



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

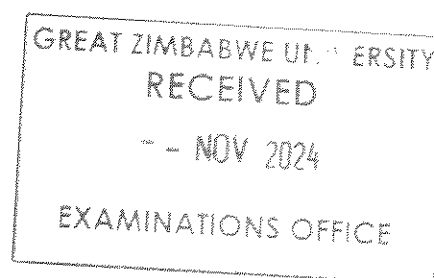
DATE

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