



MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES

FACULTY OF AGRIBUSINESS AND COMMERCE

Department of Agricultural Economics and Development

MACROECONOMICS FOR AGRICULTURE

CODE: AEDT 122

SESSIONAL EXAMINATIONS

FEBRUARY 2022

DURATION: 3 HOURS

EXAMINER: MR F. RUZHANI

INSTRUCTIONS

- 1. Answer any Four (4) questions.*
- 2. Start a new question on a fresh page*
- 3. Total marks 100*

Question 1

- a) Explain the major difference between Nominal GDP and Real GDP. [4]
- b) With the aid of a diagram describe the circular flow model explaining clearly the flow of inputs/outputs as well as capital/revenue in the economy. [8]
- c) The table below shows goods produced in Zimbabwe in the year 2011 and 2019 and their respective prices. Use the table to answer the questions that follow.

	2011		2019	
	Q	P	Q	P
Cooking oil	100	\$2.00	80	\$3.00
Apples	110	\$1.00	100	\$1.50
Bread	150	\$0.80	180	\$1.20

- i) Calculate the Nominal GDP for the year 2011 and 2019. [4]
- ii) What was the percentage increase or decrease in Nominal GDP from 2011 to 2019? [1]
- iii) Calculate the Real GDP for 2011 and for 2019, using 2011 as the base year. [4]
- iv) Calculate the GDP deflator for 2011 and for 2019. [2]
- v) What is the actual Real GDP growth between 2011 and 2019? [2]

Question 2

- a) Differentiate between frictional and structural unemployment. [4]
- b) With the aid of a graph explain how efficiency wages result in structural unemployment. [7]
- c) Explain what you understand by the following terms.
- i) Stagflation [2]
- ii) Hyperinflation [2]
- d) Describe any **five** causes of hyperinflation in Zimbabwe. [5]
- e) With the aid of a Phillips curve explain the short run relationship between

unemployment and inflation.

[5]

Question 3

- a) Using an Aggregate Demand-Aggregate Supply model explain the effect of a decrease in government spending on goods and services on output and the general price level in the economy. [6]
- b) *A number of theories explain why the short run aggregate supply curve slopes upwards.* Identify and explain any **two** theories that explain why the short run aggregate supply curve slopes upwards. [8]
- c) Using an Aggregate Demand-Aggregate Supply model explain the effect of a decrease in the quantity of labour on output and the general price level in the economy. [6]
- d) Describe what you understand by the term crowding out and explain what causes the crowding out effect. [5]

Question 4

- a) *Monetary policy is a measure employed by the central bank of a country to adjust the supply of money in the economy and achieve some combination of inflation and output stabilization.* With the aid of a graph explain the effects of an expansionary monetary policy on aggregate demand, supply and the general price level. [8]
- b) *Fiscal policy refers to the government's decisions about how much to tax and spend.* With the aid of a graph explain the effects of a contractionary fiscal policy on aggregate demand, supply and the general price level of goods and services. [8]
- c) Explain what you understand by the following terms.
- i) Budget deficit [2]
- ii) Budget surplus [2]
- d) In your opinion what is more desirable between a budget surplus and a budget deficit. Justify your answer. [5]

Question 5

- a) Economists argue that fiscal policy makers should aim to reduce government debt. Justify the reasons for and against this notion. [12]
- b) Discuss the policies that a government can implement in order to improve the standards of living of its citizens. [9]
- c) Explain the two major differences between GDP deflator and the Consumer Price Index (CPI). [4]

END OF EXAMINATION