

**Question 1 (20%)**

Explain the following terms briefly:

- a) Gross national product
- b) Constant returns to scale
- c) Hyperinflation
- d) Trade balance
- e) Interest parity condition

**Question 2 (45%)**

Because of the current war, Ukraine receives massive support from other countries. Public expenditures increase in the supporting countries.

- a) Discuss the effect in a supporting country on private investment, private consumption and production of increased public expenditures.
- b) The support implies increased public debt for most countries. Discuss
  - i. Private sector responses to a short-term increase in public debt
  - ii. Long-term consequences of increased public debt-to-GDP ratio

**Question 3 (35%)**

The war in Ukraine implies massive destruction of buildings, plants, machines, and infrastructure in the country. Assume that the war will end and there will be a long-term peaceful situation. Discuss the consequences of the destruction on future economic growth and prosperity in the country.