



"Investing in Africa's Future"

College of Business, Peace, Leadership and Governance

NMEC 409: MACROECONOMICS 11

END OF FIRST SEMESTER EXAMINATIONS

MAY/JUNE 2021

LECTURER: Mr G. Mandewo

INSTRUCTIONS

Answer **One question only**. 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.

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. There are many models of unemployment; Generic Efficiency-Wage Model, A More General Version, The Shapiro–Stiglitz Model, Contracting Models and Search and Matching Models. You are required to show a clear understanding of these models. Relate the models to a country of your own choice. Discuss the strengths and weaknesses of each model.
[100 Marks]
3. Consumption modelling tend to change depending on whether it is under certainty or uncertainty. Explain in detail theories related to each of the above circumstances. Interest rate and savings on consumption? Discuss other factors that affect consumption.
[100 Marks]

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