**Introduction to macroeconomics**

1. What does macroeconomics study?
2. Explain the difference between microeconomics and macroeconomics.
3. Explain how economic activity, inflation and unemployment changes through business cycles.

**National Accounts. Measuring Output and Income**

1. What is GDP? Explain each component of expenditure approach GDP.
2. What is GDP? Explain each component of income approach GDP.
3. National income, Personal income, Personal disposable income.
4. How nation’s saving is calculated? What are the uses of nation’s saving?
5. Real and nominal GDP, GDP deflator. Explain why economists use Real GDP as a measure of economic well-being?
6. GNP versus GDP. In which cases there are significant differences between GDP and GNP?
7. Suppose than an economy consists of only two types of products: computers and automobiles. Sales and price data for these two products for two different years are as shown below. (Take 2000 as a base year) (2)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Quantity of computers | Price of computer | Quantity of cars | Price of car |
| 2000 | 1000 | $1000 | 100 | $15000 |
| 2010 | 2500 | $500 | 150 | $20000 |

Calculate Real and Nominal GDP for 2000 and 2010. Calculate average annual growth rate of Real GDP.

1. The below data is taken from NIPA of a hypothetical economy:

Net domestic investment=50

Depreciation=10

Government purchase of goods and services=70

GNP=240

Current account balance=15

long-run from viewpoint of Taxes=90

Government transfer payments to the domestic private sector=25

Interest from households to government =15

Interest from government to households=25

Income paid for factor of production (to the rest of the world) =12

Income paid for factor of production (from rest of the world) =15

Calculate the following:

1. Consumption
2. Net exports
3. GDP
4. NFP
5. Private saving
6. Government saving
7. National saving

**Fiscal policy**

1. Fiscal policy and its objectives. Instruments of fiscal policy. The impact of expansionary fiscal policy on aggregate demand.
2. Fiscal policy and its objectives. Instruments of fiscal policy. The impact of contractionary fiscal policy on aggregate demand.
3. Implication of Ricardian equivalence.
4. The Role of fiscal policy in the closed economy: Monetarist and Keynesian views.
5. Limitations of fiscal policy. Crowding-out effect.
6. The Effect of fiscal policy in the long-run from viewpoint of investment and inflation
7. The effect of Fiscal policy on Aggregate supply
8. Is government debt a burden for the economy?
9. Bring examples to automatic and discretionary fiscal policy.

**Goods market equilibrium**

1. Explain how equilibrium income and output is calculated. Show equilibrium income and output level on graph using Keynesian model
2. How Fiscal policy changes affect equilibrium income and output?
3. Budget surplus: Using graphical analysis explain relationship between income and budget surplus. State, whether increase in Government purchases of goods and services will increase or decrease budget surplus.
4. Explain the multiplier effect. Using numerical example, explain the difference between the multiplier effect of government purchase and multiplier effect of government transfers.
5. Suppose the consumption function is given by *C=*100+0.8Y, while investment is given by *I=*50. (2)
6. What is the equilibrium level of income in this case?
7. What is the level of saving in equilibrium?
8. If, for some reason, output is at the level of 800, what will the level of unplaned inventory accumulation be?
9. If *I* rises to 100, what will the effect be on the equilibrium income?
10. What is the value of the multiplier, α, here?
11. Draw a diagram indicating the equilibria in (a) and (d).

**Money and Money Market.**

1. Explain the relationship between monetary base, money multiplier and money supply.
2. Money demand function. Determinants of money demand .
3. Real and Nominal demand for money.
4. Equilibrium in money market. Liquidity preference theory
5. Determinants of Money supply.

**Monetary policy**

1. Expansionary monetary policy
2. Contractionary monetary policy
3. Long-run and short-run effect of monetary policy on goods market
4. Long-run and short-run effect of monetary policy on money market
5. Quantity theory of money

**Labor Market and aggregate supply**

1. The demand for labor and its Determinants. The labor demand curve: its Slope and Shifts.
2. The supply of labor. The slope and shifts of the labor supply curve. Labor market equilibrium. Real wage rate.
3. Explain the reason of the declining slope of production function.
4. Explain the impact of supply shock on labor demand.
5. Explain why labor supply curve may slope backward.

**Aggregate Demand and Aggregate Supply Model**

1. Why aggregate demand curve slopes upward?
2. Explain the reason of upward sloping supply curve in the short run.
3. Explain, why supply curve is vertical in the long run?
4. Explain short run macroeconomic fluctuations through AD-AS model.
5. Explain the effect of demand shocks in the short-run and in the long-run.

**IS-LM Model**

1. Derivation of IS curve from Keynesian cross.
2. Derivation of LM Curve from Liquidity-Preference Model.
3. How fiscal policy changes affect output level and interst rate at the same time?
4. How monetary policy changes affect output level and interst rate at the same time?
5. Suppose congress decided to decrease tax rates. Explainwhich type of monetary policy should Central Bank conduct in order to keep a)Income (output) b) interest rate constant?

**Inflation**

1. Explain reasons of inflation
2. Explain how government regulates inflation rate.
3. Explain negative effects of inflation on economy
4. Calculate increase in price level:

|  |  |  |
| --- | --- | --- |
|  | **2015** | **2016** |
| Hot-dog | $7.50 | $9.00 |
| coke | $1.50 | $2.00 |

1. Hyperinflation. Reason of hyperinflation. Negative effects of hyperinflation on economy.
2. Explain who are better off and who are worse off from unanticipated inflation.

**Unemployment**

1. Different types of unemployment: Explain the reason of each type.
2. Explain the policies that government uses in order to decrease cyclical unemployment.
3. Explain the policies that government uses in order to decrease natural unemployment.
4. Explain why unemployment rate can overstate and underestimate true level of unemployment?
5. Economic costs of unemployment. Okun’s law.

**International economy**

1. Give the definition of trade balance and explain how trade balance is affected from fiscal policy at domestic; foreign economy.
2. How changes in investment affects trade balance
3. What is exchange rate? Real and nominal exchange rates. Suppose 1AZN=0.56USD. Price of 1 kg apples is 1AZN in Azerbaijan and 3USD in US. Calculate real exchange rate.
4. Explain relationship between trade balance and real exchange rate. How real exchange rate is determined?
5. How fiscal policy at domestic and foreign economy affects real exchange rate?
6. The Impact of Protectionist Trade Policies on Real Exchange Rate
7. Exchange rate regimes.

**Economic growth.**

1. Give definition of the steady-state level of capital?
2. How does change in saving rate affect to steady state level of capital?
3. What is the Golden rule level of capital?
4. Explain the impact of population growth in Solow growth model.
5. Explain the impact of technological progress in Solow growth model.

**School of economic thoughts**

1. Briefly explain economic views of Classical, Keynesian and Monetarist school economists.
2. Briefly explain economic views of New Keynesian, Neoclassical, New Classical and Austrian school economists