

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF THE BUILT ENVIRONMENT
DEPARTMENT OF QUANTITY SURVEYING
PART I SUPPLEMENTARY EXAMINATION AUGUST - 2013
PRINCIPLES OF MACRO ECONOMICS - AQS 1204

TIME: 3 HOURS

TOTAL MARKS: 100

INSTRUCTIONS TO CANDIDATES

- Answer any **FOUR (4)** questions.
- Start the answer to each full question on a fresh page of the answer sheet
- Show all workings.
- Questions may be written in any order, but must be legibly numbered.

INFORMATION FOR CANDIDATES

The paper contains six (6) questions.

All whole questions carry equal marks [25 marks] and part marks are indicated in brackets at the end of each part question.

The economies in this question paper are intended to be fictitious.

This paper consists of 3 printed pages

QUESTION 1

Study the following social and economic indicators of North Korea and West Germany

	North Korea	West Germany
Population	24 million	60 million
Gross Domestic Product in US\$	22,968 billion	1,157 trillion
Infant mortality rate per 1 000 births	31	7
Exports as a percentage of GDP	3.3	28
Imports as a percentage of GDP	5.9	22
Farm population as a percentage	38	4

- a) Using the data from the table, explain which country:
- was the most developed economy **(4 marks)**
 - was the least open economy **(4 marks)**
- b) Explain the relationship you would expect to find between Gross Domestic Product and the infant mortality. How far is this confirmed by the data provided? **(4 marks)**
- c) Discuss the problems of using National Income statistics as a basis of comparing standards of living. **(13 marks)**

QUESTION 2

- a) Define the following terms applicable to National Income Determination:
- Equilibrium **(3 marks)**
 - Aggregate demand **(3 marks)**
 - Autonomous consumption **(3 marks)**
- b) Draw a well labelled diagram to illustrate a deflationary gap **(6 marks)**
- c) With the aid of a table indicating three rounds of activity, explain fully the concept of the multiplier. **(10 marks)**

QUESTION 3

- a) Discuss the merits and demerits of undertaking international trade. **(10 marks)**
- b) Examine the methods and justification of international trade protectionism. **(15 marks)**

QUESTION 4

- a) Distinguish narrow money from broad money. **(3 marks)**
- b) Explain three motives for the demand for money. **(9 marks)**
- c) What is credit creation? Show how a deposit of \$1 000 and a reserve ratio of 10 percent can lead to an increase in money supply in an economy. **(13 marks)**

QUESTION 5

- a) Discuss four objectives that are normally listed as a government's economic policy. **(9 marks)**
- b) To what extent might there be conflict among economic policy objectives. **(8 marks)**
- c) Critically analyse the measurement of inflation using Retail Price Indices. **(8 marks)**

QUESTION 6

- a) Explain the critical success factors required for Export Oriented Industrialization. **(12 marks)**
- b) Critically analyse Import Substitution as an economic development strategy **(13 marks)**

END OF EXAMINATION