

**CHUKA**



**UNIVERSITY**

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**RESIT/ SPECIAL EXAMINATIONS**

**THIRD YEAR EXAMINATION FOR THE AWARD OF  
BACHELOR OF ECONOMICS AND STATISTICS, ECONOMICS AND SOCIOLOGY,  
BACHELOR OF ARTS (ECONOMICS AND MATHEMATICS) AND BACHELOR OF  
ARTS (ECONOMICS AND HISTORY)**

**ECON 323: ADVANCED MACROECONOMICS**

**STREAMS: ECON STAT, ECON STAT, ECON MATH, ECON HIST**

**TIME: 2 HOURS**

**DAY/DATE: MONDAY 23/07/2018**

**2.30 PM – 4.30 PM**

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**INSTRUCTIONS:**

**Answer Question One and any other Two**

**QUESTION ONE (COMPULSORY)**

- (a) Distinguish between unemployment and the inflation. [4 marks]
- (b) Describe two ways how say's Law can be demonstrated in an economy. [8 marks]
- (c) Describe various causes of unemployment in an economy. [12 marks]
- (d) Distinguish between Solow-Swan growth model and Harrod-Domer models of economic growth. [6 marks]

**QUESTION TWO**

- (a) Discuss monetary policy tools used by the central bank to ensure stable supply of money in an economy. [12 marks]
- (b) Distinguish between the following terms
  - (i) Fixed exchange rates and flexible exchange rates. [4 marks]
  - (ii) Relative income hypothesis and the absolute income hypothesis. [4 marks]

**QUESTION THREE**

- (a) Describe the limitations of the Harrod-Domer Growth Model. [10 marks]
- (b) Explain the causes of Disequilibrium in the balance of payment. [6 marks]
- (c) Describe various contributions of the rational expectation theory. [4 marks]

**QUESTION FOUR**

- (a) Describe factors other than the interest rates that affect the inducement to invest in an economy. [10 marks]
  - (b) Describe different determinants of the exchange rates in an economy. [4 marks]
  - (c) List the assumptions made under the Accelerated theory of investment. [6 marks]
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