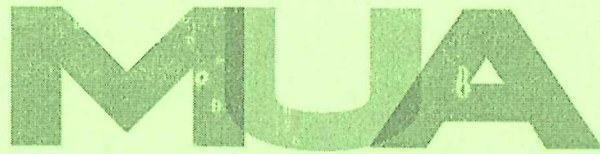


The
Management
University
of Africa



Sponsored by the Kenya Institute of Management

UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP/ BACHELOR
OF COMMERCE

BML 205/ BCM 214: MACROECONOMICS

DATE: 27TH NOVEMBER 2019

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

THE ASIAN TIGERS' ECONOMIC GROWTH

The four Asian Tigers, also known as the Asian Dragons, are the fast-growing economies of Singapore, Hong Kong, Taiwan and South Korea. The four Asian nations have consistently sustained high-growth economic rate since the 1960s, charged by rapid industrialization and exports, which facilitated these economies to be in line with the world's wealthiest nations. In 2015 South Korea officially overtook Japan in GDP terms moving second place to China in terms of financial feasibility.

Emergence of the Four Tiger Governments

The world economy growth began to pick up during the early 1960's after the World War II and the Korean War in the early 1950's. Major leaps in air telecommunications and air travel coupled with probable world peace indicated that world countries were opening up their borders and thus the Four Tigers took advantage of this opening. The four countries had viable trade economies, established ports, high literacy levels and advanced infrastructure inherited from their colonial masters. Singapore is one of the smallest nations but has the highest GDP between the four Asian tigers.

Owing to this development, the Asian Tigers took advantage of the situation since they were quite poor in the 1960s; these countries had plenty of inexpensive labor. Combined with educational restructuring, they were smart to leverage this amalgamation into a low-priced, yet industrious labor force. The Asian Dragons devoted to social equality in terms of land reforms, promotion of property rights and welfare of agricultural workers. A booming stock exchange had already begun in 1891 in Hong Kong; thus it was reasonable when it drifted to financial services from the export market. Hotly followed by Singapore the two tiny nations are currently important global financial centers. During that interval South Korea and Taiwan were propelling the 1980's -1990's tech boom, nowadays Taipei and Seoul are leaders

in cutting-edge technology and also home to the biggest names in electronics. These advancements happened so quickly hence the nickname 'The Asian Miracle'.

The economy growth of the Four Asian nations enabled them to sail through the local 1997 Asian Financial Crisis and also 2008 World Economic Crisis. At present these four nations significantly get enlisted in IMF's global list of top 40 advanced economies.

Required:

- i. Evaluate the main reasons why the Asian Tigers were able to raise their GDP (5 Marks)
- ii. Explain three ways in which the Central banking system could reduce dependence on debt (10 Marks)
- iii. Analyze the hybrid economic system as it applies to these Asian countries (10 Marks)

QUESTION TWO

- i. Explain the injections and withdrawals of a circular flow system (6 Marks)
- ii. Explain two approaches of classifying inflation (4 Marks)
- iii. Explain the concept of import substitution strategy (5 marks)

QUESTION THREE

- i. Illustrate the inflationary gap according to the Keynesian model (6 Marks)
- ii. List four stages of the business cycle (4 Marks)
- iii. With the use of examples, explain the term "open unemployment" (5 marks)

QUESTION FOUR

- i. Analyze the theory of comparative advantage in international trade (6 Marks)

- ii. Evaluate four consequences of inflation (4 Marks)
- iii. Explain the concept of seigniorage as used in central banking system (5 marks)

QUESTION FIVE

- i. Illustrate the link between inflation and unemployment (2 Marks)
- ii. Explain three canons of taxation according to Adam Smith (3 Marks)
- iii. Identify and explain five factors, which contribute to high rate of unemployment amongst the youth. (10 marks)

QUESTION SIX

- i. State four levels of economic integration (4 marks)
- ii. Mention six functions of the central bank (6 Marks)
- iii. Identify and explain two benefits of required integration (5marks)