**“Beynəlxalq İqtisadiyyat Məktəbi”**

**Makroiqtisadiyyat**

1. What does the Macroeconomics study?
2. What is the difference between Macro and Microeconomics?
3. Describe the phases of business cycles and explain how economy activity, inflation, unemployment changes during each phase.
4. Briefly explain 3 tools of monetary policy.
5. National income and product accounting. System of national account of Azerbaijan
6. What is GDP? What are the methods of measuring GDP? Thoroughly explain each component of GDP using expenditure method.
7. What is GDP? What are the methods of measuring GDP? Thoroughly explain each component of GDP using income method.
8. What is GDP? What are the methods of measuring GDP? Thoroughly explain product approach of measuring GDP.
9. National income, Personal income, Personal disposable income.
10. How nation’s saving is calculated? What are the uses of nation’s saving?
11. Real and nominal GDP, GDP deflator. Explain why economists use Real GDP as a measure of economic well-being?
12. GNP versus GDP. In which cases there are significant differences between GDP and GNP? Bring real world examples.
13. Explain how equilibrium income and output is calculated. Show equilibrium income and output level on graph using Keynesian model (Assume that Government and Foreign sector does not exist)
14. What is expenditure multiplier? How it is calculated? How is fluctuations in economic activity explained using expenditure multiplier?
15. Automatic stabilizers. Income tax as an automatic stabilizer.
16. How Fiscal policy changes affect equilibrium income and output?
17. 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.
18. For each of the following events, explain the short-run and long-run effects on output and the price level, assuming policymakers take no action: **a)** The stock market declines sharply, reducing consumers’ wealth; **b)** The federal government increases spending on national defense; **c)** A technological improvement raises productivity; **d)** A recession overseas causes foreigners to buy fewer U.S. goods.
19. Fiscal Policy and its Objectives. Instruments of the Fiscal Policy
20. Contractionary Fiscal Policy. Discretionary and Automatic Fiscal Policy.
21. The below data is taken from NIPA of a hypothetical economy:

Gross private domestic investment=40

Government purchase of goods and services=30

GNP=200

Current account balance=-20

Taxes=60

Government transfer payments to the domestic private sector=25

Interest (from government to the domestic private sector) =15

Income paid for factor of production (to the rest of the world) =7

Income paid for factor of production (from rest of the world) =9

Calculate the following:

1. Consumption
2. Net exports
3. GDP
4. NFP
5. Private saving
6. Government saving
7. National saving
8. 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)

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

1. Calculate Real and Nominal GDP for 2000 and 2010.
2. Calculate average annual growth rate of Real GDP.
3. Company A builds $2 000 000 worth computer components during current year. Company A’s costs are: $1 000 000-labor; $100 000-interest on debt; $200 000-taxes.

Company A sells its components to Company B, which produce computers. The cost of each computer is $800 000: $500 000-cost of comp. component; $200 000- labor costs; $100 000-tax.

Company B sells each of its computers for $1 000 000. During current year, Company B have sold only 3 computers, worth of $3 000 000.

Assuming, the economy consist of these 2 companies, calculate GDP using all 3 approaches and show that they are identical.

1. Suppose we have an economy described by the following functions:

C=50+0.8YD

I=70

G=200

TR=100

T=0.20

1. Calculate the equilibrium level of income and the multiplier in this model.
2. Calculate also the budget surplus, BS.
3. Suppose that t increases to0.25. What is the new equilibrium income? The new multiplier?
4. Calculate the change in the budget surplus. Would you expect the change in the surplus to be more or less if c=0.9 rather than 0.8?
5. Suppose the consumption function is given by *C=*100+0.8Y, while investment is given by *I=*50.
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 unvoluntary 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).
12. How banks create money? Deposit multiplier.
13. Labor market with flexible wages. Long run aggregate supply curve: its determinants, slope and causes for shifts. Long run aggregate supply and economic growth.
14. The Effect of fiscal policy in the long-run from viewpoint of investment, inflation and net export.
15. The effect of monetary policy on output and price level in the long-run.
16. Explain the multiplier effect. Using numerical example, explain the difference between the multiplier effect of government purchase and multiplier effect of government transfers.
17. Supply of loanable funds. Equilibrium in loanable funds market.
18. An economy is in long -run macroeconomic equilibrium when each of the following aggregate demand shocks occurs. What kind of gap—inflationary or recessionary—will the economy face after the shock, and what type of fiscal policies would help move the economy back to potential output? How would your recommended fiscal policy shift the aggregate demand curve?
19. A stock market boom increases the value of stocks held by households.
20. Firms come to believe that a recession in the near future is likely.
21. Anticipating the possibility of war, the government increases its purchases of military equipment.
22. The quantity of money in the economy declines and interest rates increase.
23. Fiscal policy and its objectives. Instruments of fiscal policy. The impact of expansionary and contractionary fiscal policy on aggregate demand.
24. The demand for labor and its Determinants. The labor demand curve: its Slope and Shifts.
25. Limitations of fiscal policy. Crowding-out effect.
26. The causes of positive slope of aggregate supply curve in the short runs: price rigidity, wage rigidity, workers misperceptions.
27. Monetary base. Money supply. Money multiplier.
28. The Role of fiscal policy in the closed economy: Monetarist and Keynesian views.
29. The supply of labor. The slope and shifts of the labor supply curve. Labor market equilibrium. Real wage rate.
30. Because of an economic slowdown, the Federal Reserve Bank of the United States lowered the federal funds rate from 4.25% to 2.00%. The idea was to provide a boost to the economy by increasing aggregate demand.
31. Use the liquidity preference model to explain how the Federal Reserve Bank lowers the interest rate in the short run. Draw a typical graph that illustrates the mechanism.
32. Explain why the reduction in the interest rate causes aggregate demand to increase in the short run.
33. Demonstrate the effect of the policy measure on the *AD* curve. Use the *LRAS* curve to show that the effect of this policy measure on the *AD* curve, other things equal, causes the aggregate price level to rise in the long-run.
34. In each of the following cases, either a recessionary or inflationary gap exists. Assume that the aggregate supply curve is horizontal, so that the change in real GDP arising from a shift of the aggregate demand curve equals the size of the shift of the curve. Calculate both the change in government purchases of goods and services and the change in government transfers necessary to close the gap.
35. Real GDP equals $100 billion, potential output equals $160 billion, and the marginal propensity to consume is 0.75.
36. Real GDP equals $250 billion, potential output equals $200 billion, and the marginal propensity to consume is 0.5.
37. Real GDP equals $180 billion, potential output equals $100 billion, and the marginal propensity to consume is 0.8.
38. Money supply and its determinants. Money market equilibrium. Liquidity-preference theory.
39. Ricardian equivalence.
40. Demand for money. Determinants of the demand for money: Price level, Real GDP and interest rate.
41. Because of high unemployment and low output the economy experiences a recession.
42. Draw a graph of aggregate demand and aggregate supply to illustrate this situation.
43. Identify an open-market operation that would restore the economy to its natural rate.
44. Draw a graph of the money market to illustrate the effect of this open-market operation. Show the resulting change in the interest rate.
45. Draw a graph similar to the one in part (a) to show the effect of the open-market operation on output and the price level. Explain in words why the policy has the effect that you have shown in the graph.
46. The difference between money market and loanable funds market.
47. Monetary Policy, its goals and targets. The tools of monetary policy: the required reserve ratio. The discount rate. The open market operations.
48. How changes in money supply via changes in the interest rate affect investment demand and thus aggregate demand, that in turn influences real output and price level?
49. The causes of positive slope of aggregate supply curve in the short runs: price rigidity, wage rigidity, workers misperceptions.
50. The effect of money supply on interest rate in the long-run.
51. Types of financial assets: Money, Stocks, Bonds.
52. Population and Labor Force. Labor Force Participation Rate. Rate of Unemployment and its Drawbacks as a Measure of Unemployment.
53. Types of Unemployment: Frictional, Structural and Cyclical. Natural rate of unemployment
54. Causes of different types of unemployment.
55. Individual and social costs of unemployment
56. Unemployment and output. Okun’s law
57. Ways of reducing unemployment
58. Inflation and its Measurement
59. Quantity theory of money.
60. Causes of inflation. Demand pull and cost push inflation.
61. Types of Inflation: Creeping, Galloping and Hyperinflation. What may cause hyperinflation in the economy?
62. Costs of inflation.
63. Anticipated and unanticipated inflation. Who are winners and losers of unanticipated inflation? Why?
64. Economic growth. Rule of 70
65. Determinants of Economic Growth.
66. Economic growth theories.
67. Balance of Payments and its structure. BoP accounts
68. Real and nominal exchange rates.
69. International trade restrictions.
70. International trade restrictions: Tariff. The effect of tariff on domestic market. Winners, losers and social cost from tariff.
71. Import quota. The effect of import quota on domestic market. Winners, losers and social cost from import quota.
72. Protectionism and its arguments
73. Saving and investment in the closed and open economy
74. Exchange rate regimes.
75. A typical family in your country consumes only juice and cloth. Last year, which was the base year, the family spent $40 on juice and $25 on cloth. In the base year, juice was $4 a bottle and cloth was $5 a length. This year, juice is $4 a bottle and cloth is $6 a length. Calculate:
* The Consumer basket;
* The CPI in the current year;
* The inflation rate in the current year.