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COURSE CODE : ECO 219

COURSE TITLE : Macro Economics

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Course title: Macro Economics

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Ans: to the Q. No 1

1) Macro Economics

Macro economics is the branch of economics that studies the behavior and performance of an economy as a whole. It focuses on the aggregate change in the economy such as unemployment, growth rate, gross domestic product and inflation.

Three types of macroeconomic policies

* Fiscal policy.

* Monetary policy.

* Supply side policies.

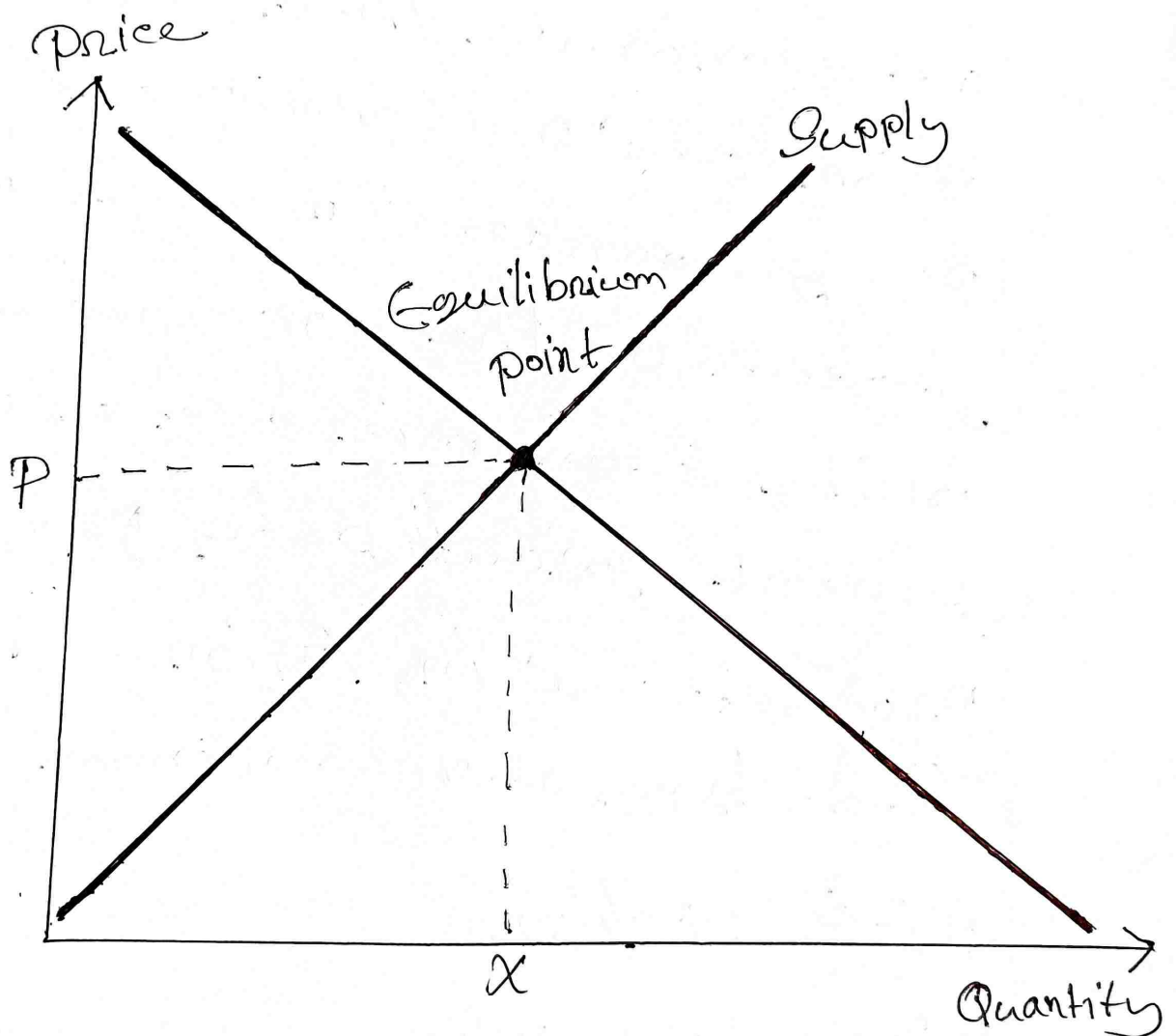
Keynes picture of macroeconomics

is concerned with how supply

and demand interact in the market.

Ans to the Q. no 2)

② Demand and supply equilibrium point
with a proper P or P or P diagram.



Equilibrium: Equilibrium is the state in which market supply and demand each other, and as a result prices become stable. The balancing point.

of supply and demand results in an equilibrium.

Equilibrium price

The equilibrium price is the market price where the quantity of good supplied is equal to the quantity of goods demanded.

Equilibrium point

The equilibrium point, (x_E, p_E) , is the point at which the supply and demand curves intersect.

where,

x = number of units

p = price in dollars

~~EX~~

p.t.o

Example 9

Nibok manufacturing has determined that production and price of a new tennis should be geared to the equilibrium point for this system of equations.

$$p = 160 - 5x \text{ (Demand curve)}$$

$$p = 35 + 20x \text{ (Supply curve)}$$

Solution:

Given two equations,

$$\text{Demand curve} \implies p = 160 - 5x \text{ --- (1)}$$

$$\text{Supply curve} \implies p = 35 + 20x \text{ --- (2)}$$

We find the equilibrium point for this system of equations.

The equilibrium point is the ordered pair (x, p) that is obtained by solving the
p.t.o

System of Demand and Supply equations

Then,

By equating the two equations (1) and (2),

We get

$$160 - 5x = 35 + 20x$$

$$160 - 35 = 20x + 5x$$

$$= 125 = 25x$$

$$x = 5$$

By applying $x = 5$ in equation (1), we get

$$p = 160 - 5x$$

$$p = 160 - 5(5)$$

$$p = 160 - 25$$

$$p = 135$$

So, the equilibrium point is $(5, 135)$

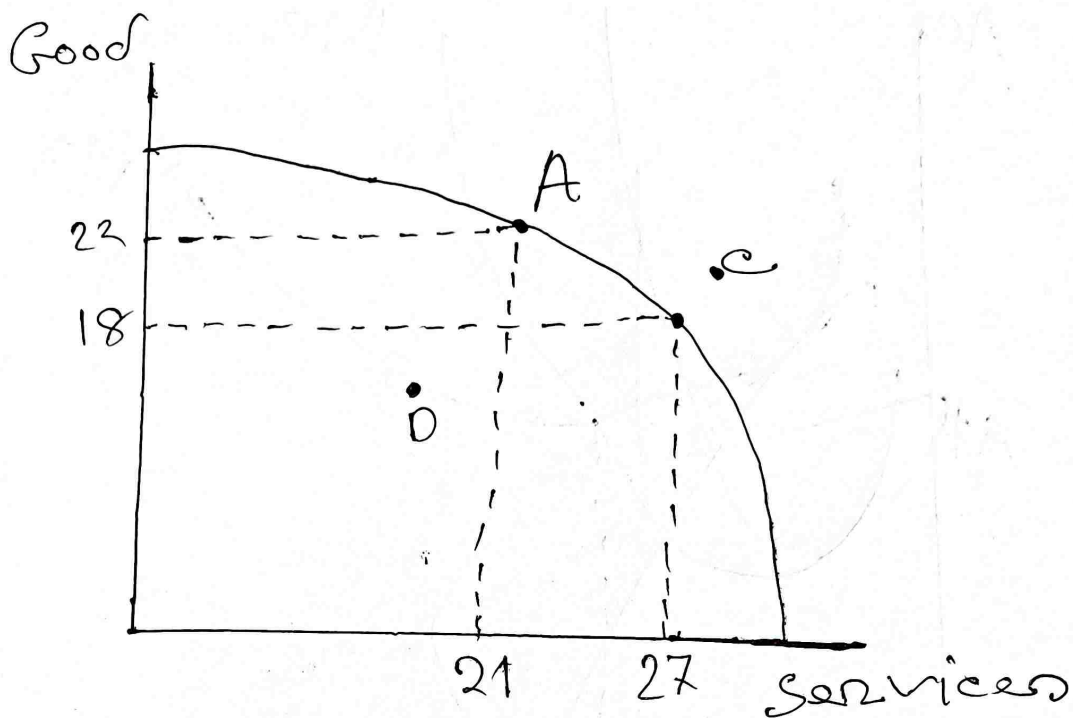
Ans: to the Q. no 3)

3) Productive and Allocative Efficiency a proper Diagram.

Productive efficiency

This is defined as producing goods and services for the lowest cost. Productive efficiency is said to occur on the production possibility curve to produce more of one good without producing less of another. In the diagram below if you are at point A, you can't produce more service without some going goods.

P.T.O

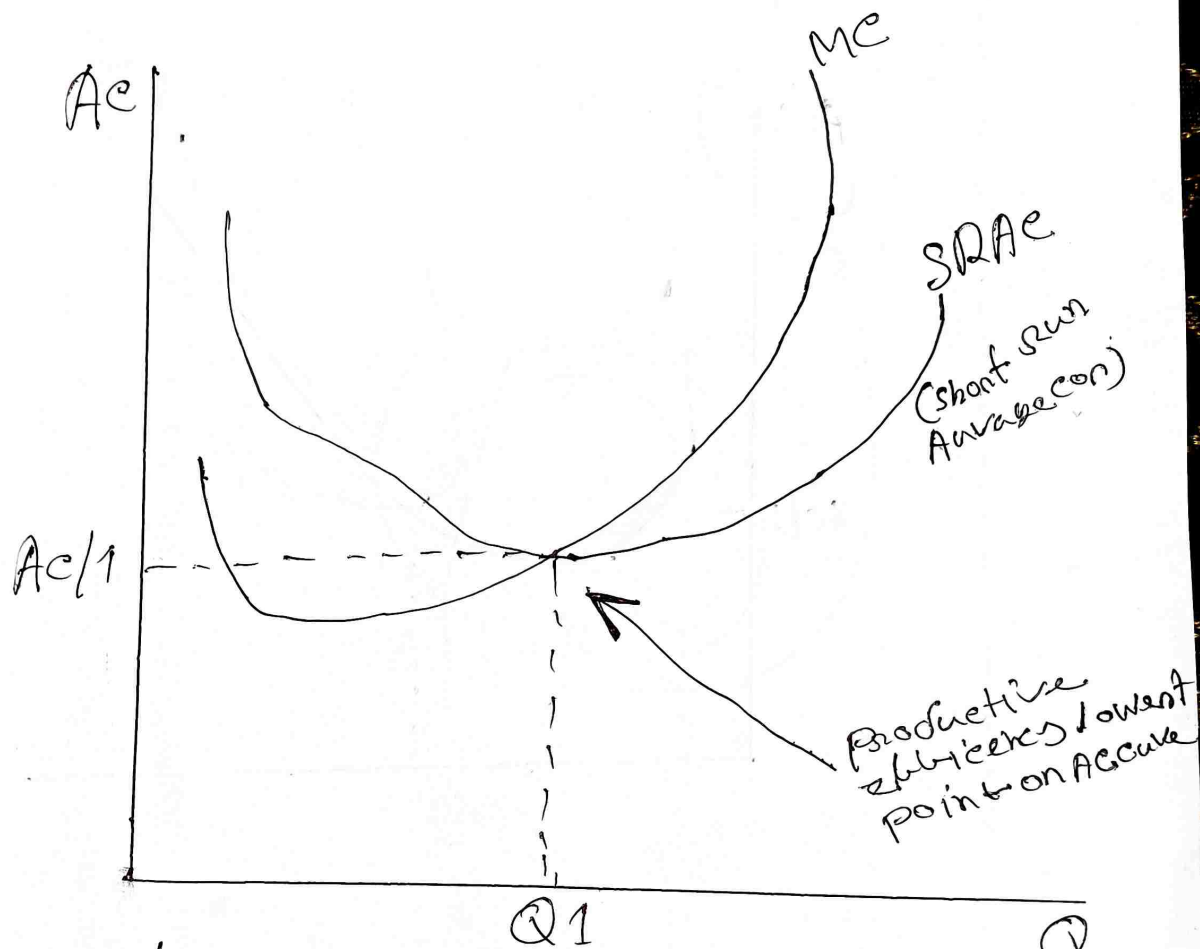


Point D in the graph is productively inefficient because you can produce more goods or services without an opportunity cost.

Low point on DRAC curve

productive efficiency also involves producing at the lowest point of the short run average cost curve where MC cuts the bottom of the SRAC curve.

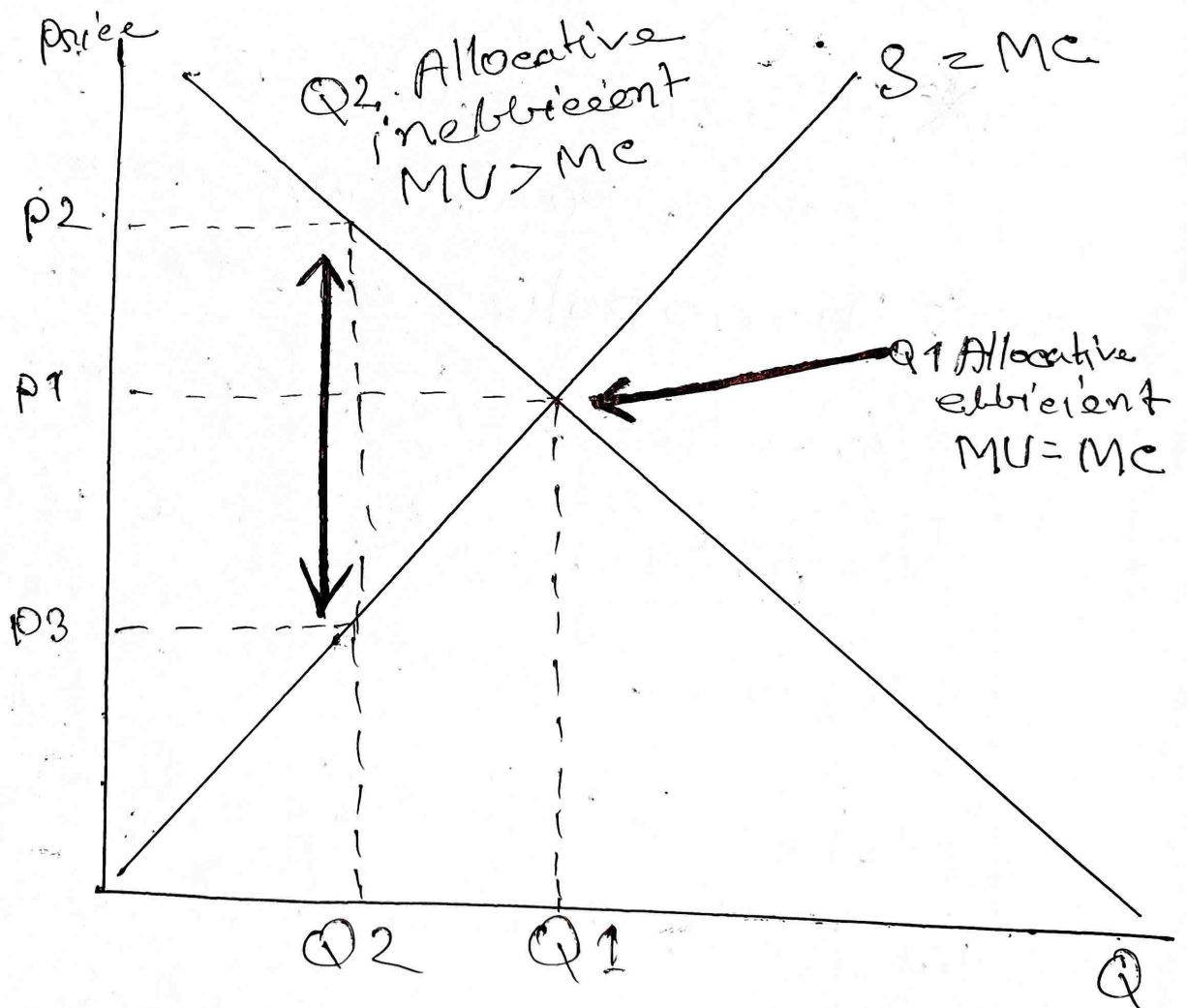
P.T.O



usually, productive efficiency refers to the short run (producing at the lowest point of SRAC) at the lowest point on the long run average cost curve LRAC. Benefiting to productive efficiency is the concept of technical efficiency. Technical efficiency usually refers to the optimal.

Allocative efficiency definition

Allocative efficiency is quite different and is more concerned with the distribution and allocation of resources in society.



Allocative efficiency looks at the marginal benefit of consumption.

umption compared to the margin
al cost. Allocative efficiency
will occur at an output where
marginal benefit (price) = mar-
ginal cost.

* Allocative efficiency occurs
where price = marginal cost (MC)

* Monopolies are often said to be
allocatively inefficient because
they are able to set the price
higher than marginal cost

Related to allocative efficiency
is the concept of social efficien-
cy. Social efficiency makes
a point of taking into account
all externalities so we can try

Ans^o to the Q. No. 4

Q. The factors that can shift demand

The factors that may cause shifts in demand are: consumer income, prices of related goods, consumer tastes and preferences, expectations for the future and changes in population.

Shift in demand is a representation of a change in the quantity of a good or service demanded at every price level due to various economic factors. There can be a shift in demand when

P.T.O

If the quantity demanded at each price level increase the new point of quantity will move rightward on the graph to reflect an increase the new factors any methods.

If the quantity demanded at each price level decrease, the new point of quantity will move leftward on the graph, hence shifting the demand curve leftward change on.

While the price for any given good may change at various point in time, it is not a before

that will play a role in shift in demand as such shift only require demand while keeping price constant

7 factors that shift demand

- * Price of product
- * tastes and preferences.
- * consumer's income.
- * Availability of substitutes.
- * Number of consumers in the market
- * consumer's expectations.
- * Elasticity vs inelasticity.

Law of Demand:

The law of demand states that as prices rise, demand drops, and vice versa. If you put out too much product you could wind up with unusable stock sitting in a warehouse. Products with a best by date can go bad before consumers have a chance to purchase them. On the flip side, if you don't have enough stock consumer can switch to your competitors, and they may not come back. A lesson.
P.T.O

price of product:

The single important factors
→ price of product & consumer
consumer behavior then. The
single-most impactful factor
on a product's demand
is the price. In general, there
is a clear connection between
the price of a good and the
demand. Higher prices create
lower demand and lower prices
create higher demand.
This is due to the satisfaction
levels of consumers to
p.t.o

The can't afford your good
there won't be much demand
for it this means underestimation
since price pricing is vital. this
is also called the price elasticity
of demand. price elasticity
is usually a negative number
like -0.5 . so with that example
if the price of a product goes
up by 1% percent, its volume
will go down by 0.5 percent.

These are some of factors
that can help determine

Ans: to the q. no 5)

5) we study economics:

The simple answer is it affects our everyday lives through important areas such as tax, interest rates, wealth, and inflation. Economics provide the tools by which an analyst can study the costs, benefits and effects of government policies in a range of areas that affect society. These can include health care and education. They help guide these decisions

to work towards stable economic growth and a thriving society.

3 Reasons to Study economics

- * High earning potential.
- * Great career prospects.
- * Develop transferable skills.
- * Have a direct impact on society
- * Gain international perspective.

High earning potential.

economics graduates but some of the highest starting salaries with plenty of opportunities for promotions, the complete university

The average starter salary for an economist in the UK is £25,000 a year, which can increase to £28,000+ over time as you gain more experience, national courses?

Great career prospects

Obtaining an economics degree will give you great job prospects and a variety of potential career paths. As economists are present in all sectors of business, job opportunities are not in short in supply. This is one of the biggest reasons why we study economics. Some of the roles you could work in as an economics graduate:

P.T 7

- * Chartered accountant.
- * Compliance officer.
- * Data analyst.
- * Economist.
- * Financial risk analyst.
- * Investment analyst.
- * Risk manager.
- * Stockbroker.

One of the biggest advantages of studying economics is the academic knowledge and skills you gain that can be applied to work in many different sectors. These include:

- * Business.
- * Banking.
- * Finance.
- * Government.
- * Consultancy.

Develop transferable skills:

One of the best reasons for studying economics is the valuable transferable skills you will develop during your degree. These transferable skills are very abstract and can be applied to ~~many~~ employers, and can be applied to working in a wide range of economics.

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

- * problem solving.
- * communication.
- * Research.
- * time management.
- * Analytical thinking.

Have a direct impact on society
 The impact on society economies
 solve. 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 econo-
 mics is the perfect choice. Boy you

Gain international perspectives
 Economies across the globe inter-
 act with each other and this will
 give you a better knowle-
 dge of how the world works from
 a global standpoint. Understanding
 the world economies is key for
 driving success for many nations
 and international corporations.