HEBERT CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES

DEPARTMENT OF ECONOMICS & FINANCE

BACHELOR OF COMMERCE DEGREE

LEVEL 4 SEMESTER 2

EXAMINATION QUESTION PAPER

MODULE CODE	HEC421
MODULE NARRATION	MACROECONOMICS 3
DATE	2024
DURATION	

INSTRUCTIONS TO CANDIDATES:

1. Answer any four questions
2. Start each question on a fresh page
3. Silent self-powered non-programmable calculators can be used
4. All questions carry equal marks

QUESTION 1

(a) Explain using relevant examples what each of the following concepts imply on macroeconomic policy formulation in developing countries;

(i)	Internal and External Balance	[5 marks]
(ii)	Effective market classification	[5 marks]
(iii)	Dynamic inconsistency.	[5 marks]

(b) Using examples, explain the difference between Gradualism and shock therapy to stabilisation policy interventions. [10 marks]

[Total 25 marks]

QUESTION 2

(a) Discuss the Taylor's rule in monetary policy formulation. [10 marks]

(b) Explain the Ricardian Equivalence Theorem and evaluate its applicability to Zimbabwe. [15 marks]

[Total 25 marks]

QUESTION 3

(a) Using the IS/LM/BP framework in a small open economy, evaluate the effectiveness of;

(i) Expansionary monetary policy under a flexible exchange rate regime in with no capital mobility. [12 marks]

(ii) Expansionary fiscal policy in a fixed exchange rate regime and imperfectly mobile capital. [13 marks]

[Total 25 marks]

QUESTION 4

(a) Compare and contrast the Solow and Endogenous growth models. [10 marks]

(b) According to the Harrod Domar model, can sustained economic growth result from ever rising saving rates in a commodity driven economy? Explain. [15 marks]

[Total 25 marks]

QUESTION 5

(a) With reference to Zimbabwe from 2009 to 2016, evaluate the multicurrency regime in line with the following macroeconomic fundamentals;

(i) Inflation [5 marks]

(ii) Unemployment [5 marks]

(iii) Balance of payments. [5 marks]

(b) Evaluate the socioeconomic developments in Zimbabwe since the introduction of Bond notes and the introduction of the RTGS as the new Zimbabwean currency. [10 marks]

[Total 25 marks]

END OF EXAMINATION