



## **ZCAS University**

**SEC 2302 MACROECONOMICS**

**TEST**

**Monday 16 OCTOBER 2023**

**TIME: 16:30-19:30**

**TIME ALLOWED: THREE HOURS (plus 5 minutes to read through the paper)**

### **INSTRUCTIONS:**

1. Section A: this question is compulsory and must be attempted.
2. Sections B: Answer Three (3) questions from this section.
3. This question paper carries a total of 100 marks.
4. Candidates must not turn this page until the invigilator tells them to do so.

**SECTION A: Question 1 is compulsory and must be attempted**

**Question 1**

- a) Assume that you are an economist at the Ministry of Finance and National Planning in Peoples Land Republic (PLR). At a recent senior staff meeting the Minister of Finance expressed her concern over the low economic growth rates recorded during the last three years. Consequently, she directed the Permanent Secretary to identify possible fiscal policy measures that can be implemented to stimulate the economy.

Following the Minister's directive the Permanent Secretary has directed you to explain how the PLR economy can be stimulated by a tax reduction fiscal policy using the Keynesian Cross Model. (30 marks)

- b) In Manyika-land Republic there has been a wave of credit card fraud, consequently, consumers have resorted to use cash more frequently in transactions.

**Required**

Using the liquidity preference model show how these events shift the *LM* curve.

(10 marks)

(Total: 40 marks)

**SECTION B: Attempt any THREE questions in this section**

**Question 2**

Several theories have been developed to explain hysteresis in the labour market. Explain any two of these theories. (20 marks)

**Question 3**

- a) Prove that  $\frac{U_L}{U_{PR}}$  is equal to  $1 - \frac{e}{PR}$  (15 marks)

- a) Assume you are an economist in a country with a marginal propensity to consume of 0.6. Calculate government expenditure multiplier and comment on the government expenditure multiplier. (5 marks)

(Total 20 marks)

#### **Question 4**

In Zambia unemployment is a major problem, for example, the 2019 Labour Force Survey Report states that the number of the unemployed population was 428,383. Of the total unemployed persons, 173,109 persons were in rural areas and 255, 275 were in urban areas.

#### **Required**

Discuss the five basic stylised facts about unemployment. **(20 marks)**

#### **Question 5**

A new Minister of Labour has just been appointed and you are an economist at the Ministry of Labour and your supervisor has directed you to write an essay on the Zambian Labour Market. Your essay will be part of briefing notes for the newly appointed Minister. **(20 marks)**

**END OF TEST**