

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF AGRICULTURE AND ENVIRONMENTAL SCIENCE

AGM 218

Department of Agricultural Economics, Education and Extension
BSc Agricultural Economics and Management Part II Examination
Intermediate Macro-economics for Agriculture

3 HOURS (100 Marks)

 OCT 2023

INSTRUCTIONS

Answer any **FOUR** questions. Each question carries **25 marks**.

1. Explain the following:
 - i) Mundell-Fleming Model [5 marks]
 - ii) Capital Mobility [5 marks]
 - iii) Liquidity Trap [5 marks]
 - iv) Purchasing Power Parity [5 marks]
 - v) Marginal Propensity to Save [5 marks]
2. The devaluation of a currency helps to reduce the trade deficit. Discuss. [25 marks]
3. Explain the factors that shift the Aggregate Demand curve. [25 marks]
4. (a) With the aid of a well labelled diagram describe the effects of increasing government spending on the interest rates and income. [10 marks]
(b) Describe policies which can be used to correct disequilibrium in the capital account of the country. [15 marks]
5. (a) With the aid of a well labelled diagram derive the IS curve. [7 marks]
(b) Explain the properties of the IS curve. [6 marks]

(c) A contractionary monetary policy leads to a decline in the interest rates. Comment

[12 marks]

6. If the government was to increase taxes explain the effects of such a policy move on economic growth.

[25 marks]

END OF PAPER