

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ECONOMICS

MASTER OF SCIENCE DEGREE IN ECONOMICS

SPECIALISING IN FINANCIAL ECONOMICS

SPECIALISING IN DEVELOPMENT ECONOMICS

ADVANCED MACROECONOMICS: MEC 507(1)

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

JUN 2023

- 1. Answer four (4) questions**
 - 2. The paper carries six questions**
 - 3. All questions carry equal marks of 25 each**
 - 4. No cell-phones allowed in the examination room**
 - 5. Names mentioned in this paper are fictitious**
-

QUESTION 1

Discuss why the Reserve Bank of Zimbabwe should consider market expectations and speculations when implementing a monetary policy?

[25 marks]

QUESTION 2

Illustrate and explain how the Solow growth model can be extended to account for cross-country income differences.

[25 marks]

QUESTION 3

Discuss the usefulness of the three-gap model to solve the Zimbabwe's economic problems.

[25 marks]

QUESTION 4

Discuss the relevance of the theories of Life Cycle Hypothesis and Permanent Income Hypothesis in explaining the savings rate in Zimbabwe?

[25 marks]

QUESTION 5

The effects of monetary and fiscal policies on output in an open economy depend on the exchange rate system and the degree of capital mobility. Using the IS-LM-BOP model, explain the effects of these policies on the economy. **[25 marks]**

QUESTION 6

- a) Delineate what is measured by the Economic Freedom of the World (EFW) index?

[10 marks]

- b) Detail the factors that a country should consider to achieve a better EFW index?

[15 marks]

END OF PAPER