1. a) What is the main difference between microeconomics and macroeconomics?
   b) Is Keynesian economics primarily located within the domain of microeconomics or macroeconomics. Justify your answer.

   Check econ lecture 1 slide 7 for the main points on the difference between micro and macroeconomics and slide 11 for Keynesian economics.

   a) For the difference between micro and macroeconomics, a good answer will touch upon how microeconomics has a focus on individual level economic units and how they model their economic behaviour as an optimization exercise and how macroeconomics focuses on economic aggregates. The answer should also mention that macroeconomics does not simply involve an aggregation of micro agents and their behaviour but incorporates interaction and feedback effects.  A good answer gets a 3 and less satisfactory answers get a 2 or 1.
   b) Keynesian economics is in the domain of macroeconomics as it deals with economic aggregates like investment, national output and unemployment.

   An answer which has both points ie Keynesian economics as macroeconomics and why gets a 3. Only macroeconomics gets 2.

   b) Explain how behavioural economics attempts to improve on neoclassical economics in modeling human behaviour                    4+3+8

Check Chang textbook chapter 4 section on behavioural economics ( pages 73-75 in ebook) and lecture 1 slide 13.

A good answer gets a 6. An excellent answer gets 7.

- Three important points: i) modeling human behaviour as they actually are going beyond the neoclassical notion that human beings always behave in a selfish and rational way. ii) Behavioural economics goes into experimental verification or investigation of behavioural patterns. Iii) Using the concept of bounded rationality-rational decision making within the limits of information deficiency and computational constraints faced by the human mind. This is in opposition to the neoclassical notion of perfect rationality
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2. a) What is the gross domestic product ( GDP) of an economy?
   b) How can we compare GDP for several countries in the same year?
   c) What are the main limitations of GDP as a measure of welfare?
                                                                                           3+5+7

Check lecture 2 slides 3 -5

a) Follow definition given in class. Correct definition gets full marks. One mark deducted for missing **'final'** goods and services in the definition and one mark for '**monetary**' value of final goods and services.

b) Explain the PPP adjustment process clearly. Excellent answers that uses a numerical example gets a 5. For a good answer without example, 4. Less for less complete answers.

c) There are five points of limitations on slide 5, each will carry 1 mark except the last one which will carry 2 marks ( the point about ignoring inequality or distribution). Complete answer gets 6. Very rarely, an answer which gives explanations for each point can be considered for full 7 marks.