

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)

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

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
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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

Appraise using existing literature to justify how institutional quality affects economic growth in Africa.

[25 marks]

QUESTION 6

Use the ISLM framework to explain effects of the government of Zimbabwe's expansionary fiscal policy under fixed exchange rate and capital mobility. Refer to practical examples.

[25 marks]

END OF PAPER