



"Investing in Africa's Future"

COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMEC 204: INTERMEDIATE MACROECONOMICS

END OF SECOND SEMESTER EXAMINATIONS

APRIL 2022

LECTURER: MR G. MANDEWO

INSTRUCTIONS

Answer **question 1** in Section A and any other **three** questions from Section B. Total possible mark is **100**.

Start **each** question on a new page in your answer booklet.

The marks allocated to **each** question are shown at the end of the question.

Show all your workings.

Credit will be awarded for logical, systematic and neat presentations.

SECTION A

1. A business person has to have an understanding of issues of investment and inflation, Explain the theoretical underpinning of these two concepts, and demonstrate how the knowledge may enhance business decisions **[25 marks]**

SECTION B

2. It is possible to direct economic activity and macroeconomic fundamentals into the desired path. This is the domain of policy analysis. In the context of the ISM model, show how output and interest rates can be manipulated to benefit the economy. In your analysis show the transmission mechanism and the economic intuition behind each movement. **[25 marks]**
3. (a) Explain the difference between an inflationary gap and a deflationary gap **[15 marks]**
(b) Make a clear distinction between distribution effects and economic effects of deflation **[5 marks]**
(c) Propose practical solutions to the problem of inflation and demonstrate how it reduces inflations **[5 marks]**
4. In the context of budget deficits and fiscal policies. Critically discuss methods of correct budget deficits and debt. You are required to anchor your response on the following key issues
(a) The Government Budget Constraint **[5 marks]**
(b) The Ricardian Equivalence Result **[5 marks]**
(c) Tax-Smoothing **[5 marks]**
(d) Political-Economy Theories of Budget Deficits **[5 marks]**
(e) Strategic Debt Accumulation **[5 marks]**
5. The following are the key factors of unemployment :
(a) Part-time employment
(b) Overtime employment
(c) Loosely attached workers underemployment
Discuss the above in the context of a country of your own choice considering labour supply process and labour demand process **[15 marks]**
(d) Suggest practical measures to resolve the problem of unemployment

[10 marks]

End of Examination