

BSc in Export Agriculture
Third Year First Semester Examination –June/ July 2017

Macroeconomics (EAG 332-2)
Section II – Essay Questions

Instructions:

Answer **all** questions in the given booklet.

No. of questions : Three (03)

No. of pages : Two (02)

Time : One (01) hour

Total marks allocated : 60%

1. Distinguish between the following; use graphical illustrations where necessary

- (I) Demand pull inflation and supply side inflation
- (II) Short run Aggregate Supply curve and long run Aggregate Supply curve
- (III) Actual GDP and Potential GDP
- (IV) Voluntary Unemployment and Involuntary Unemployment

(25 marks X 4 =100 marks)

2.

(I) , Briefly explain the followings by graphically deriving each of them;

- a) The IS curve
- b) The LM curve

(20 marks X 2= 40 Marks)

(II) How do you explain the following fluctuations using IS-LM Model

- a) Changes in government purchases
- b) An increase in money supply

(15 Marks X 2= 30 Marks)

(III) How do you derive the Aggregate Demand curve with IS-LM Model?

(10 Marks)

(IV) The following equations describe the macroeconomic conditions of an economy

$$C = 120 + 0.5(Y - T)$$

$$I = 100 - 10i$$

$$G = 50$$

$$T = 40$$

$$(M/P)^d = Y - 20i$$

$$M = 600$$

$$P = 2$$

- a) What is the equation that describes the IS curve? (5 marks)
- b) What is the equation that describes the LM curve? (5 marks)
- c) What are the equilibrium levels of income and interest rate?

(10 marks)

3. Write short notes on four of the followings

- (I) The Phillip's Curve
- (II) A fiscal expansion under floating exchange rates
- (III) The measures of general price level
- (IV) Purchasing Power Parity
- (V) Business Cycle
- (VI) The consumption function

(25 marks X 4 =100 marks)

[End of the Section II]