EXAMINATION CARDS

on the discipline “MACROECONOMICS”
for the 4 year students, group All.

1) What is a market-clearing model? When is the assumption of market clearing appropriate?
2) Suppose that you lend your flatmate €100 for one year at 9 percent nominal interest.
   a. Suppose at the end of the year, you are surprised to discover that the actual inflation rate over the year was 8 percent. What was the actual real interest rate generated by this loan?
   b. In the case described above, actual inflation turned out to be higher than expected. Which of the two of you had the unexpected gain or loss? Your flatmate (the borrower), or you (the lender)? Why?
3) Oil and Gas reserve is it guarantee for future successful development for the country? How can we calculate economic growth? Give examples
5) Can a financial institution keep borrowers from engaging in risky activities if there are no restrictive covenants written into the loan agreement? Discuss.
6) How does the economy’s behavior in the short run differ from its behavior in the long run? Examples.
7) Why the aggregate demand curve slopes downward? Examples.
8) Can a financial institution keep borrowers from engaging in risky activities if there are no restrictive covenants written into the loan agreement? Discuss.
9) Exam the price of imports relative to exports.
10) Review an excess of imports over exports, causing net exports to be negative.
11) Why do commercial banks object the brokerage houses’ being allowed to offer many of the same services traditionally reserved for banks? Discuss.
12) What effect might a fall in stock prices have on business investment? Discuss.
13) Consider an economy described by the following equations:
   \[ Y = C + I + G, \]
   \[ Y = 5,000, \]
   \[ G = 1,000, \]
   \[ T = 1,000, \]
   \[ C = 250 + 0.75(Y - T), \]
   \[ I = 1,000 - 50r. \]
   a. In this economy, compute private saving, public saving, and national saving.
   b. Find the equilibrium interest rate.
14) For the aggregate production function, \( Y = K^\alpha L^{1-\alpha} \) where \( K \) is capital and \( L \) is labor, \( 0<\alpha<1 \), suppose that the capital stock increases by 10%. What happen to the total output?
15) Japan’s government spends roughly as much money on health care as the Japanese people spend on computers. Discuss.
16) The government cuts taxes by T100 billion. If the consumption function is linear, \( C = a + b(Y - T) \), where \( b \) is marginal propensity to consume and \( b = 0.6 \) what happens to public saving? Calculate and discuss.
18) What are the key facts about economic fluctuations? Describe.
19) When policymakers want to achieve political goals they use the same economic data in different scales. Why? Discuss.
20) What does Macroeconomics study? Discuss.
21) The residents of a certain dormitory have collected the following data: People who live in the dorm can be classified as either involved in a relationship or uninvolved. Among involved people, 10 percent experience a breakup of their relationship every month. Among uninvolved people, 5 percent will enter into a relationship every month. What is the steady-state fraction of residents who are uninvolved?
22) Suppose you are advising a small country (such as Bermuda) on whether to print its own money or to use the money of its larger neighbor (such as the United States). What are the costs and benefits of a national money? Does the relative political stability of the two countries have any role in this decision?
23) Explain how a competitive, profit-maximizing firm decides how much of each factor of production to demand.
24) In the country of Wiknam, the velocity of money is constant. Real GDP grows by 6 percent per year, the money stock grows by 15 percent per year, and the nominal interest rate is 12 percent. What is the real interest rate?
25) Suppose that Congress passes legislation making it more difficult for firms to fire workers. (An example is a law requiring severance pay for fired workers.) If this legislation reduces the rate of job separation without affecting the rate of job finding, how would the natural rate of unemployment change? Do you think that it is plausible that the legislation would not affect the rate of job finding? Why or why not?
26) Explain what happens to consumption, investment, and the interest rate when the government increases taxes.
27) Suppose that a country experiences a reduction in productivity—that is, an adverse shock to the production function.
   a. What happens to the labor demand curve?
   b. How would this change in productivity affect the labor market—that is, employment, unemployment, and real wages—if the labor market were always in equilibrium?
   c. How would this change in productivity affect the labor market if unions prevented real wages from falling?
28) If more customers want to borrow funds at the prevailing interest rate, a financial institution can increase its profits by raising interest rates on its loans. Is this statement true? Discuss.
29) Is it possible to make money if you know that the price of a security will fall in the future? How? Discuss.
30) What does the consumer price index measure?
   1. What is the value of the CPI in 2003?
   2. What is the value of the CPI in 2004?
   3. What is the inflation rate in 2004?