

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(2)
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

 OCT 2023

QUESTION 1

Articulate how an exogenous increase of government spending on national defence affect aggregate output, private consumption and investment in a Real Business Cycle model?

[25 marks]

QUESTION 2

Describe and illustrate the effects of the interest rate on domestic savings and domestic investment in an economy with capital control.

[25 marks]

QUESTION 3

‘No matter how much you earn, you can choose how much to consume.’ Support this statement with practical examples using consumption theory.

[25 marks]

QUESTION 4

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

[25 marks]

QUESTION 5

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]

QUESTION 6

Evaluate the controversy between the relationship between budget deficit and current account deficit considering views from Ricardian equivalence and the twin deficit hypothesis.

[25 marks]

END OF PAPER