



***“Investing in Africa’s future”***

**NMEC 409: ADVANCED MACROECONOMICS THEORY**

**END OF SECOND SEMESTER EXAMINATION**

**APRIL 2023**

**DR SAUNGEWME**

**DURATION: 3 HOURS**

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**INSTRUCTIONS TO CANDIDATES**

- 1) ANSWER ANY ONE QUESTION
- 2) ALL QUESTIONS CARRY EQUAL MARKS

### **QUESTION 1**

- (a) Discuss the causes and consequences of domestic and international public debt to a developing country. [20 marks]
- (b) Discuss the solvency approach to public debt management. [10 marks]
- (c) Using the IS/LM BOP framework, explain the relative effectiveness of expansionary fiscal and monetary policies in a small open economy with perfect international capital flows under different exchange rate regimes. [30 marks]

**[TOTAL 60 MARKS]**

### **QUESTION 2**

- (a)(i) Critically discuss the Solow and Harrod-Domar growth models. [20 marks]
- (ii) How applicable is the Solow and Harrod-Domar growth models in developing and emerging economies. [10 marks]
- (b) Differentiate between the Tinbergen's rule and Taylor's rule. [10 marks]
- (c) Discuss fully the internal and external balance (Swan) model. [20 marks]

**[TOTAL 60 MARKS]**

### **QUESTION 3**

- (a) Differentiate between Efficient wage and Shapiro-Stiglitz theories of unemployment. [20 marks]
- (b) Using the IS/LM framework, analyse the effectiveness of fiscal policy under fixed exchange rate regime [20 marks]
- (c) Compare and contrast the time lags of fiscal policy and monetary policy. [8 marks]
- (d) Under what conditions is it better that policy makers' action be limited by rules and discretion policy. Discuss [12 marks]

**[TOTAL 60 MARKS]**

**END OF EXAMINATION**