



# 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**

**AUGUST 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) Identify and explain any **four** of Mankiw's ten principles of Macroeconomics. [12]
- b) The Expenditure approach can be used to measure the GDP of a nation. State the equation which represents the expenditure approach and identify all the five variables in the equation. [6]
- c) Discuss the policies that a government can implement in order to improve the standards of living of its citizens. [7]

### Question 2

- a) Describe what you understand by the term business cycle. [2]
- b) Draw a hypothetical graph of a business cycle and label the phases of the cycle. [5]
- c) Explain what is happening during each phase of the cycle with respect to
  - (i) output, [6]
  - (ii) employment and, [6]
  - (iii) inflation. [6]

### Question 3

- a) *Taxes on interest income substantially reduce the future pay off from current saving and, as a result, reduce the incentive to save.* With the aid of a graph explain the effects of a tax decrease on interest rate and the supply and demand for loanable funds. [8]
- b) Using an Aggregate Demand-Aggregate Supply model explain the effect of a tax cut on output and the general price level in the economy. [6]
- c) With the aid of a graph explain how minimum wage laws result in structural unemployment. [8]
- d) Describe any **three** effects of inflation in Zimbabwe. [3]

### 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 a contractionary monetary policy on aggregate demand, supply and the general price level. [10]

- b) Differentiate between public debt and budget deficit. [4]
- c) Explain why a huge Debt: GDP ratio is undesirable for a country's economic growth and development. [6]
- d) With the aid of a graph describe cost-push inflation. [5]

**Question 5**

- a) Economists argue that monetary policy should be made by rule rather than by discretion. Justify the reasons for and against this notion. [12]
- b) *The traditional view of the production process is that, capital is subject to diminishing returns.* Explain how this concept is related to the Catch-Up Effect to Economic Growth. [7]
- c) Explain what you understand by the following terms:
  - i) Deflation [2]
  - ii) Hyperinflation [2]
  - iii) Stagflation [2]

**END OF EXAMINATION**