



*"Investing in Africa's Future"*

**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND  
GOVERNANCE**

**NMEC 204: INTERMEDIATE MACROECONOMICS**

**END OF SECOND SEMESTER EXAMINATIONS**

**MAY 2021**

**LECTURER: MR G. MANDEWO**

**TIME: 7 HOURS**

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***INSTRUCTIONS***

Answer **ONE** question. Total possible mark is **100**.

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

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

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**Show all your workings.**

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

1. 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
- (b) The Ricardian Equivalence Result
- (c) Tax-Smoothing
- (d) Political-Economy Theories of Budget Deficits
- (e) Strategic Debt Accumulation
- (f) Delayed Stabilization

**[100 Marks]**

2. 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 choice considering labour supply process and labour demand process

**[100 Marks]**

3. Derive the ISLM model and show how it mirrors the goods and the money market. Using the context of a country of your own choice, demonstrate how fiscal and monetary policies can be used to foster economic growth. Show the transmission mechanisms of each change. You are required to come up with as many examples as is possible

**[100 Marks]**

**END OF EXAMINATION**

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