## QUESTIONS

These questions allow students to immediately test their understanding of the topic just finished:

### “Measuring aggregate production and income”

1. Explain the difference between:
    a. Domestic Product and National Product.
    b. National Income and Disposable Income.
    c. Assessments at market prices and assessments at factors prices.

2. May the gross inversion be negative? What about the net inversion? Argue your answer.

3. Point out whether the following sentences are true or false:
    a. The GDP is always lower than the NDP
    b. The GNP is always higher than the GDP

4. Explain the difference between the CPI and the GDP deflator.

5. The owner of a service agency which specializes in services to dependent people buys a computer, a working table, an armchair, four chairs, a printer, print cartridges, pens, pencils, paper sheets and folders. Which of these expenses may be an inversion spending?

6. Which of the consumer goods you usually buy are subject to depreciation? Could you estimate the yearly value of depreciation?

7. How can you get the Adjusted Disposable Income from the National Income?

### “An aggregate supply-aggregate demand model”

1. Suppose MPS rises, what do you expect about the MPC? And the multiplier?

2. Investment spending: definition and determinants.

3. Comment the following sentence “As the income rises, consumption rises but the APC falls”.

### “Financing the economy”

1. Explain the difference between fiat money and bank money

2. Explain the difference between money and currency in circulation (cash).

3. What is M1? Do you know any other monetary aggregates?

4. What is the liquidity of an asset? Put some examples and order them by grade of liquidity

5. Are checks money? Why? What about debit cards? And credit cards?

**“Economic policy”**

1. If the MPS rises, explain what happens with the government spending multiplier.
2. Fiscal policy: concept and instruments.
3. The budget balance and financing the budget deficit.
4. Explain the role of government in determine the aggregate demand of an economy.
5. Explain the effects on GDP of an increase in direct taxes on households’ income.
6. Monetary policy: concept, targets and instruments.
7. Point out some reasons why you are willing to hold (part of) your wealth as money.
8. When is the monetary policy unhelpful to increase the aggregate output? Why?