

ISLAMIC UNIVERSITY OF TECHNOLOGY (IUT)
ORGANISATION OF ISLAMIC COOPERATION (OIC)

DEPARTMENT OF BUSINESS AND TECHNOLOGY MANAGEMENT

Mid-Semester Examination

Course No. : BTM 4403

Course Title : Macro Economics

Summer Semester, A. Y. 2021-2022

Time : 1.5 hours

Full Marks : 75

Answer all the 3 (three) questions. All questions carry equal marks. Marks in the margin indicate full marks. Programmable calculators are not allowed. Do not write on this question paper.

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1. a) Consider an economy that produces only chocolate bars. In year 1, the quantity produced is 3 bars and the price is \$4. In year 2, the quantity produced is 4 bars and the price is \$5. In year 3, the quantity produced is 5 bars and the price is \$6. Year 1 is the base year. 15 CO1
PO1
- i. What is nominal GDP for each of these three years?
 - ii. What is real GDP for each of these years?
 - iii. What is the GDP deflator for each of these years?
 - iv. What is the percentage growth rate of real GDP from year 2 to year 3?
 - v. What is the inflation rate as measured by the GDP deflator from year 2 to year 3?
- b) Explain the Mankiw's ten principles of economics. 10 CO1
PO1
2. a) Would you rather live in a nation with a high level of GDP and a low growth rate or in a nation with a low level of GDP and a high growth rate? Discuss. 3 CO1
PO1
- b) Describe the three problems that make the CPI an imperfect measure of the cost of living. 6 CO1
PO1
- c) The residents of Gazipur spend all of their income on cauliflower, broccoli, and carrots. In 2016, they spend a total of \$200 for 100 heads of cauliflower, \$75 for 50 bunches of broccoli, and \$50 for 500 carrots. In 2017, they spend a total of \$225 for 75 heads of cauliflower, \$120 for 80 bunches of broccoli, and \$100 for 500 carrots. 6 CO1
PO1
- i. Calculate the price of one unit of each vegetable in each year.
 - ii. Using 2016 as the base year, calculate the CPI for each year.
 - iii. What is the inflation rate in 2017?
- d) Describe your plan to increase production of Bangladesh based on the concept of 'production and growth'. Justify your answer considering technological knowledge, human capital, physical capital and natural resources of Bangladesh. 10 CO4
PO11
3. a) Most countries, including the United States, import substantial amounts of goods 10 CO1

- and services from other countries. Yet it says that a nation can enjoy a high standard of living only if it can produce a large quantity of goods and services itself. PO1
- i. Can you reconcile these two facts in case of the United States?
 - ii. Why this is not the same in case of Bangladesh.
- b) In any country, investment can be increased both by reducing taxes on private saving and by reducing the government budget deficit. 10 CO1
PO1
- i. Why is it difficult to implement both policies at the same time?
 - ii. What would you need to know about private saving to judge which of these two policies would be a more effective way to raise investment?
- c) The great 18th-century economist Adam Smith wrote, "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things." Explain how each of the three conditions (peace, easy taxes, and a tolerable administration of justice) Smith describes would promote economic growth in Bangladesh. 5 CO4
PO11