BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ECONOMICS

PROGRAMMES: BSc ECONOMICS

EC402: ADVANCED ECONOMIC THEORY

DURATION: 3 HOURS

MAR 2023

INSTRUCTIONS:

1. Answer question 1 and any other three.

2. Each question carries 25 marks.

3. NO CELLPHONES ALLOWED IN THE EXAMINATION ROOM.

Question 1 (COMPULSORY)

'Corruption, High unemployment, rising prices, reactive and inconsistent policing, low productivity, company closures, low working capital, drought, high imports against weak export and political uncertainty completes Zimbabwe's economic description since 2018'. Briefly map the country's recovery plan for any four of these problems detailing what can be done and how it can improve the situation.   (25 marks)

Question 2

a) '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 3

'It's all psychological! What would you do when someone is badly hurt and bleeding? Even if you know that you can't do anything about it, you have to do something to be seen to have the situation under control. It's the same trick that flight captains play until the plane crush'. Discuss this comment with regard to Keynesian policymaking. (25 marks)

Question 4

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

Question 5

Discuss any four major problems that can arise from overreliance on fiscal policy for economic stabilisation and explain the reasons why policymakers in developing countries normally rely on fiscal policy even in the wake of these problems. **(25 marks)**

Question 6

'Political corruption has surpassed most economic problems in developing countries because corrupt policymakers will never really strive to eradicate corruption from which they feed, in fact as economists focus more on role of corruption on economic growth, endogenous growth models have become more empirically sound than their resource based counterparts'. Discuss. **(25 marks)**

END OF PAPER