

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ECONOMICS**

**PROGRAMMES: BSc ECONOMICS HONOURS**

**EC402: MACROECONOMICS 2**

**DURATION: 3 HOURS**

**OCT 2024**

**INSTRUCTIONS:**

1. Answer question 1 and any other three.
  2. Each question carries 25 marks.
  3. NO CELLPHONES ALLOWED IN THE EXAMINATION ROOM.
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**Question 1 (COMPULSORY)**

'Africa's external debt burden has contributed to the deepening crisis characterized by a decline in industrial output, poor export performance, and deteriorating social indicators, institutions and the environment'

- a) In light of this assertion explain how external debt could affect economic development both in the short and the long run **( 14 marks)**
- b) Explain how African countries ended up in a debt crisis and suggest solutions to the crisis. **(11 marks)**

**Question 2**

Discuss the major contributions of Milton Friedman to present day macroeconomic policing commenting on the empirical applicability of his postulations in any developing country of your own choice. **(25 marks)**

### **Question 3**

Critically evaluate the three broad categories of macroeconomic policy instruments available to policy makers in Zimbabwe to achieve macroeconomic objectives paying attention to the assignment problem. **(25 marks)**

### **Question 4**

'Early and correct diagnosis of economic problems is the most important stage of macroeconomic policymaking' Discuss the validity of this statement giving practical empirical examples from Zimbabwean policy performance. **(25 marks)**

### **Question 5**

Explain 5 major reasons why policymakers in developing countries normally rely on fiscal policy over monetary policy in stabilizing the economy highlighting some challenges that results from overreliance on fiscal policy in economic management. **(25 marks)**

### **Question 6**

Suppose a policymaker seeks to undertake monetary stabilisation of prices in an economy like Zimbabwe.

- a) Discuss how he could choose the policy instruments to use and the factors that he would consider when choosing the intermediate targets. **(13 marks)**
- b) Why might a policymaker fail to use instruments that are at his disposal? **(12 marks)**

**END OF PAPER**