



THE COUNCIL OF COMMUNITY COLLEGES OF JAMAICA

BACHELOR OF SCIENCE EXAMINATION

SEMESTER III – 2017 AUGUST

PROGRAMME: BUSINESS ADMINISTRATION

COURSE NAME: MACROECONOMICS

CODE: ECON3701

YEAR GROUP: THREE

DATE: MONDAY, 2017 AUGUST 14

TIME: 1:00 P.M. – 4:00 P.M.

DURATION: 3 HOURS

EXAMINATION TYPE: FINAL

This Examination paper has 9 pages

INSTRUCTIONS:

- 1. THIS EXAMINATION PAPER CONSISTS OF TWO (2) SECTIONS: (A) AND (B)**
- 2. ANSWER ALL QUESTIONS FROM SECTION A**
- 3. SECTION B CONSISTS OF FIVE (5) QUESTIONS; CHOOSE ANY THREE (3)**

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SECTION B

*Instructions: Answer any **THREE (3)** questions from this section.*

Question 1

Unemployment is always a major problem, as it indicates idle/unemployed persons who may be seeking jobs but are currently unable to find such jobs.

- A. Identify and explain **THREE (3)** groups which are normally not included in unemployment figures. *(6 marks)*
- B. Explain **THREE (3)** causes of unemployment. *(9 marks)*
- C. Explain the possible effects of rising unemployment on an economy for individuals, economic growth and likely taxes. *(4 marks)*
- D. Why would a significant number of employed young persons with tertiary education wish to migrate overseas rather than stay in, say Jamaica, in the future? *(6 marks)*

(Total 25 marks)

Question 2

- A. Explain the difference between economic growth and economic development. *(6 marks)*
- B. Describe three determinants of economic growth. *(9 marks)*
- C. Using suitable examples, discuss **TWO (2)** potential costs of economic growth. *(10 marks)*

(Total 25 marks)

Question 3

- A. The table below shows real GDP, Y , the components of planned expenditure, and aggregate planned expenditure (in millions of dollars) for an economy in which taxes are constant.

Y	Planned Expenditure					AE
	C	I	G	X	M	
0	2.0	1.75	1.0	1.25	0	6.0
2	Q	1.75	1.0	1.25	0.4	6.8
4	4.4	R	1.0	1.25	0.8	7.6
6	5.6	1.75	S	1.25	1.2	8.4
8	6.8	1.75	1.0	T	1.6	9.2
10	8.0	1.75	1.0	1.25	U	10.0
12	9.2	1.75	1.0	1.25	2.4	V

- i. Find the values of Q , R , S , T , U , and V . **(6 marks)**
 - ii. Calculate the marginal propensity to consume and the marginal propensity to import. Also, what is equilibrium expenditure? **(6 marks)**
 - iii. If investment crashes to \$0.55 million but nothing else changes, what is equilibrium expenditure and what is the multiplier? **(7 marks)**
- B. In an economy with no export and no import, autonomous consumption is \$1 trillion, the marginal propensity to consume is 0.8, investment is \$5 trillion and government expenditure on goods and services is \$4 trillion. Taxes are \$4 trillion and do not vary with real GDP.

If real GDP is \$30 trillion, calculate disposable income and consumption expenditure.

(6 marks)

(Total 25 marks)

Question 4

- A. i. What are the **THREE (3)** functions that money performs? **(3 marks)**
- ii. Explain which of the following items perform some but not all these functions, and which perform all functions? **(4 marks)**
- A checking account at the bank
 - A dollar bill
 - A herd of cows
 - Monopoly money in a board game
- B. Suppose that banks had deposits of \$500 billion, a desired reserve ratio of 4 percent and no excess reserves, and \$15 billion in notes and coins. Calculate the banks' reserves at the Central Bank. **(8 marks)**
- C. Identify the Central Bank's policy tools and briefly describe how each works. **(10 marks)**
- (Total 25 marks)**

Question 5

- A. Distinguish between 'absolute advantage' and 'comparative advantage'. **(4 marks)**
- B. In 2008, the Caribbean region signed an Economic Partnership Agreement with the European Union. Some economists objected on the grounds that free trade would not be good for the region.
- Outline **THREE (3)** arguments in favour of protection, that these economists could have used to support their position. **(9 marks)**
- C. Those countries in favour of the agreement with the European Union argued that the region could receive benefits from free trade with Europe. Outline **TWO (2)** of these potential benefits. **(6 marks)**
- D. Identify **TWO (2)** main accounts of the balance of payments, and state **THREE (3)** items you expect to be recorded in each. **(6 marks)**
- (Total 25 marks)**

END OF EXAMINATION