



**National University of
Science and Technology**
Think in Other Terms



**FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FISCAL STUDIES
PART IV – 2ND SEMESTER FINAL EXAMINATION - MAY 2011
ECONOMIC AND FISCAL POLICY [CFS 4203]
TIME ALLOWED: 3 HOURS**

INSTRUCTIONS TO CANDIDATES

1. Answer any **FOUR** Questions.
2. Start the answer to each full question on a fresh page of the answer sheet.
3. Questions may be written in any order, but must be legibly numbered.
4. Write legibly.
5. Show workings

INFORMATION FOR CANDIDATES

The paper contains five (5) questions.

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

Question 1

“Today, few economists would argue the case for complete dependence on monetary policy, few economists would deny its relevance to stabilization objectives”

- G. K Shaw

- a. Paraphrase the above quotation from G. K Shaw [7 marks]
- b. Critically analyse the performance of the monetary policy during the Great Depression (1929-1933) [9 marks]
- c. Examine the shift in orientation monetary policy and other macroeconomic policies have undergone during the new economic policy consensus. [9 marks]

Question 2

- a. Economic policies throughout the world are converging around three basic principles. Identify each of these principles and explain how they are operating. [8 marks]
- b. This evolution of policy has occurred not because the principles of economics have changed, but because over time we have learned a lot about the inferences that can be drawn from them. Elaborate. [9 marks]
- c. Critically assess how Zimbabwe and other Sub-Saharan countries have responded to this new economic policy thrust? [8 marks]

Question 3

When implementing fiscal policy the following measures among others are as follows:

- Taxation
 - Public borrowing
 - Public spending
 - Public works
- a. From the above list choose only three measures and explain under which situation each one of them can be applied? [9 marks]
 - b. Suggest fiscal policy and monetary policy measures that can be combined to fight depression. Explain in detail how these measures can be applied to deliver the desired results? [9 marks]
 - c) Compare and contrast the efficiency of fiscal policy to that of monetary policy in fighting inflation or deflation. [7 marks]

Question 4

Fiscal and Economic policy as a discipline has borrowed the following axioms from Charles Darwin;

- Conflict
- Dualism
- Evolution, and
- Global jungle

- a. Discuss how each of these axioms are applied in fiscal and economic policy?
[8 marks]
- b. International Darwinism, when it engulfs the whole world, is likely to leave many people in the Third World suffering. Discuss how this will take place.
[8 marks]
- c. “Capital in global jungle is very jittery. It is apt to flee from a given country in a flash. Besides, it represents an almost virtual value which no government in the world can control”.

- *Oswald De Rivero*

Comment on the above passage by Oswald De Rivero from the point of view of economic policy.
[8 marks]

Question 5

According to Adam Smith, free trade policy refers to, “a system of commercial policy which draws no distinction between domestic and foreign commodities and thus which neither imposes additional burden on the latter nor grants any special favour to the former”

- a. Explain in your own words what Adam Smith is saying in the above quotation.
[7 marks]
- b. Critically analyse how a country stands to benefit from free trade?
[9 marks]
- c) Free trade leads to exploitation of economically weaker countries. Elaborate.
[9 marks]

The End