



**KISII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**

**SECOND YEAR EXAMINATION FOR THE AWARD OF THE**  
**DIPLOMA IN AGRICULTURAL ECONOMICS**  
**FIRST SEMESTER, 2023/2024**  
**(JANUARY-APRIL, 2024)**

**AGEC 0209: MACROECONOMICS II**

**STREAM: Y2 S1**

**TIME: 2 HOURS**

**DAY: TUESDAY, 9:00 – 11:00 A.M.**

**DATE: 16/04/2024**

---

**INSTRUCTIONS**

- 1. Do not write anything on this question paper.***
- 2. Section A is compulsory and answer any TWO questions in Section B.***

**SECTION A (30MKS)**

**QUESTION ONE**

- Differentiate between economic growth and economic development. Explain the factors that contribute to economic growth. (10marks)
- Discuss the concept of aggregate demand and aggregate supply. Explain the factors that influence aggregate demand and aggregate supply in an economy. (10marks)
- Discuss the concept of fiscal policy and its implications for government spending and taxation. (10marks)

**QUESTION TWO**

- Explain the Keynesian theory of income determination. Discuss the role of consumption, investment, government spending, and net exports in determining national income. (10marks)
- Discuss the Neoclassical Theory of economic growth. What are the factors that lead to long-run economic growth according to this theory? (10marks)

### **QUESTION THREE**

- a). Explain the concept of inflation and its causes. Discuss the effects of inflation on an economy. (10marks)
- b). Discuss the Phillips curve and its relationship with unemployment and inflation. Explain the short-run and long-run Phillips curve. (10marks)

### **QUESTION FOUR**

- a). Explain the main types of fiscal policy measures that can be used to stabilize an economy? Discuss the advantages and disadvantages of expansionary fiscal policy and contractionary fiscal policy. (10marks)
- b). Explain the concept of monetary policy. Discuss the tools used by central banks to implement monetary policy and the goals they aim to achieve. (10marks)

### **QUESTION FIVE**

- a). Discuss the concept of the foreign exchange market and the determination of exchange rates. Explain the factors that influence the exchange rate in an economy. (10marks)
- b). Explain the role of international trade in an economy? Discuss the benefits and costs of international trade for a country. (10marks)