.
37. Explain Pigovean taxes.
38. Indicate how governments can internalize positive externalities.
39. Discuss labor demand for profit maximizing firm and indicate factors that may alter labor demand.
40. Discuss issues related to labor supply and state factors that may alter labor supply.
41. Explain graphically how equilibrium wages arise in the labor market. And show how the equilibrium wages will change in case of increased labor supply
42. Explain graphically how equilibrium wages arise in the labor market. And show how the equilibrium wages will change in case of increased labor demand.
43. Explain the concepts of production function and diminishing marginal product.
44. Suppose that the country has faced with huge amount of immigration. Explain what will happen to overall level of wages and land rentals?
45. Discuss the issues related to earning differentials that occur because of discrimination in the economy.
46. Indicate the situations that wages of particular groups will be determined over the equilibrium wages.
47. Indicate the factors that affect wage differentials in the economy.
48. State the differences of utilitarian, liberal and libertarian approaches of income distribution.
49. Discuss why it may be difficult to measure economic inequality in the society?
50. Discuss the possible public policy alternatives to reduce economic inequality in the society.
51. What are the pros and cons of in-kind transfers to the poor?
52. Introduce the concepts of poverty line and poverty rate.
53. What is CPI (consumer price index) and how is it calculated?
54. Suppose that the residents of a town spend all of their income on cola, bread, and apples. In 2001 they buy 100 bottles of cola for $200, 50 breads for $75, and 500 apples for $50. In 2002 they buy 75 bottles of cola for $225, 50 breads for $120, and 500 apples for $100. If the base year is 2001, what is the CPI in both years? What is the inflation rate in 2002?
55. Explain the concepts of *nominal interest rate* and *real interest rate.*
56. Indicate the problems that make the consumer price index an imperfect measure of the cost of living.
57. What are the basic differences between GDP deflator and CPI?
58. Introduce the concept of GDP deflator and the way it is calculated.
59. Discuss the issues related to indexation.
60. Identify the concepts of unemployment rate and labor-force participation rate.
61. Identify the term of unemployment and distinguish the categories of unemployment.
62. Explain frictional, structural and cyclical unemployment.
63. Discuss the theory of efficiency wages.
64. The Committee of Statistics announced that in December 2008, of all adult citizens, 2,900000 were employed, 1,100000 were unemployed, and 1,100000 were not in the labor force. How big was the labor force? What was the labor-force participation rate?
65. The Committee of Statistics announced that in December 2008, of all adult citizens, 2,900000 were employed, 1,100000 were unemployed, and 1,100000 were not in the labor force. What was the unemployment rate?
66. State the arguments that indicate the necessity of unions for the economy?
67. Define the term of GDP and distinguish nominal and real GDP.
68. Define the term of GDP and identify its components.
69. Explain nominal GDP, real GDP and GDP deflator.
70. A farmer sells tomato to a firm for $2. The firm uses the tomato to make tomato sauce, which is sold for $3. What is the total contribution of these transactions to GDP?
71. 5 years ago Ali paid $50 to buy an Economics textbook. Now after graduating university he decides to sell his textbook for newcoming Ahmad. Ahmad buys the textbook for 30$. How does this sale affect current GDP?

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| Year | Nominal GDP (in billions) | GDP deflator (base year 1997) |
| 2000 | 8,4 | 105 |
| 2001 | 10,2 | 110 |

1. What was the real GDP in 2000 measured by 1997 prices?
2. What was the growth rate of real GDP between 2000 and 2001?
3. Identify the term of productivity and state the main determinants of country’s productivity level?
4. Discuss the possible policy options to raise country’s productivity level.
5. Explain the concepts of catch-up effect and capital’s diminishing return.
6. Discuss the effects of foreign investment and free trade on the productivity growth.
7. Discuss the effects of education and research& development on the productivity level of a country.