

Victoria University of Bangladesh
Mid-term Examination
Spring Semester - 2023
Macro Economics - ECO 219

Submitted By

Name : Most. Anny mala
Program Name : B.B.A
ID No : 1119470011
Course Code : ECO 219
Course Title : Macro Economics
Batch : 47

Submitted to
Tameya Rashin
Lecturer
B.B.A Department

Answer to the question no-1

Macro economics is a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole. For example, using interest rates, taxes, and government spending to regulate an economy's growth and stability.

Answer to the question no-2

illustrate demand and supply equilibrium point with a proper diagram :-

(i) The law of demand :- Demand refers to how much of a product consumers are willing to purchase, at different price points during a certain time period.

(ii) The law of supply :- while demand explains the consumer side of purchasing decisions, supply relates to the seller's desire to make a profit. A supply schedule shows the amount of product that a supplier is willing and able to offer to the market, at specific price points, during a certain time period.

(iii) Equilibrium :- Equilibrium is the point where demand for a product equals the quantity supplied. This means that there's

no surplus and no shortage of goods. A shortage occurs when demand exceeds supply. In other words, when the price is too low. However, shortages tend to drive up the price, because consumers compete to purchase the product. As a result, businesses may hold back supply to stimulate demand. This enables them to raise the price.

Changes in any of the following factors can cause demand to shift :-

- (i) Consumer income.
- (ii) Consumer preference.
- (iii) Price and availability of substitute goods.
- (iv) Population.

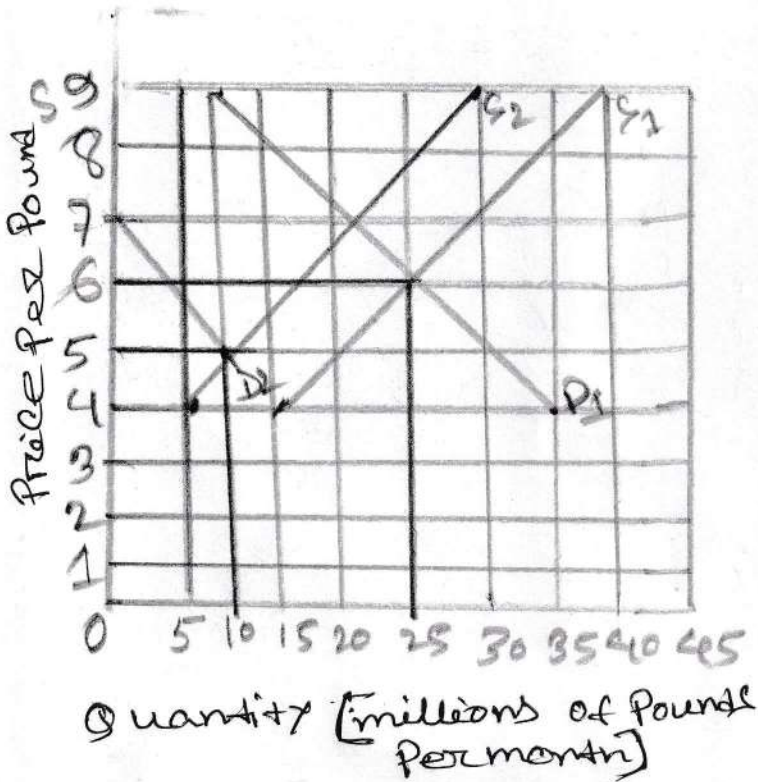
Changes in supply can result from events to such as :-

- (i) Changes in production costs.
- (ii) Improved technology that makes production more efficient.
- (iii) Industry growth or shrinkage.

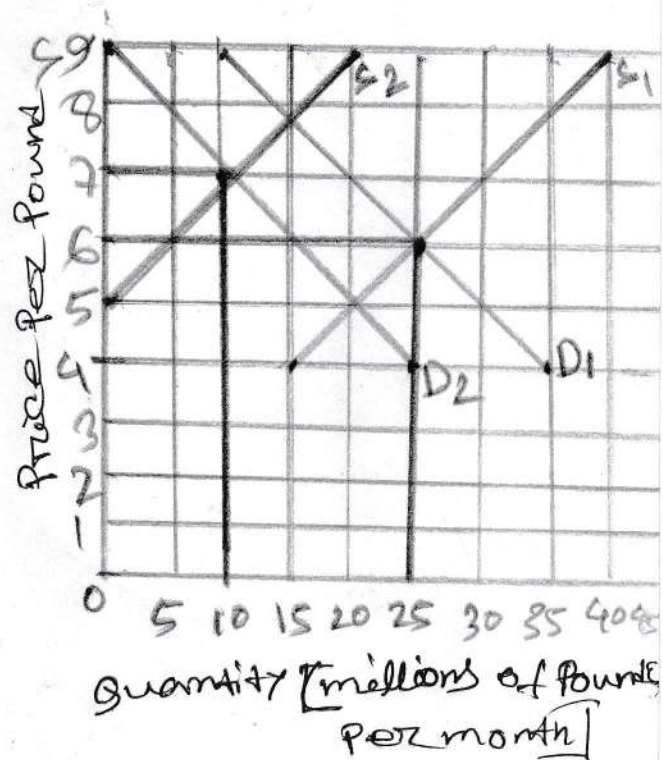
Changes in market equilibrium :- you can use supply and demand curves like these to assess the potential impact of changes in the price that you charge for the

Products and services, and to consider to how shifts in supply and demand might affect your business.

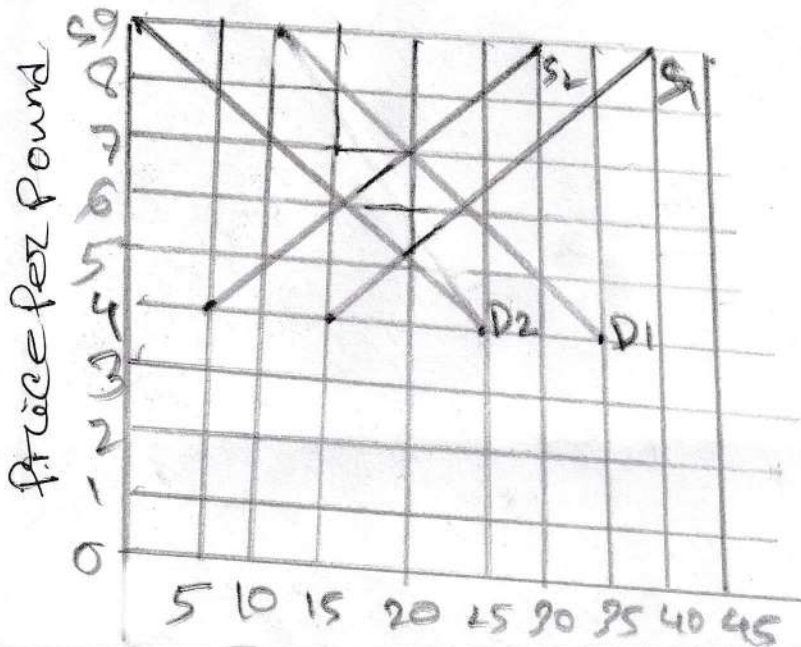
Panel (a)



Panel (b)



Panel (c)



Answer to the question no-3

illustrate with Productive and Allocative efficiency a proper diagram there are given below:-

(i) Productive efficiency :- Productive efficiency means that given the available inputs and technology, it's impossible to produce more of one good without decreasing the quantity of another good produced. All choices along the curve are points to productive efficiency. As a firm moves from any one of these choices to any other, either health care increases and education decreases or vice versa. This makes sense if you remember the showing maximum amount of goods a society can produce, given the resources it has.

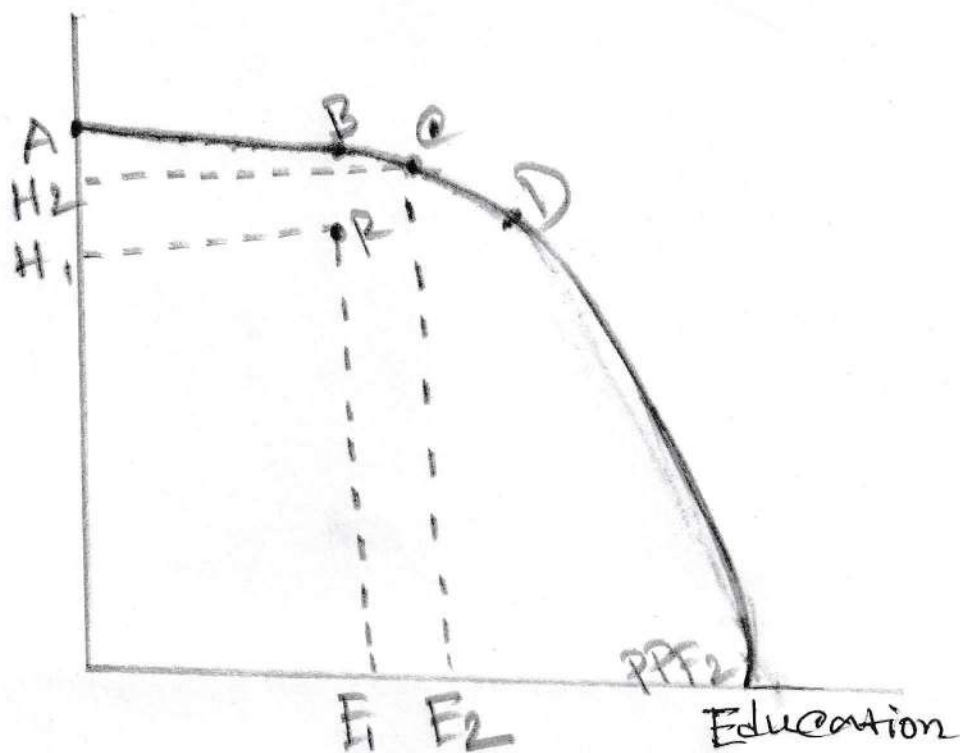
However, any choice inside the Production Possibilities Frontier is productively inefficient and wasteful because it's possible to produce more of one good, the other good, or some combination of both goods.

(ii) Allocative efficiency :- Allocative efficiency means that the particular mix of goods a society produces represents the combin

action that society most desires. For example, often a society with a younger population has a preference for production of education over production of health care, if the society is producing the quantity or level of education that the society demands, then the society is achieving allocative efficiency. Determining what a society desires can be a controversial question and is often discussed in Political Science, Sociology and Philosophy classes, as well as in economics.

Productive and Allocative efficiency a Proper

Diagram :-



Answer to the question no-4

The factors that can shift demand there are given below:- The shift demand tells us how much of a good or service people are willing to buy at any given price. However, we know that demand is not constant over time. As a result, the demand constantly shifts left or right. There are five significant factors that cause a shift in the demand.

- (i) Income.
- (ii) Trends and tastes.
- (iii) Prices of related goods.
- (iv) Expectations.
- (v) Size and composition of the population.

(i) Income :- A change in income can affect the demand in different ways, depending on the type of goods we are looking at normal goods or inferior goods. In the case of a normal good, demand to increase in income results in a rightward shift of the demand. The reason for this is that with a higher salary people can afford to buy more of and given

good.

(ii) Trends and tastes :- when a good or service comes into fashion, its demand shifts to the right. By contrast, demand shifts to the left once another trend emerges, and the good or service goes out of fashion again.

To give an example, think of the clothes people used to wear back in the 60s. They look a lot different from what most people wear today. This is because trends and tastes have changed over time. You would probably have a hard time selling clothes from 60s today.

(iii) Prices of Related Goods :- There are two types of related goods, each of which shift and demand in opposite directions :-

(i) Substitutes

(ii) Complements.

We speak of substitutes when a fall in the price of one good results in a decrease in the demand for another good. Thus, substitutes are goods that can be used to replace one another. The more closely related they are, the stronger

the demand shifts in case of a price change of the related good.

meanwhile, we speak of complements when a fall in the price of one good results in an increase in the demand for the another good. This is usually the case when the two goods are used together.

(iv) Expectations :- People's expectations about the future can have a significant impact on demand. or, more specifically, their expectations of future prices or other determinants that can change demand. if consumers expect prices to increase in the short run, current demand often increases, the demand shifts to the right and vice versa.

(v) Size and composition of the population :- As a rule of thumb a larger population results in a higher demand for most goods. As a result, the demand shifts to the right. For example, as the population grows, the aggregated demand for food increases as well, simply because there are more mouths to feed.

Answer to the question no-5

Why we study economics, there are given below :- Economics is a branch of social science that focuses on the production, consumption and transfer of wealth. Broken into two classes macro economics and microeconomics, economics directly affect everyday life.

There are five reasons to study economics there are given below :-

(i) High earning potential :- Economics graduates have some of the highest starting salaries with plenty of opportunities for promotions. The average starter salary for an economist is 35,000 + over time as you gain more experience.

(ii) Great career prospects :- Obtaining an economics degree will give you great job prospects and a variety of potential career paths. As economics are present in all sectors of business, job opportunities are not in short supply. This is one of the biggest reasons why we study economics.

Some of the roles you could work in

as an economics graduate are :-

- (i) Chartered accountant.
- (ii) Compliance officer.
- (iii) Data analyst.
- (iv) Economist.
- (v) Financial risk analyst.

(iii) Develop transferable skills :- one of the best reasons of studying economics is the valuable transferable skills you will develop during your degree. These transferable skills are very attractive to employers and can be applied to the work in any field of economics.

Some of the transferable skills you will gain during your economics study are :-

- (i) Problem solving.
- (ii) Communication.
- (iii) Research.
- (iv) Time management.
- (v) Analytical thinking.

(iv) Have a direct impact on society :- The importance of studying economics is the impact it has on society. If you want to do work that will have real meaning in the world, then economics

is the perfect choice for you.

④ Gain international perspective

Economies across the globe interact with each other and this will give you a better knowledge of how the world works from a financial standpoint. Understanding the world economy is the key for driving success for many national and international corporations.

Having a greater understanding of the international economies will also make you a standout candidate when applying for graduate jobs.