

# MACROECONOMICS

## Syllabus

Course No.: MGT 206

Nature of the Course: Compulsory

Full Marks: 100

Pass Marks: 35

Lecture hour: 150

### Course Objectives:

This course of macroeconomics aims to enhance understanding of students on the macroeconomic theories and develop skills of students in using these theories in business decision making under different economic environment:

### Course Description:

This course of macroeconomics makes students capable to understand macroeconomic theories and contemporary macroeconomic issues in reference to Nepal. This course consists of introduction to macroeconomics, national income accounting, classical theory of employment, Keynesian macroeconomics, inflation, business cycles, monetary theory and policy, government finance and fiscal policy and contemporary issues in references to Nepal.

### Contents

#### Unit 1: Introduction to Macroeconomics

LH 8

- Meaning, scope, uses and limitations of macroeconomics
- Difference and interdependence between macro and microeconomics
- Concept of new classical school and new Keynesian School
- Macroeconomic concept: Stock and flow variables; Equilibrium and disequilibrium; Static, comparative static and dynamic analysis

#### Unit 2: National Income Accounting

LH 20

- Circular flow of income and expenditure in two sector, three sector and four sector economy
- Meaning of national income
- Different concept of national income: GDP, NDP, GNP, NNP, national income at factor cost (NI), personal income (PI), disposable personal income (DI), per capita income (PCI)
- Real and nominal GDP, GDP deflator
- Computation of National income: Product, Income and Expenditure method
- Difficulties in measurement of national income
- Importance of national income accounting

*(Numerical exercise)*

**Unit 3: Classical Theory of Employment**

LH 7

- Concept and types of unemployment
- Say's law of market and its implications
- Determination of equilibrium level of employment and output under classical theory.
- Critical evaluation of classical theory

*(Numerical exercise)***Unit 4: Keynesian Macroeconomics**

LH 30

- Keynesian theory of employment: Principle of effective demand
- Consumption function: Concept, classification, Psychological law of consumption, determinants of consumption function
- Saving function: Concept, classification, determinants of saving and paradox of thrift
- Investment function: concept and types of investment, Marginal efficiency of capital, investment demand curve, determinant of investment
- Income and output determination in two sector economy
- Investment Multiplier: Concept, income generation process, leakages and criticism

*(Numerical exercise)***Unit 5: Income determination (IS-LM) model: Hicks-Hansen Approach**

LH 8

- An Introduction to Product market equilibrium (derivation of IS curve),
- Money market equilibrium (derivation of LM curve),
- General equilibrium in the product market and the money market

**Unit 6: Inflation**

LH 14

- Meaning and types of inflation
- Measurement of inflation through consumers price index (CPI)
- Demand pull inflation and cost push inflation: concept and causes
- Effects of Inflation
- Anti inflationary measures
- Inflation and unemployment: Phillips curve
- Concepts of Deflation and Stagflation

*(Numerical exercise)***Unit 7: Business Cycles**

LH 8

- Concept, types and characteristics of business cycle
- Phases of business cycle
- Measures to control business cycle

**Unit 8: Monetary Theory**

LH 15

- Money supply: Concept and determinants
- Demand for money: Keynesian approach
- Money market and capital market: Meaning and function
- Monetary Policy: Concept, types, objectives and instruments of monetary policy
- Exchange rate: Determination of equilibrium exchange rate under fixed and flexible exchange rate system

**Unit 9: Government Finance**

LH 15

- Government budget: Concept, classification, and component and Government budget
- Deficit financing: Concept, objectives and methods of deficit financing
- Fiscal policy: Concept, types, objectives and instruments of fiscal policy

**Unit 10: Contemporary Issues (with reference to Nepal)**

LH 25

- Privatization, Liberalization and Globalization: Concepts, benefit and defects
- Foreign direct Investment: Benefit, defects and current status of Nepal
- Economic growth and Development: Concept and sources of economic growth
- Foreign employment: Benefits, defects and current status of Nepal
- Poverty: Concept, types, causes and remedies
- Economic inequality: Concept, causes and remedies

**Suggested Books**

- Ackley, Gardener. (1978). *Macroeconomics: Theory and Policy*. New York: Mac Milan Publishing Co.
- Ahuja, H.L. (1997). *Macroeconomic Theory and Policy*. New Delhi: S. Chand and Company Branson,
- William H. (1992). *Macroeconomic Theory and Policy*.  
New Delhi: Universal Book Stall Dornbusch, Rudiger and Stanley Fischer. (1981).  
*Macroeconomics*. New York: McGraw-Hill Book Company
- Dwivedi, D.N. (2001). *Macroeconomic Theory and Policy*. Tata McGraw-Hill Publishing Company, Limited, New Delhi
- Jhingan, M.L. (2004). *Macroeconomics*. New Delhi: Vrinda Publication (P) Ltd.
- Joshi, Shyam. (2012). *Business Economics*. Kathmandu: Taleju Prakashan.
- Mankiw, N. Gregory. (2009). *Principles of Macroeconomics*. Cent age Learning India Private Limited, New Delhi (4th edition)
- Publications of NRB, CBS, MOF Shapiro, Edward. (2004). *Macroeconomic Analysis*. New Delhi: Galgotia Publication (P) Ltd.
- Singh, S.K. (1996). *Public Finance in Theory and Practice*. New Delhi: S. Chand and Company Ltd.

### Model Question - 2070

Full Marks: 100

Pass Marks: 40

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

*Attempt All Questions*

#### Group 'A'

#### Brief Answer Questions

[2 x 10 = 20]

1. What is Macro Economics?
2. If  $C = 50 + 0.90Y_d$  and  $I = 65$

Where, C = consumption  
 $Y_d$  = disposable income  
 I = Investment

Find the level of income and consumption at equilibrium.

3. Explain any two objectives of fiscal policy.
4. Calculate investment multiplier if MPC  $\frac{1}{2}$ ,  $\frac{2}{3}$ ,  $\frac{3}{4}$ ,  $\frac{4}{5}$ .
5. Point out the causes of poverty in Nepal.
6. Define IS curve.
7. Why does saving curve slope upward?
8. What is speculative demand for money?
9. Explain any two benefits of foreign direct investment.
10. Point out the difficulties to measure national income.

#### Group - 'B'

#### Short Answer Questions (Attempt any FIVE).

[5x10 = 50]

11. Saving is vice not virtue? Explain
12. What is trade cycle? Explain the prosperity phase of trade cycle.
13. Define GDP and GNP and calculate GDP at market price and at factor cost from the following data.

Items	Rs. In corers
Net Indirect Taxes	38
Depreciation	34
Net income from abroad	-3
Rent	10
Profit	25
Interest	20
Wages and salaries	170
Employer's contribution to social security scheme	30
Mixed Income	5

14. What is privatization? What are its benefits?

[3+7]

15. Complete the following table and answer the given question.

Y	C	S	APC	MPC	APS	MPS
0	50	-	-	-	-	-
100	125					
200	200					
300	275					
400	350					
500	425					
600	500					

From the above table explain relationship between APC & MPC. [5+5]

16. What is investment? Discuss the important determinants of investment. [3+7]

**Group 'C'**

**Comprehensive Answer Questions (Attempt any Two) [2 x 15 = 30]**

17. Explain the Keynesian theory of employment. What criticisms had been made against this theory? [12 + 3]
18. What is inflation? Suggest the measures to control inflation. [3 + 12]
19. What is economic growth? Explain the sources of economic growth with reference to Nepal. [3 + 12]

**TU Exam – 2072**

**Group 'A'**

**Brief Answer Questions**

[10 x 2 = 20]

**Attempt ALL questions.**

- Define macro dynamics.
- Compute MPC when  $\Delta Y_d = 50$  and  $\Delta C = 20$ .
- Point out any four objectives of fiscal policy.
- Show the equilibrium of IS-LM in diagram.
- Point out the propositions of psychological law of consumption described by Keynes.
- Prove that the sum of APC and APS is equal to unity.
- Point out the benefits of foreign employment.
- What are the various phases of trade cycle?
- Define voluntary unemployment.
- If the GDP deflator for 2012–2013 = 275 and GDP deflator for 2013–2014 = 300 what will be the rate of inflation?

**Group 'B'**

**Short Answer Questions**

[5 x 10 = 50]

**Attempt FIVE questions.**

- Explain the Keynesian theory of employment.
- Explain cost-push inflation.

13. What are the various sources of government revenue?
14. With the help of following information calculate  $GDP_{MP}$ ,  $GNP_{MP}$  and  $NNP_{MP}$  by using both Income and Expenditure method.

Items	Rs. in Billion
Interest	590
Proprietor's income	484
Corporate profit	598
Net exports	-134
Consumption expenditure	5164
Capital consumption allowance	878
Indirect business taxes	676
Compensation of employees	4746
Rents	28
Gross private investment	1340
Government purchases of goods and services	1630

15. Define investment. What do you mean by induced and autonomous investment? [2+8]
16. If the consumption and investment are given as  $C = 860 + 0.8Y$  and  $I = 70$
- What will be the equilibrium income? [4]
  - Calculate the value of multiplier. [2]
  - If autonomous investment increases by 20 what will be the new equilibrium income? [4]

Group 'C'

**Long Answer Questions**

[2 x 15 = 30]

*Attempt TWO questions.*

17. Describe the circular flow of income and expenditure in two sector economy.
18. Explain the depression [phase of trade cycle. How can it be removed by the fiscal policy?
19. Define privatization. What are its advantages and disadvantages in developing countries like Nepal?

## Unit 1: Introduction to Macroeconomics

### Brief Answer Questions

1. What is macroeconomics?
2. What are the scopes of macroeconomics?
3. Distinguish between macro statics and macro dynamics?
4. What is new Keynesian school of thought?
5. What is new classical school of thought?
6. What are stock variables?
7. What are flow variables?
8. Define macroeconomics as economics of aggregates.
9. State the basic theories of macroeconomics.
10. What are the goals of macroeconomic policies?
11. What is the importance of macroeconomic analysis in business decision?
12. Give graphical sketch of macro dynamics.
13. What are the types of macroeconomics?
14. Define macro statics.
15. Sketch the figure of comparative macro statics.

### Short Answer Questions

1. Explain the scope of macroeconomics.
2. What are the uses of macroeconomics in business decision making?
3. Describe the limitation of macroeconomics.
4. Define macroeconomics. Write the difference between macro and microeconomics.
5. Microeconomics and macroeconomics are complementary to each other explain.
6. Explain about the concept of new classical school and new Keynesian school.
7. Describe comparative macrostatic and macrodynamic with the help of diagram.

### Comprehensive Answer Questions

1. Explain and illustrate the concepts of static analysis and dynamic analysis.
2. Define macroeconomics. Describe the importance of macroeconomics.
3. Explain and illustrate the concepts of static analysis and comparative macro static analysis.
4. "Although microeconomics differs from macro economics, they are also interdependent". Elucidate.
5. What is meant by the term 'macroeconomics'? Explain the scope of macroeconomics.

## Unit 2: National Income Accounting

### Brief Answer Questions

1. What is circular flow of income and expenditure?
2. What do you understand by two - sector economy?
3. Define the three sector economy in short.
4. What are the conditions for existence of four - sector economy?

5. How national income does represent as summary statement of an economy? State in brief.
6. What is national income?
7. Define the receipts from abroad and payments to abroad.
8. How do you obtain the value of Net National Product?
9. Distinguish the potential income from that of actual income of a nation.
10. State the concept of Personal Disposable Income in brief.
11. What types of values are included in operating surplus?
12. What do you understand by compensation of employees?
13. Define the mixed income.
14. What is GDP deflator?
15. Define GDP.
16. What is NNP?
17. Define nominal GDP and real GDP.
18. Transfer payments are excluded from GDP. Why?
19. Draw a diagram of circular flow of income and expenditure in two sector economy.
20. Define national income at current prices.

**Short Answer Questions**

1. How do you compute the national income from the production approach?
2. How the national income is computed from the expenditure approach?
3. Explain with illustration the value added approach of calculating GNP.
4. Explain the various concepts of national income.
5. What is national income? Discuss the different methods used in the measurement of national income.
6. Explain the concepts of gross domestic product (GDP), gross national product (GNP), national income (NI) and personal income (PI).
7. Distinguish between the concepts of gross national product (GNP) and gross domestic product (GDP).
8. Show with the help of appropriate explain how value added method solves the problem of double counting in the calculation of national income.
9. Distinguish between the concepts of personal income (PI) and disposable income (DI).

**Comprehensive Answer Questions**

1. What are the practical difficulties of computing national income? Is it more difficult in under developed countries? Give reasons for our answers.
2. Define national income. How is national income computed by product approach income approach and expenditure approach?
3. Define the concepts of GNP, NNP and NI. Which one of these three macroeconomic concepts is the best measure of the performance of an economy and why?
4. Define national income. Distinguish between GDP and GNP.



### Unit 3: Classical Theory of Employment

#### Brief Answer Questions

1. Name the economist associated with the statement 'supply creates its own demand'.
2. In which type of economy Say's law may be valid?
3. Name the law on which the classical theory of employment is based.
4. What are the two ways to secure full employment according to classical theory?
5. Which one is the real problem - voluntary or involuntary unemployment?
6. What is meant precisely by unemployment?
7. Classical theory assumes that there is full employment in the economy. Does it imply the absence of even voluntary unemployment?
8. What is open unemployment?
9. What is meant by disguised unemployment?

#### Short Answer Questions

1. Define unemployment. Explain the various types of unemployment.
2. Explain Say's law of market.
3. What are the implications of Say's law of market? Explain.
4. What are the criticisms of classical theory of employment? Explain.
5. Explain the process of labour market equilibrium in relation to achieve full employment.
6. How is Say's law of market applicable in a barter system in economy? Explain.
7. Explain the process of labour market equilibrium in relation to achieve full employment.

#### Comprehensive Answer Questions

1. Explain Say's law of market and state its implications.
2. Explain classical theory of employment. On what grounds this theory has been criticized?
3. Critically explain the classical theory of employment.
4. How equilibrium level of employment and output are determined under the classical theory. Explain.
5. Critically examine the classical theory of employment.

### Unit 4: Keynesian Macroeconomics

#### Brief Answer Questions

1. Define consumption function.
2. What does consumption function  $C = a + by$  show?
3. Define APC.
4. Point out the propositions of psychological law of consumption.
5. Define MPC.
6. What are the assumptions of psychological law of consumption? Point out.
7. If  $y = 50$  crores  $C = 60$  crores. Find the value of APC.

8. List down the assumption of psychological law of consumption.
9. How do you define the saving function?
10. Define the average propensity to save and marginal propensity to save.
11. State the types of saving.
12. Define the corporate saving.
13. What are subjective motives for saving? State.
14. What are Ex-ante and Ex-post saving? Define.
15. What is effective demand?
16. Point out the determinants of MEC.
17. Why Private Sector investment is called Induced Investment?
18. Point out measures to stimulate Private Investment.
19. What is the shape of MEC Curve?
20. Draw Autonomous Investment and Induced Investment Curve.
21. Give the meaning of Ex-ante and Ex-post Investment.
22. Why does the saving curve slopes upward?
23. Why NICE Curve have negative Slope?
24. Calculate investment multiplier if MPC are  $1/2, 2/3, 3/3, 3/4, 4/5$ .
25. What is investment function?
26. Draw the figure of income determination in two sector economy.
27. Graphically represents the income determination in three sector economy.
28. Define leakage and injection.
29. What is multiplier?
30. If the value of MPC = 0.7, find the value of investment multiplier.
31. What is government expenditure multiplier?
32. What are leakages in multiplier?
33. How does the value of MPC determines the values of multiplier?

#### **Short Answer Questions**

1. How effective demand determined according to Keynes?
2. "Equilibrium level of employment is determined by aggregate demand and aggregate supply." Explain.
3. Give a diagrammatic exploitation of Keynesian aggregate demand price and aggregate supply price.
4. Explain the Keynesian theory of employment.
5. Explain and illustrate the concept of consumption function.
6. Explain the psychological law of consumption.
7. Distinguish average propensity to consume APC and marginal propensity to consume MPC.
8. What do you understand by average propensity to consume and marginal propensity to consume?
9. Define consumption function. Discuss the important determinant of consumption function.
10. "When income increase consumption also increases, but the increases in consumption is less than the increase in income." Elucidate.
11. Define saving function and derive linear saving curve with the help of suitable example

12. Explain the concept of Paradox of thrift.
13. "Saving is a vice not a virtue" Explain the statement.
14. Discuss the important determinants of saving in an economy.
15. Describe how volume of saving depends on distribution of income and the rate of interest?
16. Explain how an attempt to increase aggregate saving would actually lead to a decrease in saving.
17. Define investment. Discuss the different types of investment.
18. Explain the factors that influence the marginal efficiency of capital.
19. Define MEC. Show the importance of Marginal efficiency of capital in investment decision.
20. Define investment. What are the major determinants of investment?
21. Define MEI and in what respect it is different from MEC
22. Explain the concept of investment multiplier.
23. Define multiplier. Explain the leakage of multiplier.
24. How investment multiplier related to marginal propensity to consumption?
25. "The size of multiplier varies directly with the size of MPC" Explain.
26. Explain the Keynesian concept of multiplier.
27. Define multiplier. Explain the criticism of multiplier.
28. How income and output determine in two sector economy?

#### **Comprehensive Answer Questions**

1. What is meant by effective demand? Explain how effective demand determines the equilibrium level of employment.
2. State the Keynesian theory of employment.
3. Define consumption function. Explain the determinants of consumption function.
4. Explain the psychological law of consumption. What are the implications of this law?
5. 'Saving is a vice not virtue' explain this statement.
6. Define saving function. Explain the determinants of saving function.
7. What do you mean by marginal efficiency of capital? How is marginal efficiency of capital calculated? How do you use this concept in investment decision?
8. State the concept of Keynesian investment multiplier and also explain its leakages.
9. Define the investment multiplier and describe how does an increase in autonomous investment propagate the income level with the help of schedule and diagram.
10. Explain and illustrate the income and output determination in two sector economy.

### **Unit 5: Income Determination (IS-LM) Model: Hicks-Hansen Approach**

#### **Brief Answer Questions**

1. What is IS curve?
2. What is LM curve?
3. Graphically sketch the IS curve
4. Give graphical illustration of LM curve.

**Short Answer Questions**

1. Explain the determination of output and interest rate in the IS-LM model.
2. Analyze the factor that shift the IS curve.
3. Explain the factor that shift the LM curve.
4. Explain the derivation of the IS and LM curves.
5. Explain the effect of increases in government expenditure on the equilibrium level of income and interest rate.
6. Derive the IS curve and describe it.
7. Derive the LM curve and describe it.

**Comprehensive Answer Questions**

1. Analyze the Hicks and Hansen model of income determination with the help of IS-LM approach.
2. Define the IS curve. Derive it graphically. Explain the relationship between the interest and income.
3. What factors cause upward and downward shifts in the IS curve? Suppose autonomous investment increases, interest rate remaining constant, how will it cause a shift in the IS curve. Illustrate graphically.
4. How is the IS curve affected by an increase in marginal efficiency of capital, other things remaining the same. Show graphically the effect of upward shift in the investment schedule.
5. Define the LM curve. Derive it graphically and explain the relationship between the interest and income.
6. Distinguish between the goods and the money markets? Explain the interdependence of the two markets? How does it matter in the determination of the general equilibrium?

**Unit 6: Inflation****Brief Answer Questions**

1. Define inflation
2. Define deflation.
3. Define stagflation.
4. How to compute rate of inflation?
5. What are the main features of inflation?
6. Inflation is a monetary phenomenon. Justify.
7. Inflation is economic phenomena. Justify.
8. What do you mean by open inflation?
9. What do you mean by suppressed inflation?
10. Define cost push inflation.
11. Explain demand pull inflation.
12. Define wage push inflation.
13. What do you mean by supply shock inflation?
14. High price does not always mean inflation. Justify.
15. Write any five causes of demand pull inflation.

16. Write the causes of cost push inflation.
17. Define creeping inflation.
18. Define walking inflation.
19. Define running inflation.
20. Define hyper/galloping inflation.
21. Define Phillips curve.
22. What are the causes of deflation?

#### Short Answer Questions

1. Define inflation. What are its characteristics?
2. Explain different types of inflation.
4. Define 'suppressed' inflation and differentiate it from 'open' inflation.
5. What is inflation? Explain and illustrate the concept of demand pull inflation.
6. What is inflation? Discuss the cost push inflation.
7. What is meant by demand pull inflation? Explain the factors that cause demand pull inflation.
8. What is meant by cost push inflation? Explain the factors responsible for cost push inflation.
9. Show the difference between cost push and demand pull inflation.
10. Explain the effect of inflation.
11. Define demand pull inflation. What are its causes?
12. Define cost pull inflation. What are its causes?
13. Explain effect of inflation on production.
14. Explain effect of inflation on distribution.
15. Explain the concept of anti-inflationary measure.
16. State the relationship between inflation and unemployment.
17. Define deflation. What are their effects?
18. Explain the concept of stagflation.

#### Comprehensive Answer Questions

1. Explain various types of inflation. Discuss the factors that influence inflation.
2. Explain the cause of inflation and suggest to measure to control inflation.
3. Point out the effect of inflation in different sector of the economy. Suggest measures to control inflation.

## Unit 7: Business Cycles

#### Brief Answer Questions

1. What is the alternative term used for the term business cycle?
2. Why the entrepreneurs incur great loss during depression?
3. State the period in which great depression occurred.
4. What is trade cycle?
5. How many phases of business cycle are there and what are them?
6. What happens to economic activities during the period of recovery?
7. Why is it said that the development of boom carries with itself the seed of self-destruction?

- Whether optimism or pessimism occurs during recession ?
- What are the instruments of fiscal policy ?
- What are the instruments of monetary policy ?

**Short Answer Questions**

- Explain the concept of business cycle.
- Explain the effect of depression phase of the business cycle on the economy.
- Sketch diagram to depict the different phases of business cycle.
- Explain the situation of economic activity during prosperity.
- Describe the situation of an economy during the period of recession.
- How monetary policy helps to curb recession ?
- How fiscal policy helps to control inflation ?
- Explain the different phases of trade cycle.
- Explain the effects of the prosperity phase of the trade cycle on the economy.
- Describe the major effects of depression phase of trade cycle.
- Define trade cycle. Explain the recession phase of trade cycle.
- Explain the different phases of trade cycle.
- Explain the effects of the prosperity phase of the trade cycle on the economy.
- Describe the major effects of depression phase of trade cycle.
- Define trade cycle. Explain the recession phase of trade cycle.
- Explain the recession phase of trade cycle.

**Comprehensive Answer Questions**

- What is trade cycle ? Explain different phases of business cycle.
- Discuss how different phases of business cycle affect the economy.
- What is meant by business cycle ? Describe the characteristics of business cycle.
- Explain the effect of business cycle on the economy and suggest measures to control business cycle.
- Define trade cycle and explain with the help of diagram the different phases of trade cycle.

**Unit 8: Monetary Theory****Brief Answer Questions**

- What is money supply?
- What is money market?
- Mention the determinants of money supply.
- Define capital market.
- Define speculative demand for money.
- Mention the features of money market.
- Write any six functions of money market.
- Mention any four features of capital market.
- Write the functions of capital market.
- What is monetary policy?
- Point out the instruments of monetary policy.
- Mention any four objective of monetary policy.
- Explain fixed and flexible exchange rate.

**Short Answer Questions**

1. Explain the main determinants of money supply.
2. Define the Keynesian approach on money demand.
3. What is money and capital market?
4. Explain the features of money market.
5. Explain the objective of monetary policy.
6. What are the main instruments of monetary policy?
7. What is 'exchange rate? Define fixed and flexible exchange rate.

**Comprehensive Answer Questions**

1. What is monetary policy? Explain its objective.
2. Define exchange rate. How the equilibrium exchange rate determined under fixed and flexible rate system?
3. Define money supply. Explain its major determinants.

**Unit 9: Government Finance****Brief Answer Questions**

1. What do you mean by government budget?
2. What are the types of budget?
3. What are the components of budget?
4. What do you mean by economic developing budget?
5. State the features of budget.
6. What do you mean by deficit budget?
7. What do you mean by surplus budget?
8. What do you mean by balance budget?
9. Define deficit financing.
10. State the objectives of deficit financing.
11. Define debt management.
12. State the method of deficit financing..
13. State the significance of deficit financing.
14. Define fiscal policy.
15. What are the instruments of fiscal policy?
16. State the objectives of fiscal policy?
17. Define contractionary fiscal policy.
18. Define expansionary/compensatory fiscal policy.
19. How does fiscal policy maintain price stability?
20. How does fiscal policy maintain balance of payment equilibrium position?
21. How does fiscal policy help to achieve full employment?
22. How does fiscal policy help to achieve economic growth?
23. State the objective of fiscal policy in developing countries like Nepal.
24. How the cheap credit facility creates more jobs?
25. What are the types of fiscal policy?
26. Suggest appropriate measures a fiscal policy to control inflation.
27. Suggest appropriate measures a fiscal policy to control deflation.

**Short Answer Questions**

1. Define budget. Explain the types of government budget.
2. What is government budget? Explain the components of government budget.
3. Define deficit financing. Explain the objective of deficit financing.
4. What do you mean by deficit financing? Explain the method of deficit financing.
5. Define fiscal policy. What are its types?
6. Explain the objective of fiscal policy.
7. Explain the significance of fiscal policy in developing countries.
8. What is fiscal policy? How is fiscal policy useful to achieve equality of income and wealth in an economy?
9. Define fiscal policy and explain the various instruments of fiscal policy.
10. What is fiscal policy? Describe the role of fiscal policy in underdeveloped countries.
11. How can fiscal policy help in reducing economic inequality? Explain.
12. Define fiscal policy. How fiscal policy helps to achieve the objective of piece stability and reduction in economic inequality?

**Comprehensive Answer Questions**

1. Define deficit financing. What are the objective and method of deficit financing?
2. Define fiscal policy. What are the major instruments of fiscal policy? And explain the significance of fiscal policy in developing countries?

**Unit 10: Contemporary Issues  
(with reference to Nepal)****Brief Answer Questions**

1. Define absolute poverty.
2. Distinguish between absolute poverty and relative poverty.
3. Define economic growth.
4. Define economic liberalization
5. Define foreign direct investment.
6. Define foreign employment.
7. Define Globalization
8. Define inequality.
9. Define Privatization
10. List out the importance of FDI in Nepal
11. List the adverse effect of globalization.
12. Make the list of remedies of inequality.
13. Make the list of significance of economic globalization.
14. Make the lists of determinant of economic growth.
15. State the causes of inequality.
16. State the forms of globalization.
17. State the forms of privatization.
18. State the principle of foreign direct investment.
19. State the role of foreign employment in Nepal.
20. What do you mean by poverty?



**Short Answer Questions**

1. Define economic growth. Briefly explain the obstacles of economic growth of developing countries like Nepal.
2. Define economic liberalization. Describe its ben'efit and defects.
3. Define poverty. Distinguish between relative poverty and absolute poverty.
4. Define privatization. Explain the merits and demerits of privatization in Nepal.
5. Explain the role of economic liberalization for the economic growth of Nepal.
6. Explain the role of foreign direct investment in the economic development of Nepal.
7. What do you mean by foreign direct investment? Explain the different forms of foreign direct investment.
8. What do you mean by foreign employment? Explain the challenges of foreign employment in Nepal.
9. What do you mean by foreign employment? Explain the present condition of foreign employment in Nepal.
10. What do you mean by globalization? Discuss the effect of globalization in Nepal.
11. What do you mean by inequality? Describe the various measure of economic inequality.
12. What is poverty? Explain the various causes of poverty in Nepal.

**Comprehensive Answer Questions**

1. "Privatization though has enormous benefit is also be set with numerous problems in the developing country like Nepal."
2. Discuss the pro and cons of globalization in Nepal in developing countries like Nepal.
3. "Although foreign direct investment has enormous benefit it is not free from many challenges and problems". Explain.
4. What are the causes and consequences of poverty in Nepal?
5. What is economic liberalization? Give argument for liberalization in the context of developing countries like Nepal.
6. Discuss the role of fiscal policy in reducing inequalities of incomes.

