

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
DEPARTMENT OF ECONOMICS
BACHELOR OF SCIENCE HONOURS DEGREE IN ECONOMICS
MACROECONOMICS: EC209 (2)
DURATION: 3 HOURS

- JUN 2023

INSTRUCTIONS TO CANDIDATES

1. Answer any four (4) questions.
2. The paper carries six (6) questions.
3. All questions carry equal marks of 25 each.
4. No cellphones allowed in the exam room.

Question 1

Examine any **five (5) tools**, fiscal or monetary, that can be used to fine tune economy back to equilibrium in times where the equilibrium fails to produce a desirable outcome.

[25 Marks]

Question 2

Analyze and illustrate the impact of encouraging capital inflows and labour inflows on the growth rate of GDP per capita under the following schools of thought:

- i. Keynesian thought. **[10 marks]**
- ii. Classical thought. **[15 marks]**

Question 3

Explain the relevance of the following investment theories in Zimbabwe:

- i. Q- Tobin Theory. **[10 marks]**
- ii. Acceleration model. **[8 marks]**
- iii. Adjustment cost approach. **[7 marks]**

Question 4

Evaluate how the theories below can explain Zimbabwe's inter-temporal economics:

- i. Life Cycle Hypothesis. **[8 marks]**
- ii. Permanent Income Hypothesis. **[7 marks]**
- iii. Psychological Instant Gratification Theory. **[5 marks]**
- iv. Random Walk Hypothesis. **[5 marks]**

Question 5

- a. Using the foreign gap and the domestic gap, derive the current account balance of an open economy like Zimbabwe. **[15 marks]**
- b. Justify possible limitations to borrowing and lending on the international market to a small economy. **[10 marks]**

Question 6

Using the ISLM model, explain and illustrate the effects on the interest rate and aggregate demand of an increase in government expenditures together with an increase in the money supply.

[25 marks]**END OF PAPER**