

# Economics Workshop

## Topic 10: Macroeconomic Environment

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1. State the four major macroeconomic objectives.
2. Give examples of macroeconomic policy instrument
3. Draw the circular flow of income diagram of the economy, including all sectors
4. Define the following:
  - (a) Aggregate demand
  - (b) Transfer payments
  - (c) Net savings
  - (d) Consumption of domestically produced goods and services.
5. Explain the effect of an increase in injections on the four macroeconomic objectives
6. You are given the following information for an economy:

Consumer expenditure	\$160 m
Investment expenditure	\$40 m
Government expenditure	\$80 m
Exports	\$40 m
Imports	\$60 m
Net income from overseas	\$20 m

What is the total value of this economy's GDP?

7. Assume that the multiplier has a value of 3. Now assume that the government decides to increase aggregate demand in an attempt to reduce unemployment. It raises government expenditure by \$100 million with no increase in taxes. Firms, anticipating a rise in their sales, increase investment by \$200 million, of which \$50 million consists of purchases of foreign machinery. How much will GDP rise?
8. What are the two main causes of inflation?
9. A country has a total population of 100 million, an employed workforce of 80 million, and an unemployed workforce of 5 million. What is the unemployment rate?
10. The military stops buying homing pigeons and instead starts sending telegraphs. The resulting unemployment in the pigeon breeding industry is