

## Some Basic Questions on the First Lecture

1. Broadly speaking what is macroeconomics?
2. Draw a circular flow and explain the difference between the outside flow and the inside flow.
3. Why are national income and GDP roughly the same thing?
4. What is Say's Law and how is it related to the circular flow diagram?
5. According to the classical economists, money is neutral – explain why they felt this?
6. What is nominal GDP and how do we calculate it? What is real GDP and how do we calculate it? What is the GDP deflator and how is it constructed?
7. The growth in nominal GDP can be broken down into two components. What are these and how are they calculated?
8. Very high inflation is called hyperinflation. What causes hyperinflation in some countries?
9. Classical economists felt a gold standard was good. Why did this make monetary policy virtually impossible?
10. The classical economists believed the economy would self-correct to equilibrium. Give three channels how this would occur.