

Q 1. (a) Differentiate between Microeconomics and Macroeconomics. [5 Marks]

(b) Explain the economic problems of Macroeconomics. [5 Marks]

(c) Highlight the relationship between Marginal propensity to consume (MPC) and Marginal propensity to save (MPS). [5 Marks]

(d) Explain the relationship between Marginal efficiency of capital (m.e.c) and the interest rate. [5 Marks]

(e) Explain the Keynesian view of Liquidity Preference (L.P). [5 Marks]

~~Q2.~~

(a) Explain the Keynesian psychological Law of Consumption. [5 Marks]

(b) How is the law important to the determination of income and employment in the economy. [5 Marks]

(c) Give five measures to raise the propensity to consume. [5 Marks]

Q3.

(a) Given the saving function  $S = -10 + 0.2 Y$  and autonomous investment  $I = \$ 50$ , find the level of consumption. [5 Marks]

(b) Explain and illustrate diagrammatically the concept of multiplier.

[10 Marks]

Q4. (a) Explain how the Keynesian demand for money a departure from the 19<sup>th</sup>. C classical theory. [9 Marks]

(b) Explain why demand for money is considered to be declining function of rate of interest. [6 Marks]

Q5. (a) Distinguish between inflation and Deflation. [5 Marks]

(b) How did Keynes explain the phenomenon of inflation in terms of his concept of inflationary gap? [10 Marks]

Q6.

(a) Explain the concept of full-employment. [5 Marks]

(b) Explain the following types of the unemployment:

(i) Frictional Unemployment [2 Marks]

(ii) Structural Unemployment [2 Marks]

(iii) Cyclical Unemployment [2 Marks]

(c) How is monetary policy helpful in generating employment opportunities in the economy. [6 Marks]