ECO401-Economics-Finalterm-Subjective-Paper (Feb 2012)

1-Discuss the concept of accelerator in your own words.
2-Differentiate between international trade and international finance.
3-If MPC = 0.84 and tax rate = 0.27 then find out the value of tax-adjusted multiplier.
4-How can a current account, which is in deficit, be restored to balance under fixed exchange rate regimes?
5-State the law of diminishing marginal returns in terms of labor and land.
When does the law of diminishing marginal returns begin to operate? What is its cause? Why may it start only after some quantity of labor is employed?
6-Differentiate between transaction motive and precautionary motive of holding money.
7-From the given information, calculate the multiplier for each level of marginal propensity to save (MPS).
MPS
0
0.4
0.6
1
1.4

- Transactions theories of money demand.
- Difference between Residential investment & Inventory investment.
- Conclusion of Borrowing constraints.
- Borrowing constraints and tax.
- Fiscal policy under flexible exchange rate.