Tutorial letter 101/3/2018

Macroeconomics
ECS2602

Semesters 1 and 2

Department of Economics

This tutorial letter contains important information about your module.

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CONTENTS

Dear Student

1   INTRODUCTION

We are pleased to welcome you to this Macroeconomics module and hope that you will find it both interesting and rewarding. We shall do our best to make your study of this module successful. You will be well on your way to success if you start studying early in the semester and resolve to do all the activities in TL102 and the assignments properly.

You will receive a number of tutorial letters during the semester. A tutorial letter is our way of communicating with you about teaching, learning and assessment.

1.1   Tutorial material

The Department of Despatch should supply you with the following study material for this module soon after registration:

Tutorial Letters 101 and 102
A study guide

Some of this study material may not have been available when you registered. Study material that was not available when you registered will be posted to you as soon as possible, but is also available on *my*Unisa. Please contact the Despatch Department at despatch@unisa.ac.za if you did not receive your study material.

Note that the 200 series tutorial letters (Tutorial Letters 201) contain the discussions of the assignments and will therefore only be available after the closing date of the assignments. Solutions to the assignments will also be available on *my*Unisa.

This Tutorial Letter 101 contains important information about the study programme, resources and assignments for this module. We urge you to read it carefully and to keep it at hand when working through the study material, preparing the assignment(s) and for the examination.

You will also find the assignments, assessment criteria as well as instructions on the preparation and submission of the assignments. This tutorial letter also provides all the information you need with regard to the prescribed study material and other resources and how to access it. Please study this information carefully and make sure that you obtain the prescribed material as soon as possible.

We have also included certain general and administrative information about this module. Please study this section of the tutorial letter carefully.

Right from the start we would like to point out that you must read all the tutorial letters you receive during the semester immediately and carefully, as they always contain important and, sometimes, urgent information.

1.2   Module format

1.2.1 Fully online module

Please note that this module is offered fully online.

All study material for this module will be available on *my*Unisa. It is thus very important that you register on *my*Unisa at https://my.unisa.ac.za and access the module site on a regular basis. You must be registered on *my*Unisa to be able to access your learning material, submit your assignments, gain access to various learning resources and library functions, "chat" to your lecturer or e-tutor and fellow students about your studies and the challenges that you might encounter, and to participate in online discussion forums. Note that *my*Unisa contains the **Learning Units** tool from which you will only be able to access the study guide for this module if you have registered and have access to *my*Unisa.

On the main site = ECS2602-18-S1 (or S2) you can access: − Official study material, − Learning units, − Announcements by module lectures, − Upload your assignments on this site.

1.2.2   Printed materials to support the online module

Because we want you to be successful in this online module, we also provide you with the study materials in printed format. This will allow you to read the study materials, even if you are not online. In addition, to Tutorial Letter 101 you will receive a printed copy of the online study guide available on *my*Unisa. While the printed material may appear slightly different (the formats differ) from the online study materials, the contents are exactly the same.

Remember, the printed support materials are a back up to everything that is found online, on *my*Unisa. There is no extra information there**. In other words, you should NOT wait for the printed support materials to arrive before you start studying.**

Please consult the Studies @ Unisa brochure for more information on the activation of your *my*Life email address as well as obtaining access to the *my*Unisa module site.

2   PURPOSE OF AND OUTCOMES

2.1   Purpose

Macroeconomics will be useful to students who intend to follow a career (academic or otherwise) in economic analysis or wish to understand the functioning of the macroeconomic system.

2.2   Outcomes

The main outcomes of this module are the following:
● To describe the determination of the level of output and income in closed and open macroeconomic models
● To assess the impact of stabilisation policy measures such as fiscal and monetary policy on the economy in terms of the above models

More detailed module outcomes can be found at the beginning of each learning unit in the study guide.

3 LECTURER(S) AND CONTACT DETAILS

3.1 Lecturer(s)

You will find the lecturers responsible for this module's contact details on *my*Unisa under the "Learning units" tab. You can also contact us by e-mail via *my*Unisa.

Lecturer(s) availability

The lecturers for this module will be available to take phone calls on academic matters and/or to attend to students who may prefer to visit personally for academic engagement. However, the days and times of lecturer's availability will be communicated in the module page on *my*Unisa. These days and times are subject to change from time to time in order to accommodate the lecturer's work schedule and other commitments. The changes on the days and times will be communicated by the lecturer in advance through the announcement option on *my*Unisa as and when this happen. Students are advised to check the module page on *my*Unisa before making phone calls or visiting the lecturer's office for academic enquiries/engagements.

All queries that are not of a purely administrative nature but are about the content of this module should be directed to your e-tutor first and if you are not satisfied with their response, then you contact your lecturer.

3.2 Department

The Department of Economics has moved to Hazelwood. The physical address is Club 1 Building, Corner of Dely Road and Pinaster Avenue, Hazelwood, Pretoria.

You can also contact the department's administrative coordinator:
Ms Mpho Mudau at 012 433 4686.

3.3 University

If you need to contact the university about matters not related to the content of this module, please consult the brochure: *Studies @ Unisa*, which you received with your study material or visit the Unisa website at http://www.unisa.ac.za. The brochure and the website contain information on how to contact the university (e.g. to whom you can write for different queries, important telephone and fax numbers, addresses and details of the times certain facilities are open).

Always have your student number at hand when you contact the university.

4 RESOURCES

4.1 Prescribed book

Your prescribed textbook for this module for this year is:

> Blanchard & Johnson. 2014. *Macroeconomics: Global and Southern African Perspectives.* First edition. Pearson.

Please refer to the list of official booksellers and their addresses in the *Studies @ Unisa* brochure.

Prescribed books can be obtained from the University's official booksellers. If you have difficulty locating your book at these booksellers, please contact the Prescribed Book Section at telephone 012 429-4152 or e-mail vospresc@unisa.ac.za

4.2   Recommended books

There are no recommended books for this module.

4.3   Electronic Reserves (e-Reserves)

There are no e-Reserves for this module.

4.4   Library services and resources information

For brief information, go to www.unisa.ac.za/brochures/studies

For detailed information, go to http://www.unisa.ac.za/library. For research support and services of personal librarians, click on "Research support".

The library has compiled a number of library guides:
- finding recommended reading in the print collection and e-reserves – http://libguides.unisa.ac.za/request/undergrad
- requesting material – http://libguides.unisa.ac.za/request/request
- postgraduate information services – http://libguides.unisa.ac.za/request/postgrad
- finding, obtaining and using library resources and tools to assist in doing research – http://libguides.unisa.ac.za/Research_Skills
- how to contact the library/finding us on social media/frequently asked questions – http://libguides.unisa.ac.za/ask

5   STUDENT SUPPORT SERVICES

For information on the various student support systems and services available at Unisa (e.g. student counselling, tutorial support programme and classes, language support), please consult the brochure *Studies @ Unisa* that you received with your study material.

5.1   Contact with fellow students: Study groups

It is advisable to have contact with fellow students. One way to do this is to form study groups. You can get the names of other students in your area for the same modules by contacting the Department of Student Admission and Registration (DSAR). For further information, please consult the *Studies @ Unisa* brochure.

5.2   *my*Unisa

To complete this module you need to have access to a computer that is linked to the internet. You can quickly access resources and information at the university. The *my*Unisa learning management system is Unisa's online campus that will help you to communicate with your

lecturers, e-tutor, with other students and with the administrative departments of Unisa and submit assignments – all through the computer and the internet.

To go to the *my*Unisa website, start at the main Unisa website, http://www.unisa.ac.za, and then click on the "*my*Unisa" link on the top right-hand side of the screen. This should take you to the *my*Unisa website. You can also go there directly by typing in https://my.unisa.ac.za.

Please consult the *Studies @ Unisa* brochure for more information.

An important resource on the module website on *my*Unisa is the discussion forum (see point 5.4.1 below). Please make use of it.

Additional study material is available at www.econom.co.za.

5.3   Discussion classes

There are no discussion classes for this module.

5.4   Tutorial support programme

5.4.1 E-tutors

We are aware that studying via distance education poses significant challenges to you and you might often feel alone and lost in the sea of content that you are faced with. You might often feel isolated from us and from other students and not knowing where to start when trying to get help from the institution.

The good news is that we have put together a team of subject specialist e-tutors to help you with the content and to empower you as a student to be successful in your studies. They will be your compass and help steer you in the right direction.

Once you have been registered for this module, you will be allocated to a group of students with whom you will be interacting during the tuition period as well as an e-tutor who will be your tutorial facilitator.

Thereafter you will receive a sms informing you about your group and the name of your e-tutor. All you need to be able to participate in e-tutoring is a computer with an internet connection. If you live close to a Unisa regional Centre or a Telecentre contracted with Unisa, please feel free to visit any of these to access the internet.

Please join and contribute to you e-tutor group as your input is needed to make a success of it.

5.4.1.1   How to find your e-tutor

You will be connected to two sites for ECS2602. The first site is the main site "ECS2602-18-S1" on this site you can access official study material, learning units, announcements by the module lectures as well as upload your assignments.

Once you have been linked to an e-tutor you will see a second ECS2602 site, this is your e-tutors site, which will be named "ECS2602-18-S1-#E" (# Can represent any number from 1 to 4 for this module.) On this site, you can connect with fellow students and ask your e-tutor questions on the "Discussion Forum".

If you are not sure how to find your e-tutors' site, please see the below graphics which were distributed to students by Unisa to generate awareness about the e-tutor programme.

How to find your e-tutor

- Go to the Unisa website and login on *myUnisa*.
- Click the "More Sites" tab.
- Select the official module site, for example, MNM1502-14-3E. This site is used to access official study material and previous question papers for this specific module.
- Find your e-tutor site for the specific module. The e-tutor site will have a code like MNM1502-14-S2-3E.

Start here
http://my.unisa.ac.za

Login

Go to the e-tutor group site
(e.g. MNM1502-14-S2-3E)

Go to the official site for your module
(e.g. MNM1502-14-S2)

What does the e-tutor module site code mean?

The e-tutor module site code is made up of 4 different parts; let us use MNM1502-14-S2-3E as an example:

- MNM1502 is the module code
- 14 – the year
- S2 – represents the second semester
- 3E is the 3rd e-tutor for this module

You should select the e-tutor group site with the E at the end.
Select, for example, MNM1502-14-S2-3E to communicate with your e-tutor and the students in your group.

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5.4.2 Face-to-face tutors

For this module, there are face-to-face tutors allocated and tutorials for these modules take place at the Unisa regional centres. A tutorial is an organised session where students and tutor(s) meet regularly at a common venue and at scheduled times to discuss course material.

The main purpose of the tutorial services is to facilitate student learning by developing the student's independent learning skills and assisting students to become motivated and independent learners. Tutorials help the students to develop and enhance their learning experience and academic performance through interaction with the tutor and fellow students. Tutorials are not compulsory. These tutorials are also offered free of charge, however, it is important for you to register at your nearest Unisa Regional Centre to secure attendance of these classes.

To find the regional centre near you

- Go to the Unisa website
- Click Contact Us tab
- Click Regional centres tab
- Select the Region
- Select Regional centre

You can also follow the link below:
http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=82

6   STUDY PLAN

6.1   Assignments and learning

Assignments are seen as part of the learning material for this module. As you do the assignment, study the texts, consult other resources, discuss the work with fellow students or tutors or do research, you are actively engaged in learning.

Looking at the assessment criteria given for this module, the four assignments will help you to understand what is required of you more clearly.

You can view and download the study guide and tutorial letters for the modules for which you are registered on the university's online campus, *my*Unisa, (under the official study material folder) at https://my.unisa.ac.za.

6.2   General remarks

You will find in your *Studies @ Unisa* brochure contact details regarding enquiries about assignments (e.g., whether or not the university has received your assignment or the date on which an assignment was returned to you). You might also find information on *my*Unisa. Use your *Studies @ Unisa* brochure for general time management and planning skills.

6.3   Feedback on assignments

Assignments 01 and 02 consist of multiple-choice questions. They are marked automatically – you will receive the correct answers after they have been processed. Compare it with your answers as well. Feedback on assignments will be sent to all students registered for this module in a follow-up tutorial letter. The tutorial letter number will be 201. This tutorial letter is also available on the module website on *my*Unisa.

Assignment 03 is a fully online assignment, which consists of multiple-choice questions. The benefit of doing the assignment online is that you will get three opportunities to complete the

assignment with the highest mark counting towards your semester mark. The feedback will be provided electronically after the closing date of the Assignment.

Assignment 04 is a written self-assessment assignment. Please work thoroughly through the answers we will provide in tutorial letter 201. As soon as you have received the feedback, please check your answers.

The assignments and the feedback on these assignments constitute an important part of your learning and should help you to be better prepared for the next assignment and the examination.

6.4   Learning strategy and proposed study programme

In this module, the emphasis is very much on the development of your understanding of different theories regarding the determination the level of output and income. Therefore, you will be exposed to a number of different concepts, such as the different assumptions that underlie the theoretical models, the interaction between the various macroeconomic variables, the different analytical tools, and the economic policy implications of each model.

It is important that you have a thorough understanding of the different building blocks of the various models to gain a comprehensive picture of how the economy works. Towards the end of the module, this picture will become clearer and logical.

Approach each learning unit in the study guide as follows:

Step 1: First, read the learning unit outcomes that will help you to focus on the important aspects and issues in that unit. Work through each section of the study guide together with the relevant chapter in the textbook.

Remember that the study guide serves to assist you to work through the contents of the textbook. Make notes or summaries as you go along.

Step 2: Work through all the activities provided in TL102. You will see that the activities test your understanding of the content and cover a range of the different types of questions that will be examined. You should also check your answers against the solutions provided. If you are not clear on certain concepts or theories, revise them before proceeding to the next learning unit.

To help you to work on this module regularly and systematically, we provide a proposed study programme below and four assignments (see section 8.4 of this tutorial letter). The proposed study programme is based on the assumption that first-semester students will commence their studies before or during the last week of January and second-semester students before or during the third week of July. In each semester, the period from the last day of registration to the start of the examination consists of only 15 weeks. Hence, it is critical that you should start working as soon as possible and continue to work regularly and systematically throughout the semester.

PROPOSED STUDY PROGRAMME: FIRST SEMESTER

STUDY WEEK	Week starting	LEARNING UNIT(s) or study instruction
1	29 January	Study *learning unit 1* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 01. Study *learning unit 2* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 01.
2	5 February	Study *learning unit 2* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 01.
3	12 February	Study *learning unit 3* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 01. **Complete and submit compulsory Assignment 01** *Closing date: 6 March.*
4	19 February	Study *learning unit 4* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 02.
5	26 February	Study *learning unit 4* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 02.
6	5 March	Study *learning unit 5* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 02.
7	12 March	Study *learning unit 6* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 02.
8	19 March	**Complete and submit Assignment 02** *Closing date: 27 March.*
9	26 March	Study *learning unit 7* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Assignment 03 is a fully online assignment.
10	2 April	Study *learning unit 8* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Assignment 03 is a fully online assignment.
11	9 April	Study *learning unit 9* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Assignment 03 is a fully online assignment.
STUDY WEEK	Week starting	LEARNING UNIT(s) or study instruction

STUDY WEEK	Week starting	LEARNING UNIT(s) or study instruction
12	16 April	Revise *learning units 7, 8 and 9* and the activities at the end of each section. Compare your answers with the solutions in TL102. **Complete and submit Assignment 03 using the "Self-Assessments" tool on *my*Unisa.** *You will have three opportunities to complete the assignment and the highest mark will count 40% towards your semester mark.* *Information and guidelines for completing the online assignment are provided under Assignment 03 of this tutorial letter.* *Closing date: 24 April.*
13	23 April	Prepare for the examination. Revise *learning units 1, 2, 3 and 4* and the activities at the end of each section. Compare your answers with the solutions in TL102. **Work on self-assessment Assignment 04.** Do not submit Assignment 04. Compare your answers with the solutions in TL201.
14	30 April	Prepare for the examination. Revise *learning units 5, 6 and 7* and the activities at the end of each section. Compare your answers with the solutions in TL102. **Work on self-assessment Assignment 04.** Do not submit Assignment 04. Compare your answers with the solutions in TL201.
15	7 May	Prepare for examination. Revise *learning units 8 and 9* and the activities at the end of each section. Compare your answers with the solutions in TL102. **Work and complete self-assessment Assignment 04.** Do not submit Assignment 04. Compare your answers with the solutions in TL201.

How much time must I spend studying ECS2602?

ECS2602 is a semester module with a credit value of 12 that must be completed for a B Com degree in Economics. Each credit is equivalent to 10 notional hours. In total, it means that to be successful the average student must spend 120 notional hours on this module. The notional hours includes time that is spent studying the learning units, completing the activities in TL102, doing assignments, preparing for the examination, and writing the examination. That boils down to 30 workdays (4 hours per day) that must be devoted to this module for the average student to pass it. Each module is designed in this way. In other words, you cannot plan your semester based on completing assignments only.

PROPOSED STUDY PROGRAMME: SECOND SEMESTER

STUDY WEEK	Week starting	LEARNING UNIT(s) or study instruction
1	16 July	Study *learning unit 1* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 01. Study *learning unit 2* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 01.
2	23 July	Study *learning unit 2* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 01.
3	30 July	Study *learning unit 3* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 01. **Complete and submit compulsory Assignment 01** *Closing date: 20 August.*
4	6 August	Study *learning unit 4* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 02.
5	13 August	Study *learning unit 5* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 02.
6	20 August	Study *learning unit 6* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Work on Assignment 02.
7	27 August	**Complete and submit Assignment 02** *Closing date: 10 September.*
8	3 September	Study *learning unit 7* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Assignment 03 is a fully online assignment.
9	10 September	Study *learning unit 8* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Assignment 03 is a fully online assignment.
10	17 September	Study *learning unit 9* and do the activities at the end of each section. Compare your answers with the solutions in TL102. Assignment 03 is a fully online assignment.

STUDY WEEK	Week starting	LEARNING UNIT(s) or study instruction
11	24 September	Revise *learning units 7, 8 and 9* and the activities at the end of each section. Compare your answers with the solutions in TL102. **Complete and submit Assignment 03 using the "Self-Assessments" tool on *my*Unisa.** ***You will have three opportunities to complete the assignment and the highest mark will count 40% towards your semester mark.*** ***Information and guidelines on completing the online assignment are provided under Assignment 03 of this tutorial letter.*** ***Closing date: 3 October.***
12	1 October	Prepare for the examination. Revise *learning units 1, 2, 3 and 4* and the activities at the end of each section. Compare your answers with the solutions in TL102. **Work on self-assessment Assignment 04.** Do not submit Assignment 04. Compare your answers with the solutions in TL201.
13	8 October	Prepare for the examination. Revise *learning units 5, 6 and 7* and the activities at the end of each section. Compare your answers with the solutions in TL102. **Work on self-assessment Assignment 04.** Do not submit Assignment 04. Compare your answers with the solutions in TL201.
14	15 October	Prepare for the examination. Revise *learning units 8 and 9* and the activities at the end of each section. Compare your answers with the solutions in TL102. **Work on and complete self-assessment Assignment 04.** Do not submit Assignment 04. Compare your answers with the solutions in TL201.

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7 PRACTICAL WORK AND WORK-INTEGRATED LEARNING

There are no practicals for this module.

8 ASSESSMENT

8.1 Assessment criteria

Assessment criteria used consists of formative and summative assessment. For formative assessment, you will have to submit assignments that will contribute to your semester mark and final mark. The weight of the formative assessment (three assignments) will be 20% while the summative assessment (the examination's) weight is 80%. The pass rate is 50%.

Assessment criteria used for the assignments will be done as follows: the multiple-choice questions in Assignments 01 and 02 will be marked electronically in accordance with mark-reading 'masters' provided to the Assignment section by the module leader. No marks will be deducted for incorrect answers. Assignment 03 is a fully online multiple-choice assignment. Assignment 04 is a written self-assessment assignment and does not contribute to the semester mark.

8.2 Assessment plan

Assessment will be done by the module leader and, where applicable, the module team and/or the examiner(s). The name(s) of examiner(s) will also be indicated on examination question papers.

IMPORTANT: Assignment 01 is compulsory for examination admission. The first assignment will contribute 20% to the semester mark, the second assignment 40% and the third assignment 40%.

Please note: **Although students may work together when preparing assignments, each student must submit his or her own individual assignment. Any form of plagiarism may lead to penalisation or you may be subjected to disciplinary proceedings by the university.**

8.2.1 Assessment of examination

For general information and requirements as far as examinations are concerned, see the brochure *Studies @ Unisa*, which you received with your study material. Please note that the applications for, and the administration of re-marks of examination scripts are handled solely by the Examination department and not academic departments.

Examination admission

The **submission of Assignment 01 is compulsory to gain admission to the examination**. Three assignments will contribute towards the semester and final marks.

How will this work in practice?

Semester mark

Your semester mark is based on your assignment marks. The three assignments that you submit during the semester contribute towards your semester mark. Different weights are allocated to the assignments. The first assignment contributes 20%, the second assignment 40% and the third assignment 40% to your semester mark.

If an assignment is not submitted or submitted late (for whatever reason), zero marks are awarded for such assignments.

The examination mark

The percentage achieved in the examination is used in the calculation of your final mark.

Final mark

The weight of the assignments will be 20% while the examination's weight is 80%.

Your final mark is calculated as follows:

Semester mark (out of 100) x 20% + Examination mark (out of 100) x 80%

For example:

Suppose your semester mark is 46% and you get 60% in the examination. Your final mark will be:

     = (46 x 20%) + (60 x 80%)
     = (46 x 0.2) + (60 x 0.8)
     = 9.2 + 48
     = 57.2%

The sub-minimum rule: If you do not achieve a minimum mark of 40% in the summative assessment (the examination), your semester mark will not be taken into account for calculating the final mark.

8.3   Assignment numbers

8.3.1 General assignment numbers

Assignments are numbered consecutively per module, starting from 01. In this module, there are four assignments per semester, namely 01, 02, 03 and 04.

8.3.2 Unique assignment numbers

In addition to the general assignment number (e.g. 01 or 02); each assignment (multiple-choice questions and written assignments) must have its own unique assignment number (e.g. 102717). In these module assignments 01 and 02 consist of only multiple-choice questions and therefore must be completed on a marking-reading sheet with its own unique assignment number.

Assignment 03 is a fully online assignment with a unique assignment number. Assignment 04 is a written self-assessment assignment that must not be submitted and therefore not have a unique assignment number.

8.4 Assignment due dates

Please note that the due dates for the submission of assignments to Unisa are indicated in the proposed study programme as well.

SEMESTER 1: ASSIGNMENT SUBMISSION DATES

Assignment number	Unique number	Closing date	Contents of assignments	Type of assignment	Weight
01	718019	2018/03/06	Learning units 1, 2 and 3	Multiple-choice	20
02	732547	2018/03/27	Learning units 4, 5 and 6	Multiple-choice	40
03	800532	2018/04/24	Learning units 7, 8 and 9	**Fully online** Multiple-choice	40
04	No unique number	Self-assessment Please do not submit	Revision: All Learning units	Written	0

SEMESTER 2: ASSIGNMENT SUBMISSION DATES

Assignment number	Unique number	Closing date	Contents of assignments	Type of assignment	Weight
01	842465	2018/08/20	Learning units 1, 2 and 3	Multiple-choice	20
02	769596	2018/09/10	Learning units 4, 5 and 6	Multiple-choice	40
03	732182	2018/10/03	Learning units 7, 8 and 9	**Fully online** Multiple-choice	40
04	No unique number	Self-assessment Please do not submit	Revision: All Learning units	Written	0

8.5 Submission of assignments

You may submit assignments 01 and 02 on mark-reading sheets either by post or electronically via *my*Unisa. **Assignments may not be submitted by fax or e-mail**.

For detailed information on assignments, please refer to the *Studies @ Unisa* brochure.

We recommend that you sumit all your assignments online via *my*Unisa. If you submit Assignment 1 or 2 by post it is your responsibility to follow up and to make sure that your assignment was received by Unisa assignment section before the due date. If your assignment is lost in the postal system or it is received too late for marking Unisa and we as lecturers cannot take responsibility if you are not admitted to the examination or if your assignment is not marked.

Likewise, it is your responsibility to ensure that Assignment 3 (the fully online assignment) is received in good order. After you submit one of your three possible opportunities for Assignment 3 you will see a time and date stamp indicating when the Assignment was received reflected under the "self-assessments" tab, see the below image. If you do not see a submission time and date stamp then there was an error and you need to resubmit your Assignment.

Submitted Assessments

You have completed the assessments listed below. Unless Feedback Available displays "n/a" (not applicable), feedback will be available at the time shown. If feedback is available for particular submissions, it will be seen under "View All Submissions/Scores".

View All Submissions/Scores | View Only Recorded Scores

Title	Statistics	Recorded Score	Feedback Available	Individual Score	Time	Submitted
Assignment 03 (Fully Online Assignment)	n/a	(Highest)	2017-Oct-04 05:50 AM			
					n/a	2017-Jul-20 03:23 PM

To submit an assignment via *my*Unisa:

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8.6   The assignments

FIRST SEMESTER ASSIGNMENTS

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SEMESTER 1
COMPULSORY ASSIGNMENT 01
LEARNING UNITS 1, 2 and 3
DUE DATE: 2018/03/06
UNIQUE NUMBER: 718019

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This assignment contributes 20% towards your semester mark.

Please ensure that this assignment reaches the university before the due date.
**Answer all questions on a mark-reading sheet.**

1.   Which one of the following statements is **not** a macroeconomic issue?

    1.   The unemployment rate in South Africa, according to the strict definition, was 26,6% in 2016.
    2.   The drought experienced in 2015/16 reduced many crop harvests and caused food price inflation in South Africa.
    3.   The annual inflation rate in South Africa rose from 2015 to 2016.
    4.   Because of high inflation, it is expected that the interest rate will increase.
    5.   The drought experienced in 2015/16 reduced the total maize crop harvested and caused the price of maize in South Africa to rise.

2.   Which of the following would be included in the calculation of gross domestic product (GDP) of South Africa?

    a.   A citizen from Zimbabwe (foreign country) earns a wage at a gold mine in South Africa.
    b.   A farmer from Gauteng (South Africa) buys his neighbour's tractor.
    c.   Ford Motor Company of America builds an assembly plant in the Eastern Cape (South Africa).
    d.   Exports of agricultural products to Britain.
    e.   Imports of motorcars from Japan to South Africa.

    1.   a, b, c, d and e
    2.   Only a, c and d
    3.   Only b, c and e
    4.   Only a and c
    5.   Only b and e

3.   Which of the following are endogenous variables in the goods market model?

    1.   The level of output and income and investment spending.
    2.   Marginal propensity to consume and the level of output and income.
    3.   The level of output and income.
    4.   Investment spending.

4. The difference between expenditure on the gross domestic product (GDP) and gross domestic expenditure (GDE) is that …

   1. expenditure on the GDP includes both imports and exports, while GDE includes exports and excludes imports.
   2. expenditure on the GDP includes exports and excludes imports, while GDE includes both imports and exports.
   3. expenditure on the GDP includes exports and excludes imports, while GDE includes imports and excludes exports.
   4. expenditure on the GDP includes imports and excludes exports, while GDE includes exports and excludes imports.

5. Expenditure on the gross domestic product is …

   a. spending on goods and services produced inside the borders of a country, including imports and excluding exports.
   b. spending on goods and services produced inside the borders of a country, excluding imports and including exports.
   c. the same as the demand for domestic goods.
   d. the same as the domestic demand for goods.

   1. a and c
   2. a and d
   3. b and c
   4. b and d

6. In our goods market model an increase in the demand for goods implies …

   a. an increase in output
   b. an increase in income
   c. an increase in the level of employment
   d. a decrease in unemployment
   e. a decrease in savings

   1. a, b, c and d
   2. a, b, c and e
   3. a, b, d and e
   4. a, c, d and e
   5. Not option 1, 2, 3 or 4

7. Which of the following are correct in terms of the goods market model?

   a. $G\uparrow \rightarrow Z\uparrow \rightarrow Y\uparrow \rightarrow Y_D\uparrow \rightarrow C\uparrow$
   b. $I\uparrow \rightarrow Z\uparrow \rightarrow Y\uparrow \rightarrow Y_D\uparrow \rightarrow C\uparrow$
   c. $T\downarrow \rightarrow Z\uparrow \rightarrow Y\uparrow \rightarrow Y_D\uparrow \rightarrow C\uparrow$
   d. $c_0\uparrow \rightarrow Z\uparrow \rightarrow Y\uparrow \rightarrow Y_D\uparrow \rightarrow C\uparrow$

   1. Only a, b and c
   2. Only a, b and d
   3. Only b, c and d
   4. Only a, c and d
   5. a, b, c and d

8. Which of the following statements is/are correct in terms of the following consumption function $C = c_0 + cY_D$?

    a. Men and woman will consume more if their income increases.
    b. $Y\downarrow \rightarrow C\downarrow$.
    c. There is a positive relationship between income and consumption.
    d. A change in the marginal propensity to consume will cause a change in consumption spending.

    1. a, b, c and d
    2. Only a, b and c
    3. Only b and c
    4. Only b, c and d
    5. Not option 1, 2, 3 or 4

Question 9 is based on the following diagram.
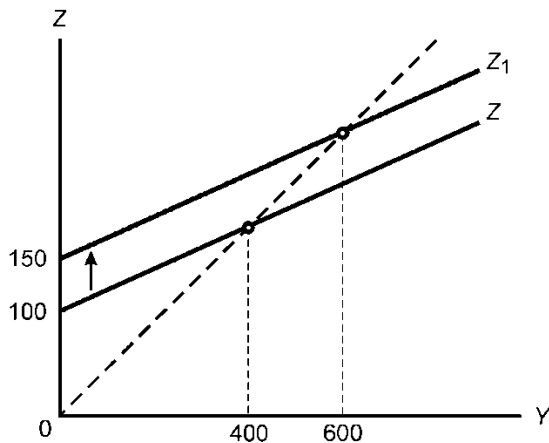
9. Which of the following statements are correct?

    a. Induced consumption is equal to R100 if income is R400.
    b. The multiplier is equal to 4.
    c. If government spending increases with R50, the equilibrium output and income level will increase by 50 times the multiplier.
    d. If there is a change in the marginal propensity to consume, the Z curve will shift upwards and the equilibrium level of output and income will increase.
    e. Any change in consumer confidence will have no effect on the above goods market model.

    1. a, b and c
    2. b, c and d
    3. a, c and e
    4. b, d and e
   5. Only b and c

10. Given that an economy is at equilibrium at an income level less than full employment, an increase in the marginal propensity to consume will results in …

    1.   upward shift of the demand for goods curve.
    2.   downward shift of the demand for goods curve.
    3.   flatter slope of the demand for goods curve.
    4.   steeper slope of the demand for goods curve.
    5.   higher vertical intercept of the demand for goods curve.

11. Consider the consumption functions of country A and country B.
Country A: $C = 2\,000 + 0.7Y_D$
Country B: $C = 1\,000 + 0.9Y_D$

Which of the following statements is/are correct?

    a.   In country A autonomous consumption is higher than in country B.
    b.   In country B induced consumption is definitely higher than in country A.
    c.   In country B total consumption is definitely higher than in country A.
    d.   Graphically presented, the slope of consumption curve for country A will be steeper than the slope of the consumption curve for country B.
    e.   If the level of disposable income is R5 000 in both countries then consumption spending in country B is higher.

    1.   Only a and d
    2.   a, b, d and e
    3.   Only a
    4.   Only a, c and e
    5.   Not option 1, 2, 3 or 4

12. In the goods market model, the value of the multiplier will increase if …

    1.   taxes (T) increase.
    2.   government spending (G) increases.
    3.   the marginal propensity to consume (c) increases.
    4.   investment spending (I) increases.

Questions 13 and 14 are based on the following diagram.
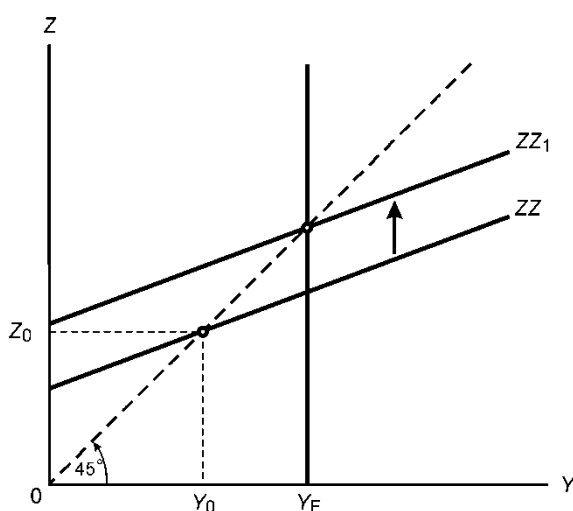
13. Which of the following statements are correct?
    The ZZ curve would shift upwards to ZZ_1 if …

    a. induced consumption increases.
    b. the marginal propensity to consume increases.
    c. investment spending increases.
    d. government spending increases and/or taxes decrease.
    e. there is a positive change in investment confidence and consumer confidence in the economy.

    1. a, b and c
    2. Only b, c and d
    3. b, c, d and e
    4. Only c, d and e
    5. a, c, d and e

14. Which of the following statements is/are correct?
    To reach the full employment level (Y_F) in the goods market a(n) _____ can be implemented.

    a. expansionary fiscal policy
    b. expansionary monetary policy
    c. contractionary fiscal policy
    d. contractionary monetary policy

    1. a and b
    2. Only a
    3. a and c
    4. c and d
    5. Only b

15. Which of the following statements are correct regarding the goods market model?

    a. Government spending is an exogenous variable.
    b. An increase in government spending increases income and an increase in income increases government spending but by less than one to one.
    c. Expansionary fiscal policy can be the result of an increase in government spending and/or a decrease in taxes and the ZZ curve will shift upwards.
    d. If the tax revenue of government is larger than government spending, a budget surplus exists.

    1. a, b and c
    2. a, b and d
    3. a, c and d
    4. b, c and d
    5. Not option 1, 2, 3 or 4

16. Given a marginal propensity to consume of 0.6 an increase of 200 in government spending and an increase of 240 in taxes will cause the level of output and income to ...

    1. decrease by 140.
    2. increase by 140.
    3. decrease by 160.
    4. increase by 240.
    5. increase by 160.

17. Given that co = R50 million, $\bar{I}$ = R230 million, G = R300 million, c = ¾, T = R100 million and Y_F = R3 000 million the equilibrium level of output and income is _____ and in order to reach the full-employment level of income, government spending must increase by _____.

    1. R2 320 million;   R170 million
    2. R2 020 million;   R245 million
    3. R2 020 million;   R980 million
    4. R2 720 million;   R70 million

18. Which one of the following goods market models represent the data given for question 17 above?
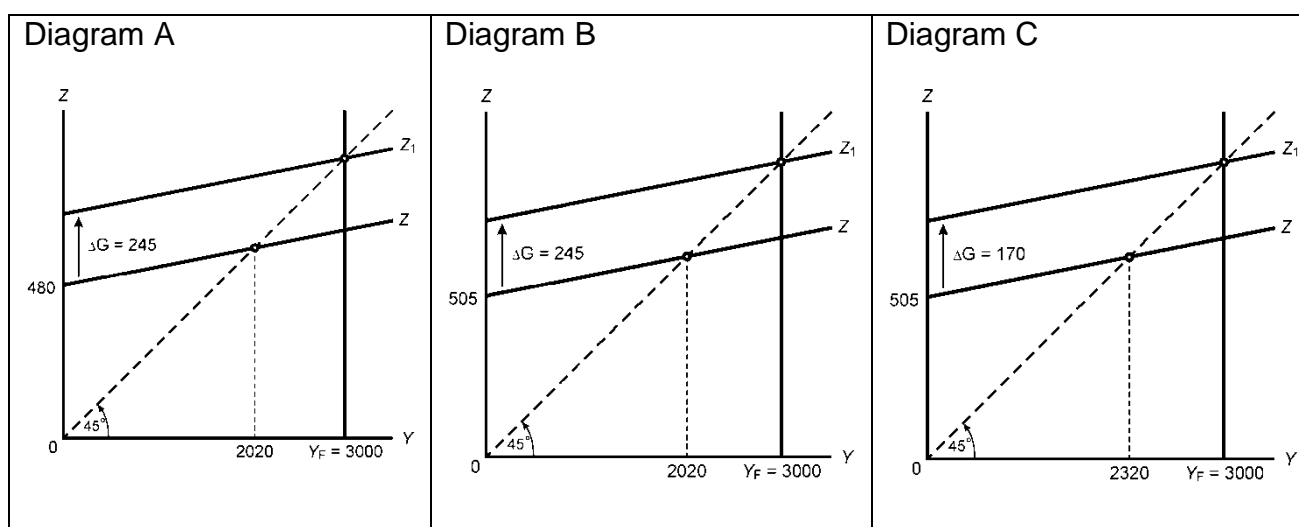
    1. Diagram A
    2. Diagram B
    3. Diagram C

Given the following information, answer questions 19 and 20

Autonomous consumption	= R100 million
Investment spending	= R300 million
Government spending	= R200 million
Taxes	= R60 million
Marginal propensity to consume	= 0.75
Full-employment level of income	= R2 460 million

19. The equilibrium level of income and output is ...

    1. R138.75 million
    2. R2 640 million
    3. R2 220 million
    4. R416.25 million
    5. R2 580 million

20. Which of the following will ensure that full-employment is reached?

    a. An increase in government spending of R60 million.
    b. A decrease in taxes of R80 million.
    c. An increase in government spending of R30 million and a decrease in taxes of R40 million.

    1. a, b and c
    2. Only a and b
    3. Only b and c
    4. Only a and c
    5. Not a, b or c

Questions 21 to 23 are based on the following data for a hypothetical country for 2017.

Marginal propensity to consume = 0.8
Government spending = R360 billion
Government revenue (Taxes) = R241 billion

21. The value of the multiplier is equal to ...

    1. 1.2
    2. 8
    3. 0.2
    4. 5

22. During 2017 the country experienced a _____ of _____.

    1. budget surplus;   R119 billion
    2. budget surplus;   R241 billion
    3. budget deficit;   R360 billion
    4. budget deficit;   R119 billion
    5. balanced budget;   R0 billion

23. An economist calculated that the gap between the current level of output and income and the full employment level of income as R100 billion.
    Which of the following will ensure that full employment is reached?

    1. An increase in government spending of R100 billion.
    2. An increase in taxation of R100 billion.
    3. An increase in government spending of R20 billion.
    4. A decrease in taxation of R20 billion.
    5. An increase in government spending of R50 billion and a decrease in taxation of R50 billion.

24. Which of the following statements is/are correct referring to the balanced budget?

    a.   A balanced budget is one where the change in government spending alone will lead to a change in the level of output and income.

    b.   Assume that c = 0.8. The government increases its spending by 200 and taxes also increase by 200, then the increase in the level of output and income will be 400 due to the increase in government spending and the decrease in the level of output and income will be 200 due to the increase in taxes. The net effect is an increase of 200 in the level of output and income.

    c.   Assume that c = 0.6. The government increases its spending by 300 and taxes also increase by 300, then the increase in the level of output and income will be 750 due to the increase in government spending and the decrease in the level of output and income will be 450 due to the increase in taxes. The net effect is an increase of 300 in the level of output and income.

    d.   The net effect of a balanced budget, in other words where $\uparrow G = \uparrow T$ by the same amount, will be expansive.

    e.   The balanced budget multiplier is equal to one; that is for every 1-unit increase in government spending which is matched by a simultaneous 1-unit increase in taxes, the level of output and income will increase by 1-unit.

    1.   a, b, c, d and e
    2.   Only a, b, c and e
    3.   Only b, c, d and e
    4.   Only b, c and d
    5.   Not option 1, 2, 3 or 4

Question 25 is based on the following diagram. Assume that G and T increase by R100.
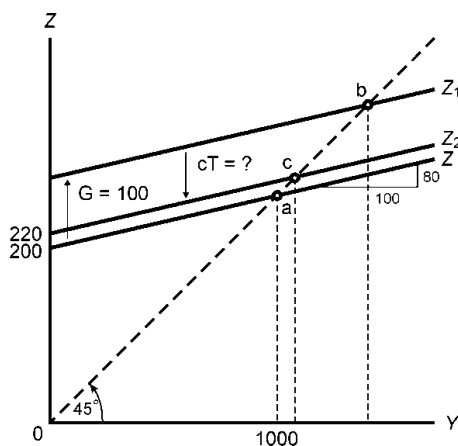
25. Which of the following statements is/are correct?

    a.   The multiplier is 4.

    b.   If government spending increases by R100, the equilibrium level of output and income will be R1 500 and the Z curve will shift to Z_1.

    c.   If taxes then increase by R100, cT will be R80, the new equilibrium level of output and income will be R1 100 and it will be represented by point c in the above diagram.

    d.   The above diagram and questions imply the working of the balanced budget multiplier.

    e.   Although there is an increase of R100 in taxes, there will be still an expansionary net effect of R500 on the equilibrium level of output and income.

1. a, b, c and e
2. b, c, d and e
3. Only a, c and e
4. Only b and d
5. Only b, c and d

26. Which of the following statements are correct regarding the financial market?

   a. The purpose of this financial market model is to give us an explanation of how the interest rate is determined.
   b. The nominal money supply is an endogenous variable and the interest rate is an exogenous variable in the financial market model.
   c. Since the nominal money supply is not influenced by the interest rate in our model, but is determined by the central bank it can be regarded as an exogenous variable.
   d. The part of the demand for money that is influenced by the level of output and income that will shift the money demand curve rightwards or leftwards is an exogenous variable in our model.

   1. a, b and c
   2. a, b and d
   3. a, c and d
   4. Only a and c
   5. Not option 1, 2, 3 or 4

27. To calculate an individual's financial wealth, the following different kinds of assets will form part of it:

   1. salary, bonds, interest received from bonds and the value of his/her house.
   2. salary, balance on cheque account, bonds and dividends received from shares.
   3. bonds, gold coins, dividends received from shares and the outstanding balance on his/her home loan.
   4. balance on cheque account, cash, bonds, shares, salary, the value of his/her house and paintings.
   5. cash, bonds, shares, the value of his/her paintings and gold coins.

28. If income increases, the demand for money …

   1. decreases and the money demand curve will shift to the left.
   2. increases and the money demand curve will shift to the right.
   3. increases and there will be an upward movement along the money demand curve.
   4. increases and there will be downward movement along the money demand curve.

Study the following two diagrams and answer question 29.
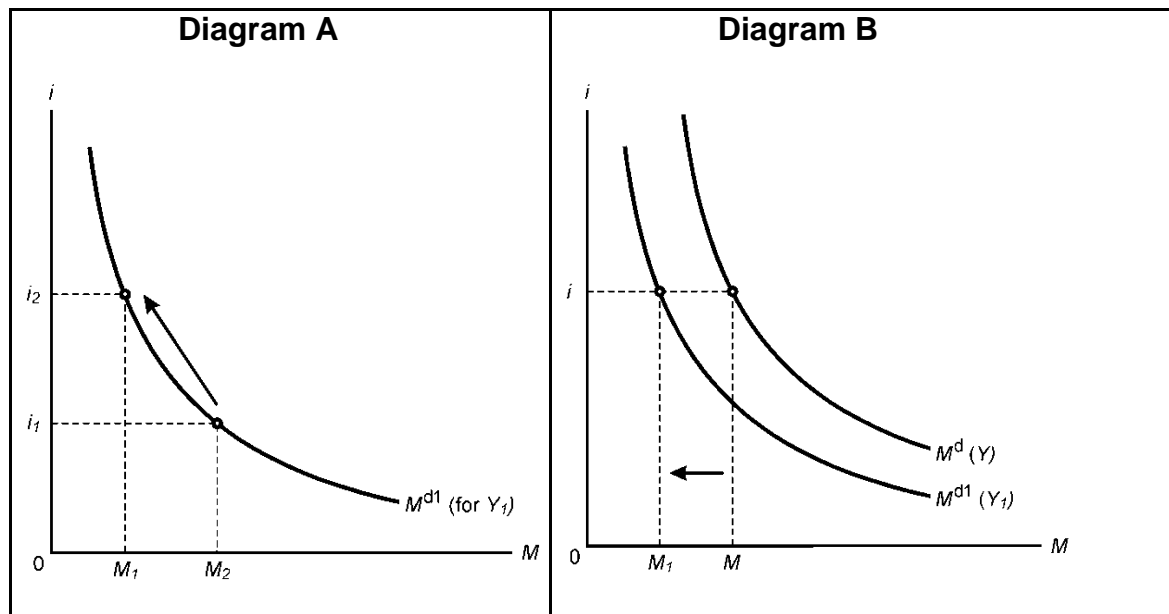
| Diagram A | Diagram B |

29. Which of the followings statements are correct?

a. Diagram A illustrates that as the interest rate increases, the quantity of money demanded decreases; therefore, a negative relationship exists between the interest rate and the quantity of money demanded.

b. Diagram A illustrates that an increase in the interest rate decreases the quantity of money demanded and this is represented by an upward movement along the M^d curve.

c. Diagram B illustrates that as the level of income decreases the demand for active balances decreases as financial participants wish to do less transactions.

d. The two diagrams illustrate that a change in the interest rate will cause a movement along the M^d curve while a change in income will shift the M^d curve.

1. a, b, c and d
2. Only a, b and d
3. Only b, c and d
4. Only a, c and d
5. Only a, b and c

30. Exogenously determined money supply implies that …

1. as the interest rate increases the money supply will also increase.
2. the supply of money is determined by the demand for money and the interest rate.
3. money supply is determined by the central bank.
4. money demand is determined by the central bank.
5. the money supply curve is perfectly elastic.

Questions 31 and 32 are based on the following diagram:
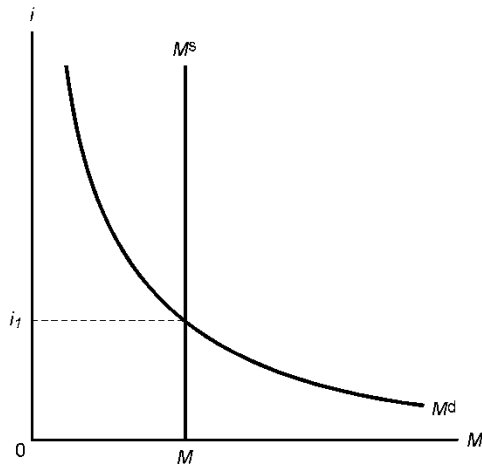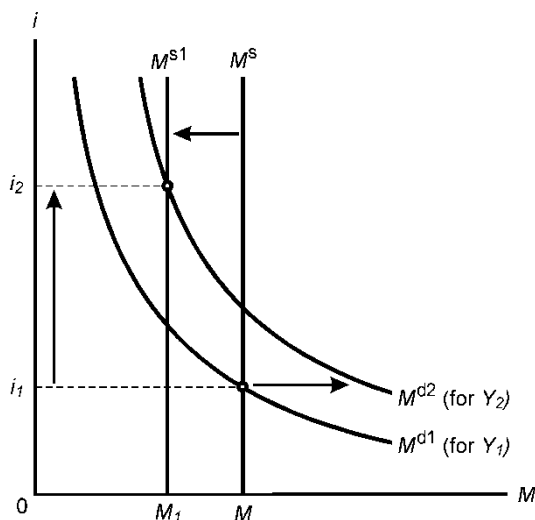

31. As the level of income increases, the transactions demand for money will:

    1. Decrease and an excess supply of money will develop.
    2. Increase and an excess demand for money will develop.
    3. Stay unchanged.
    4. Increase and an excess demand for money will develop.

32. The selling of bonds by the public in order to increase their money holdings will cause the
    …

    1. supply of bonds to decrease, the price of bonds to increase and interest rates to decrease.
    2. demand for bonds to decrease, the price of bonds and interest rates increase.
    3. supply of bonds to increase, the price of bonds decrease and interest rates increase.
    4. demand for bonds to increase, the price of bonds and interest rates decrease.

33. Which of the following is/are correct regarding the financial market?

    a. There is a negative or inverse relationship between the price of a treasury bill and the interest rate.
    b. If the price of a treasury bill is R9 700 and the rate of return is 3%, the rate of return will be lower than 3% if the price of the treasury bill increases to R9 800.
    c. If the face value of the treasury bill is R300 000, the price paid is R280 000 with the maturity date of one year, the rate of return is 7.14%.
    d. Assuming that the face value of a treasury bill is R150 000, the price paid for the bill is R138 000 and the date to maturity is one year, the rate of return is 8.70% and it will decrease if the price paid for it increases to R145 000.

    1. a, b, c and d
    2. Only a, b and c
    3. Only b, c and d
    4. Only a, c and d
    5. Not option 1, 2, 3 or 4

30

34. If the financial market is in a liquidity trap …

   a. monetary policy is ineffective in bringing about a decrease in the interest rate.
   b. financial money market participants are willing to hold less money at the same interest rate.
   c. a decrease in the interest rate can be brought about by buying of bonds by the central bank.
   d. there is a high demand for bonds.

   1. Only a
   2. Only c
   3. a and c
   4. a, b and d
   5. b, c and d

35. Which one of the following statements represents the following diagram?

   1. A decrease in income with simultaneous contractionary open market operations by the central bank.
   2. An increase in income with simultaneous contractionary open market operations by the central bank.
   3. An increase in income with simultaneous expansionary open market operations by the central bank.
   4. A decrease in income with simultaneous expansionary open market operations by the central bank.

This assignment contributes 40% towards your semester mark.

Please ensure that this assignment reaches the university before the due date.

Answer all questions on a mark-reading sheet.

1.   The fully exogenous variables in the IS-LM model are ...

    1.   government spending and investment spending.
    2.   investment spending and money supply.
    3.   interest rate and government spending.
    4.   government spending and money supply.
    5.   level of output and income and the interest rate.

2.   Which of the following statements is/are correct?

    a.   Investment takes place when firms increase their spending on capital goods.
    b.   The interest rate is the cost of borrowing money, expressed as a percentage, usually over a period of one year. An increase in the cost of borrowing money causes households and firms to borrow less money.
    c.   The higher the interest rate, the higher the opportunity cost of your own funds is.
    d.   An increase in the interest rate decreases investment, which decreases the demand for goods and the equilibrium level of output, and income falls.

    1.   a, b, c and d
    2.   Only a, b and c
    3.   Only b, c and d
    4.   Only a and d
    5.   Not option 1, 2, 3 or 4

3.   In deriving the IS curve, we assume that:

    1.   An increase in the rate of interest increases the level of investment spending, shifts the ZZ curve upwards and increases the level of output and income.
    2.   An increase in the rate of interest decreases the level of investment spending, shifts the ZZ curve downwards and reduces the level of output and income.
    3.   A decrease in the rate of interest increases the level of investment spending, shifts the ZZ curve downwards and the level of output and income increases.
    4.   An increase in the rate of interest decreases the level of investment spending, shifts the ZZ curve upwards and the level of output and income decreases.

Study the following diagram that shows the derivation of an IS curve.
Answer questions 4 to 7.
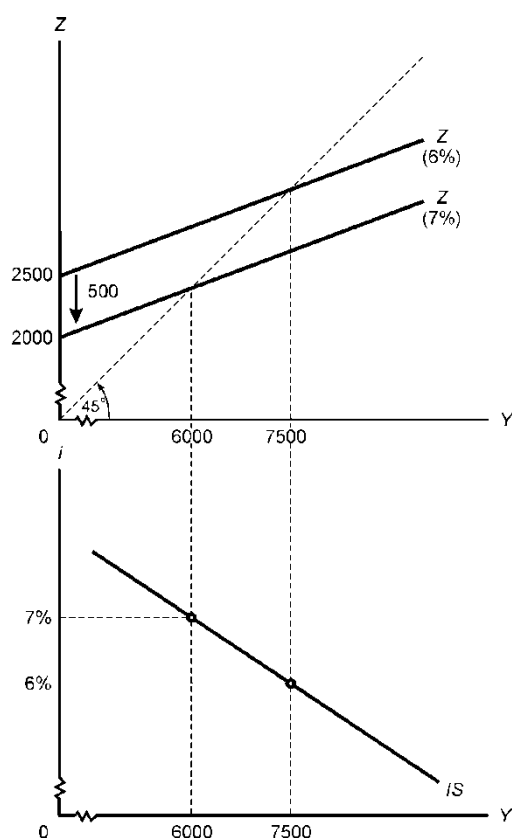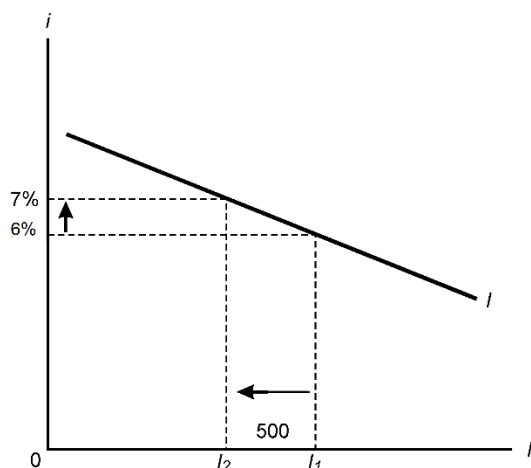
4.   An increase in the interest rate from 6% to 7% …

    1.   decreases investment spending by 100.
    2.   increases investment spending by 500.
    3.   decreases investment spending by 500.
    4.   decreases investment spending by 1 500.
    5.   increases investment spending by 1 500.

5. In the goods market autonomous spending decreases from ____ to ____ if the interest rate increases from ___ to ____.

    1. 6 000 to 2 000;   6% to 7%
    2. 2 500 to 2 000;   6% to 7%
    3. 2 500 to 2 000;   7% to 6%
    4. 7 500 to 6 000;   6% to 7%
    5. 7 500 to 6 000;   7% to 6%

6. At an interest rate of 6% the goods market is in equilibrium at an income and output level of _____ and at an interest rate of 7% the goods market is in equilibrium at an income and output level of ____.

    1. 500   2 000
    2. 2 000   2 500
    3. 2 500   2 000
    4. 7 500   6 000
    5. 6 000   7 500

7. If the interest rate increases from 6% to 7% the equilibrium level of output and income decreases by____ and the multiplier is equal to ____

    1. 500   2
    2. 1 500   3
    3. 2 000   2.5
    4. 7 500   3.5
    5. 6 000   4

Questions 8 and 9 are based on the following diagram:
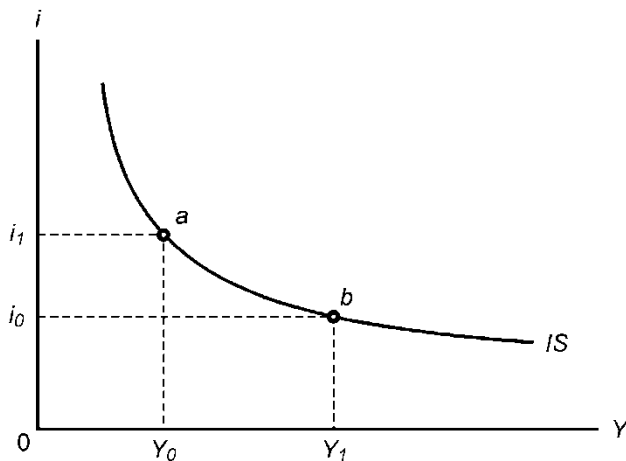
8. Which of the following statements is/are correct?

    a. An increase in the interest rate causes a movement along the IS curve from point a to point b.
    b. A decrease in taxes causes a movement along the IS curve from point a to point b.
    c. At point a the demand for goods is higher than at point b.
    d. At point b the level of investment spending is higher than at point a.
   e. At points a and b goods market equilibrium exists, in other words Y = Z.

1. b, c, d and e
2. a, c and e
3. Only b, d and e
4. Only d and e
5. Only b and d

9. A shift of the IS curve to the right can be caused by a(n)…

    a. increase in investment spending due to an improvement in investors' confidence.
    b. increase in investment spending due to a decrease in the interest rate.
    c. increase in government spending.
    d. decrease in taxation.
    e. increase in money supply.
    f. expansionary fiscal and monetary policy.
    g. expansionary fiscal policy.

    1. a, c, d and g
    2. b, c, d, g and f
    3. a, b and g
    4. b, c, d, e, f and g
    5. Not option 1, 2, 3 or 4

Study the following LM curve and answer question 10 that follows:
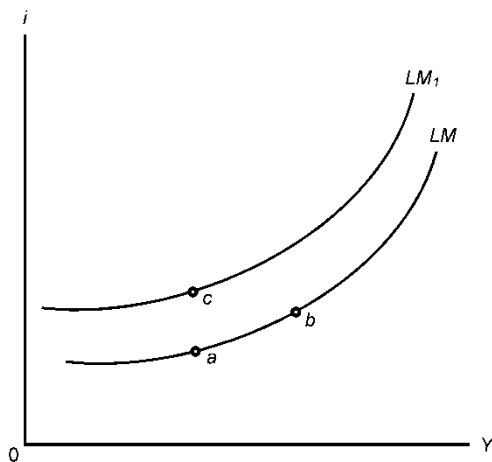
10. Which of the following statements is/are correct?

    a. At point a the demand for money is higher than at point b.
    b. At point c the money supply is higher than at point a.
    c. At point a, point b and point c the financial market is in equilibrium.
    d. An increase in the nominal money supply will shift LM to LM_1.
    e. To derive the LM-curve we change the level of income to determine the effect on the interest rate.

    1. a, b, c d and e
    2. Only c, d and e
    3. Only a and e
    4. Only c and e
    5. Only b, c, d and e

Questions 11 to 16 are based on the following diagram:
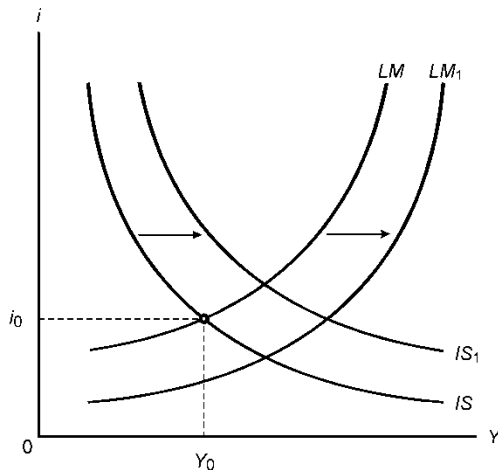
11. The diagram indicates a(n) _____ and a(n) _____.

    a.   contractionary fiscal policy;   contractionary monetary policy
    b.   expansionary fiscal policy;   contractionary monetary policy
    c.   expansionary fiscal policy;   expansionary monetary policy
    d.   increase in government spending;   decrease in nominal money supply
    e.   increase in government spending;   increase in nominal money supply

    1.   a and d
    2.   b and d
    3.   c and e
    4.   Only c
    5.   Only e

12. The shift from IS to IS_1 causes an increase in the interest rate and the shift from LM to LM_1 causes a decrease in the interest rate.

    The reason for the higher interest rate in the case of the shift of the IS curve is that the _____ while in the case of the LM curve the interest rate is lower since the _____.

    1.   money supply is lower;   money supply is higher
    2.   demand for money is higher;   money supply is higher
    3.   money supply is higher;   demand for money is higher
    4.   demand for money is higher;   demand for money is higher

13. The shift from IS to IS_1 implies investment spending is indeterminate and the shift from LM to LM_1 implies that investment spending is _____.

    1.   lower
    2.   higher
    3.   indeterminate
    4.   unchanged

14. The reason investment spending is indeterminate in the case of a shift of the IS curve to the right is because an ...

    1. increase in the interest rate increases investment while the increase in the level of output decreases investment.
    2. increase in the interest rate decreases investment while the increase in the level of output increases investment.
    3. increase in the interest rate increases investment while the increase in the level of output increases investment.
    4. increase in the interest rate decreases investment while the increase in the level of output decreases investment.

15. The reason investment spending is higher in the case of a shift of the LM curve down is because the ....

    1. decrease in the interest rate decreases investment and the increase in the level of output increases investment.
    2. decrease in the interest rate increases investment and the increase in the level of output decreases investment.
    3. decrease in the interest rate increases investment and the increase in the level of output increases investment.
    4. decrease in the interest rate decreases investment and the increase in the level of output decreases investment.

16. The reason the budget deficit increases in case of a shift of the IS curve to the right is because _____ while it is unchanged when the LM curve shifts down since _____.

    1. government spending increases and/or taxes decreases; government spending increases and/or taxes increases.
    2. government spending increases and/or taxes increases; government spending and/or taxes are unchanged.
    3. government spending and/or taxes are unchanged; government spending increases and/or taxes increases.
    4. government spending increases and/or taxes decreases; government spending and/or taxes are unchanged.

17. Assume that there is a trade balance.

    An increase in the nominal exchange rate between RSA and the USA implies that …

    1. more rands must be paid for a dollar, leading to higher imports and possibly a trade deterioration.
    2. fewer rands must be paid for a dollar, leading to lower imports and possibly a trade improvement.
    3. fewer rands must be paid for a dollar, leading to lower exports and possibly a trade deterioration.
    4. more rands must be paid for a dollar, leading to lower exports and possibly a trade improvement.

18. A trade balance surplus indicates that a country earns more on _____ than it spends on _____ and this would be reflected as a _____ on the trade balance.

    1. imports; exports; improvement
    2. exports; imports; deterioration
    3. exports; imports; improvement
    4. imports; exports; deterioration

Question 19 is based on the following information:

   Year 1
   GDP deflator for South Africa: 150
   GDP deflator for the USA: 120
   The nominal exchange rate: R1 = $0.30

   Year 2
   GDP deflator for South Africa: 190
   GDP deflator for the USA: 130
   The nominal exchange rate: R1 = $0.28

19. Which of the following statements are correct?

    a. The real exchange rate for year 1 is 0.38.
    b. The real exchange rate for year 1 is 0.24.
    c. The real exchange rate for year 2 is 0.19.
    d. The real exchange rate for year 2 is 0.41.
    e. Comparing the real exchange rate for year 2 with the real exchange rate for year 1, a real depreciation has occurred.
    f. Comparing the real exchange rate for year 2 with the real exchange rate for year 1, a real appreciation has occurred.

    1. a, c and e
    2. a, d and f
    3. b, c and e
    4. b, c and f
    5. a, d and e

20. The interest parity condition implies that when an investor has to decide between domestic or foreign financial investment he/she would consider the difference in the _____ and the _____.

    1. expected changes in the exchange rate; inflation rate
    2. interest rate; expected economic growth
    3. level of output and income; expected changes in the exchange rate
    4. expected changes in the exchange rate; balance of payments
    5. interest rate; expected changes in the exchange rate.

21. Given the following information:

Interest rate on RSA bonds: 8%
Interest rate on USA bonds: 6%

Which one of the following statements is correct?

1. If the expected depreciation of the rand is 3% financial market participants will buy RSA bonds.
2. If the expected depreciation of the rand is 3% financial market participants will buy USA bonds.
3. If the expected depreciation of the rand is 3% financial market participants will be indifferent between RSA and USA bonds.
4. If the expected appreciation of the rand is 3% financial market participants will buy USA bonds.

22. Which of the following statements is/are correct?

a. Exports can be regarded as exogenous because it is determined by the domestic level of output.
b. Exports will increase if there is an increase in the output level of our trading partners.
c. The real exchange rate will influence the level of imports as well as the level of exports, but in opposite directions.
d. When domestic output in the economy increases, it leads to an increase in imports.
e. When domestic output in the economy decreases, it leads to a decrease in exports.

1. b, c and d
2. a and e
3. a, c and d
4. Only c and d
5. Not option 1, 2, 3 or 4

23. Which of the following statements are correct?

a. Foreign demand for domestic goods is also known as exports.
b. Domestic demand for foreign goods is also known as imports.
c. Part of domestic demand falls on foreign/imported goods.
d. The "domestic demand for goods" and the "demand for domestic goods" are the same.

1. a, b, c and d
2. Only a, b and c
3. Only b and d
4. Only c and d
5. Only b, c and d

24. Which of the following statements are correct?

    A positive relationship exists between the …

    a.   real exchange rate and exports.
    b.   domestic level of output and imports.
    c.   real exchange rate and imports.
    d.   domestic level of output and exports.
    e.   level of foreign output and exports.

    1.   a, b, c and d
    2.   a, b, c and e
    3.   Only b, c and e
    4.   Only a and d
    5.   c, d and e

25. If exports are less than imports, then:

    1.   A trade surplus exists.
    2.   A trade balance exists.
    3.   A trade deficit exists.
    4.   A budget deficit exists.
    5.   A budget surplus exists.

26. Which one of the following statements is correct?

    The NX curve represents the relationship between the ….

    1.   real exchange rate and imports.
    2.   level of output and income and imports.
    3.   level of output and income and the trade balance.
    4.   level of output and income and exports.
    5.   nominal exchange rate and the trade balance.

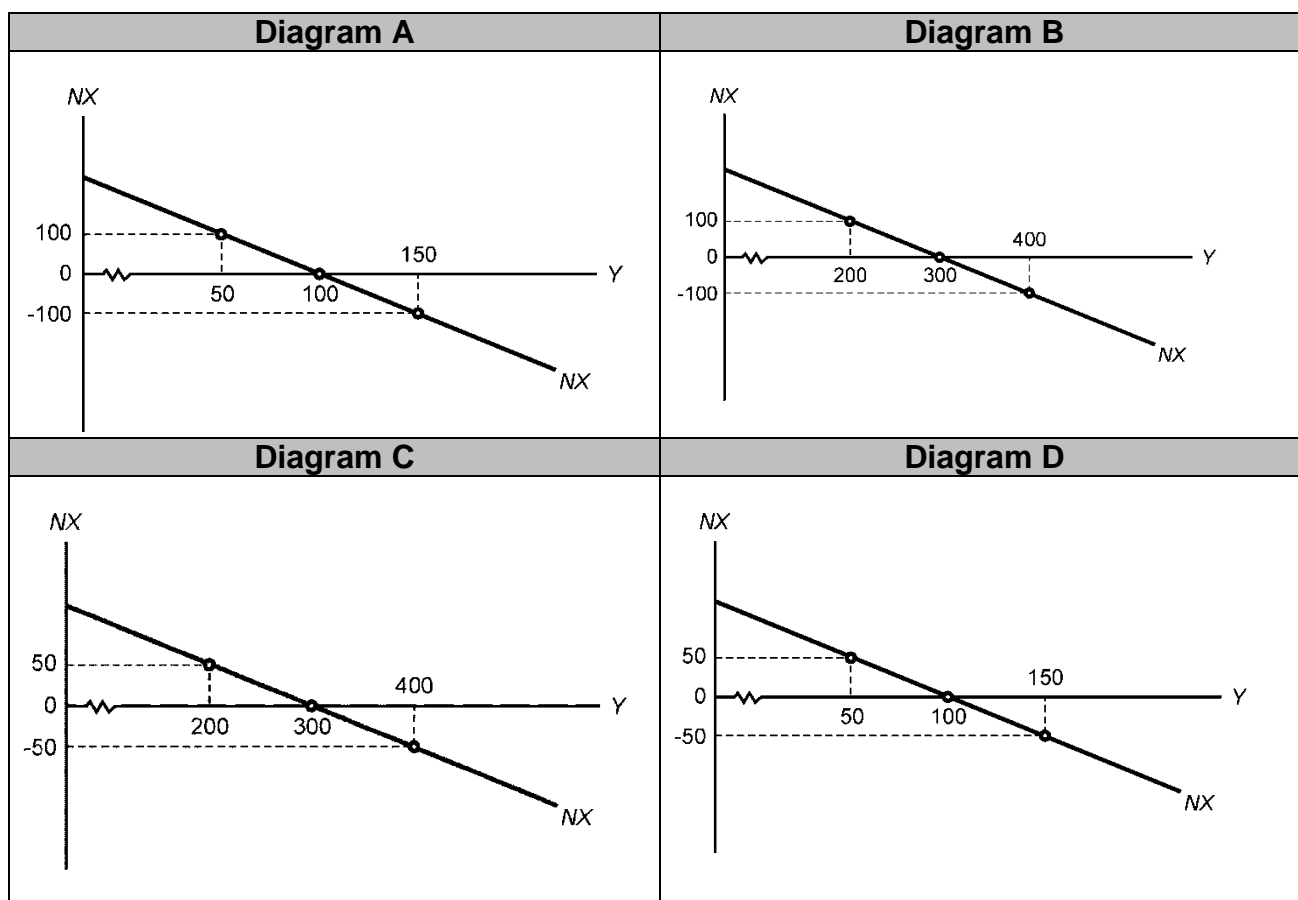Question 27 is based on the following information:

    Exports = R100 million

    Imports:
    At Y = R200 million imports = R50 million
    At Y = R300 million imports = R100 million
    At Y = R400 million imports = R150 million

27. Given the information above a NX curve is constructed. Which one of the following diagrams represents the information?
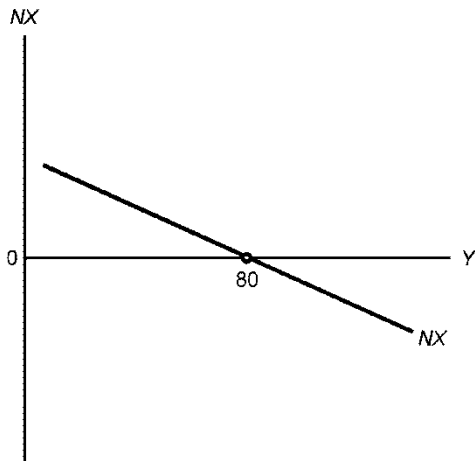
Diagram A	Diagram B
Diagram C	Diagram D

1. Diagram A
2. Diagram B
3. Diagram C
4. Diagram D
5. Not Diagram A, B, C or D

28. Which of the following statements are correct?

a. Equilibrium output is associated with a trade deficit only.
b. Equilibrium output is associated with a trade surplus only.
c. Equilibrium output is associated with a trade deficit or a trade surplus.
d. The goods market is in equilibrium when domestic output is equal to the demand for domestic goods.
e. The goods market is in equilibrium when domestic output is equal to the domestic demand for goods.
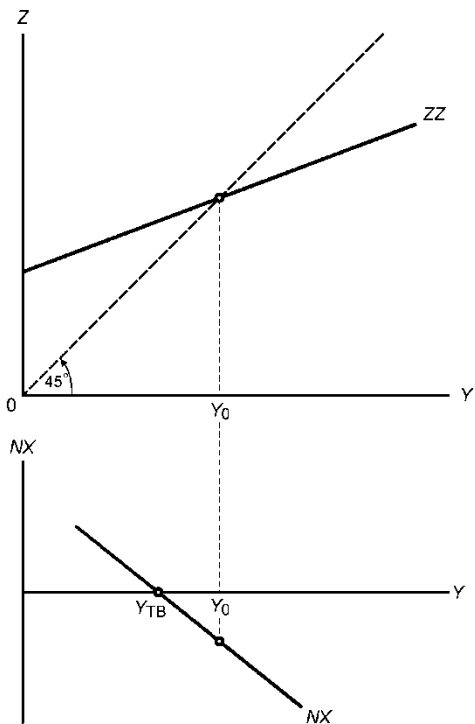
1. a and c
2. b and c
3. a and d
4. b and d
5. c and d

Question 29 is based on the following diagram.

29. At any income level lower than R80 million a trade surplus occurs because if ...

    1. $Y\uparrow \rightarrow IM\uparrow \rightarrow NX\downarrow$
    2. $Y\downarrow \rightarrow IM\downarrow \rightarrow NX\downarrow$
    3. $Y\uparrow \rightarrow X\uparrow \rightarrow NX\downarrow$
    4. $Y\downarrow \rightarrow X\uparrow \rightarrow NX\uparrow$
    5. $Y\downarrow \rightarrow IM\downarrow \rightarrow NX\uparrow$

30. Given the equilibrium level of income point in the following diagram, what happens to the level of output and the trade balance if government spending decreases?

    1. The level of output decreases and the trade deficit decreases as imports decrease.
    2. The level of output decreases and the trade deficit decreases as exports decrease.
    3. The level of output increases and the trade deficit increases as imports increase.
    4. The level of output decreases, trade balance is reached as imports increase.

31. Which of the following factors will shift the NX curve to the left?
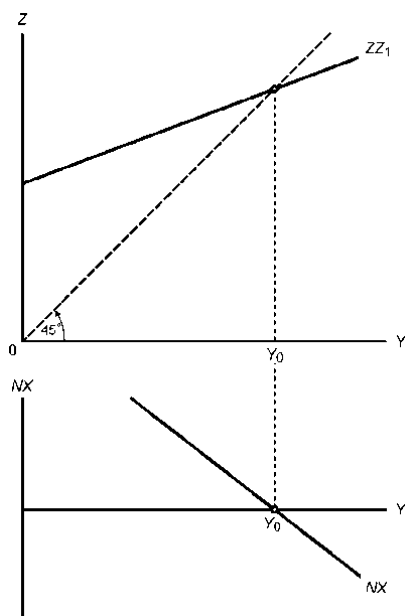
   a. A decrease in imports.
   b. A decrease in exports.
   c. A decrease in government spending.
   d. An increase in domestic demand for foreign goods.
   e. A decrease in foreign demand for domestic goods.

   1. a, b, c and d
   2. b, c and e
   3. Only a, c and d
   4. Only b and e
   5. Only b

32. For the Marshall-Lerner condition to hold a(n) …

   1. depreciation must eventually lead to an increase in exports and an improvement in the trade balance.
   2. appreciation must eventually lead to an increase in exports and an improvement in the trade balance.
   3. depreciation must eventually lead to an increase in imports and deterioration in the trade balance.
   4. appreciation must eventually lead to an increase in imports and an improvement in the trade balance.

To answer question 33, use the following model:

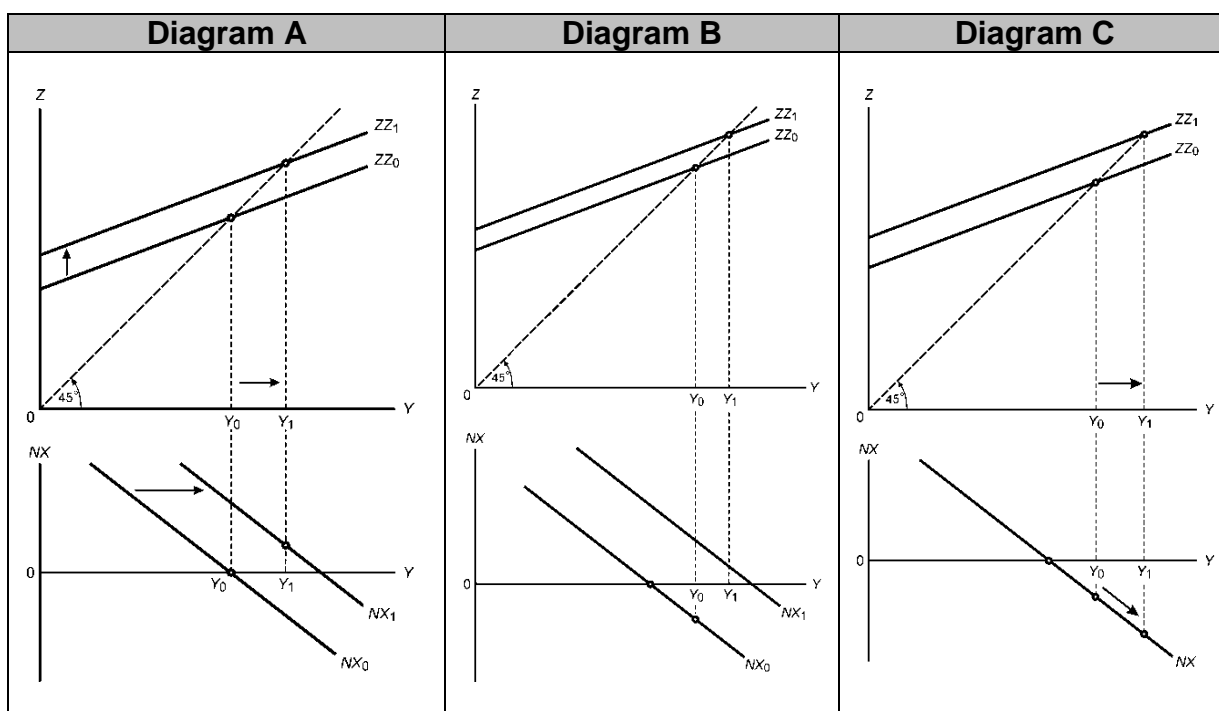33. Which one of the following statements is correct?

    1. A depreciation of the exchange rate causes a decrease in exports and in the level of output and income. This is indicated by a downward shift of demand for goods curve.
    2. An appreciation of the exchange rate causes an increase in exports and in the level of output and income. This is indicated by an upward shift of the demand for goods curve.
    3. An appreciation of the exchange rate causes a decrease in imports and in the level of output and income. This is indicated by a downward shift of the demand for goods curve.
    4. A depreciation of the exchange rate causes an increase in exports and in the level of output and income. This is indicated by an upward shift of the demand for goods curve.

34. Based on the following diagram, which one of the following would be likely to achieve a higher output level and a trade surplus?
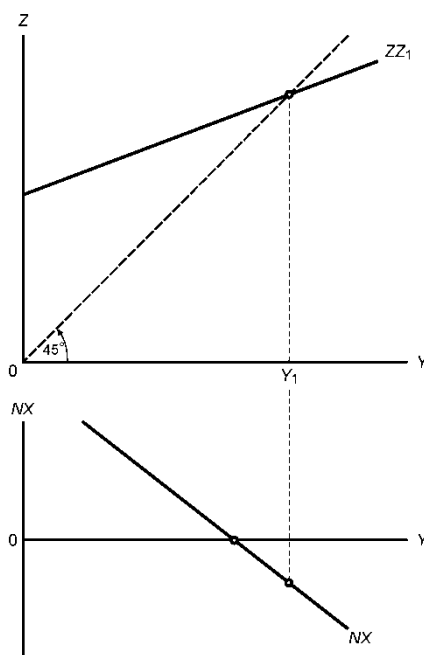
    1. A reduction in taxation.
    2. A simultaneous decrease in government spending and an appreciation of the exchange rate.
    3. A depreciation of the exchange rate.
    4. An appreciation of the exchange rate.

Study the following three diagrams and answer question 35.

Diagram A	Diagram B	Diagram C

35. Which of the following statements are correct?

   a.   Diagram A could represent a depreciation of the nominal exchange rate while Diagram C could represent an increase in government spending.
   b.   Diagram B represents an increase in exports that leads to an increase the equilibrium level of output and income.
   c.   In diagram A the Marshall-Lerner condition holds since the real depreciation eventually lead to an increase in net exports and therefore an improvement in the trade balance. The positive effect on the trade balance outstripped the negative effect.
   d.   Diagram C represents the following chain of events: $G\uparrow \rightarrow Z\uparrow \rightarrow Y\uparrow \rightarrow IM\uparrow \rightarrow NX\downarrow$.

   1.   a, b, c and d
   2.   Only a, b and c
   3.   Only b, c and d
   4.   Only a, c and d
   5.   Only a, b and d

SEMESTER 1
ASSIGNMENT 03
LEARNING UNITS 7, 8 and 9
DUE DATE: 2018/04/24
UNIQUE NUMBER: 800532
FULLY ONLINE ASSIGNMENT ON *my*UNISA

This assignment contributes 40% towards your semester mark.

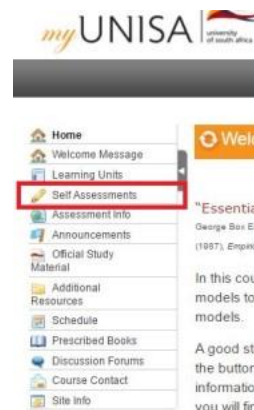| **Important information** |
| --- |
| The assignment consists of 15 online multiple-choice questions. |
| This is a **fully online** assignment; meaning that in order to complete it, you will need access to the internet. Your internet connection must be stable. |
| You can do the assignment on a computer, mobile phone or tablet. |
| You will have **three** opportunities to complete the assignment (no time limit) and the highest score will count towards your semester mark. |
| The assignment is only available in English. |
| The questions will be randomly drawn from a question bank so each student will receive a unique assignment. |
| The feedback for your unique set of questions will become available to you under the "Self Assessment" tab after the closing date for the assignment. |

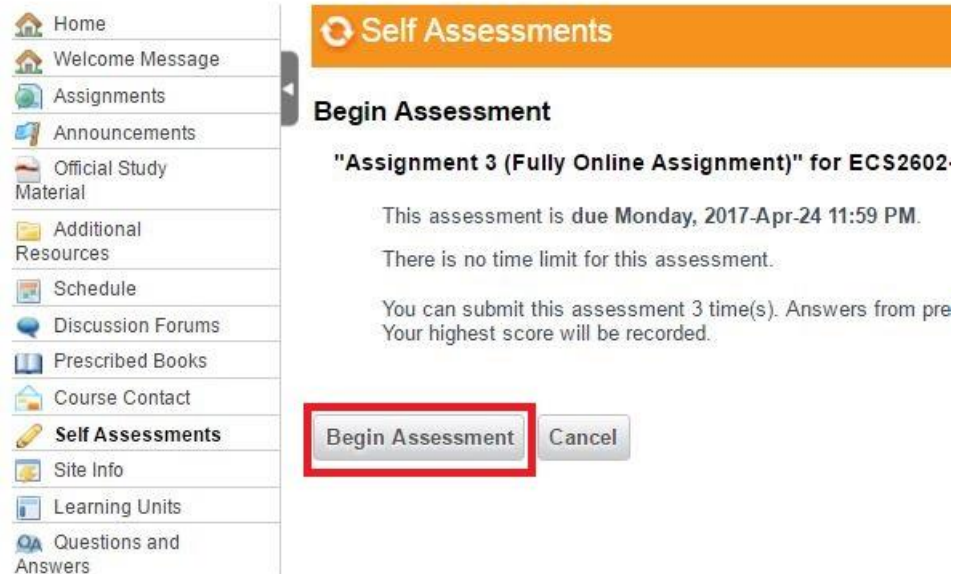|	**Online instructions**
Step 1	• Visit the *my*Unisa website: https://my.unisa.ac.za • Log on to *my*Unisa with your student number and password. (If you do not already have a *myUnisa* account, click on "Claim UNISA Login" and follow the instructions). • Once logged into myUnisa, select the ECS2602-18-S1 site. • On the left hand side you will see a tool bar, select **"Self Assessments"**

Step 2	• Under "Take an Assessment" click on "**Assignment 3**"
Step 3	• When you are ready to do the assignment, select the "**Begin Assessment**" button.

Calculation of marks for Assignment 03

Note that when the question has multiple correct options the check box will be square and when there is only a single correct answer it is a circle.

Assignment 3 consists of 15 questions, which count 1 mark each therefore it has a total of 15. For example: If you see your mark listed under the "self-assessments" tab as 10, it is 10 out of 15 which equals 66%.

Below is an example of the question level feedback that you will receive. Note that although statement A was correctly selected, the student did not select statement C that is also correct. Therefore, the student would have received 0 for question 1.

Question 1 of 15

If the interest rate increases in SA relative to the interest rate in the rest of world, *ceteris paribus*, it leads to a(n) …

✔ [X] A. appreciation of the rand.
    [ ] B. depreciation of the rand.
    [ ] C. inflow of funds into SA.
    [ ] D. outflow of funds out of SA.

Answer Key: A and C

Feedback:
You are incorrect.
An increase in the domestic interest rate relative to the interest rate in the rest of the world *ceteris paribus*, will cause domestic bonds to become relatively more attractive and a capital inflow occurs. This capital inflow increases the demand for domestic currency and the exchange rate appreciates.

Important: You must correctly indicate ALL of the options within one question to receive the correct mark. For example, if statements A and C are correct you must select only these two options. Selecting only A or selecting A and C plus D for example will mean you receive 0 for that question.

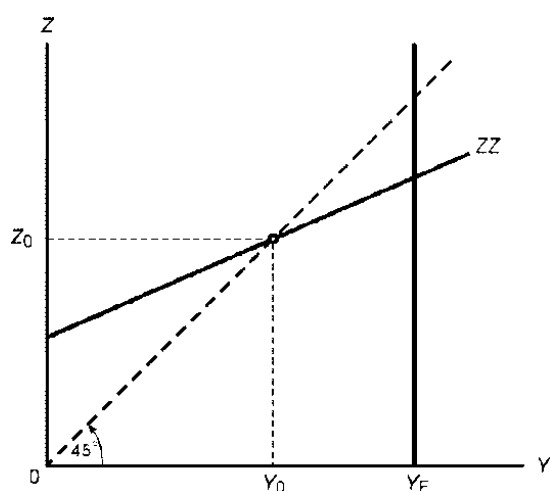Best of luck with your assessment!

Please let us know if you experience any technical difficulties.

SEMESTER 1
ASSIGNMENT 04
LEARNING UNITS 1 to 9
Theoretical and application questions and case studies
SELF-ASSESSMENT ASSIGNMENT
DO NOT SUBMIT THIS ASSIGNMENT

NOTE: Assess or mark your answers once you have received Tutorial Letter 201.
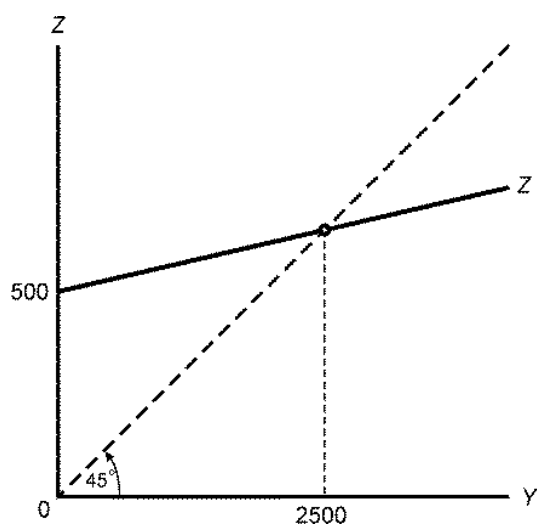
Question 1

Use the following goods market model to explain how taxes can be used to ensure full employment. Indicate any shift and/or movement on the diagram.
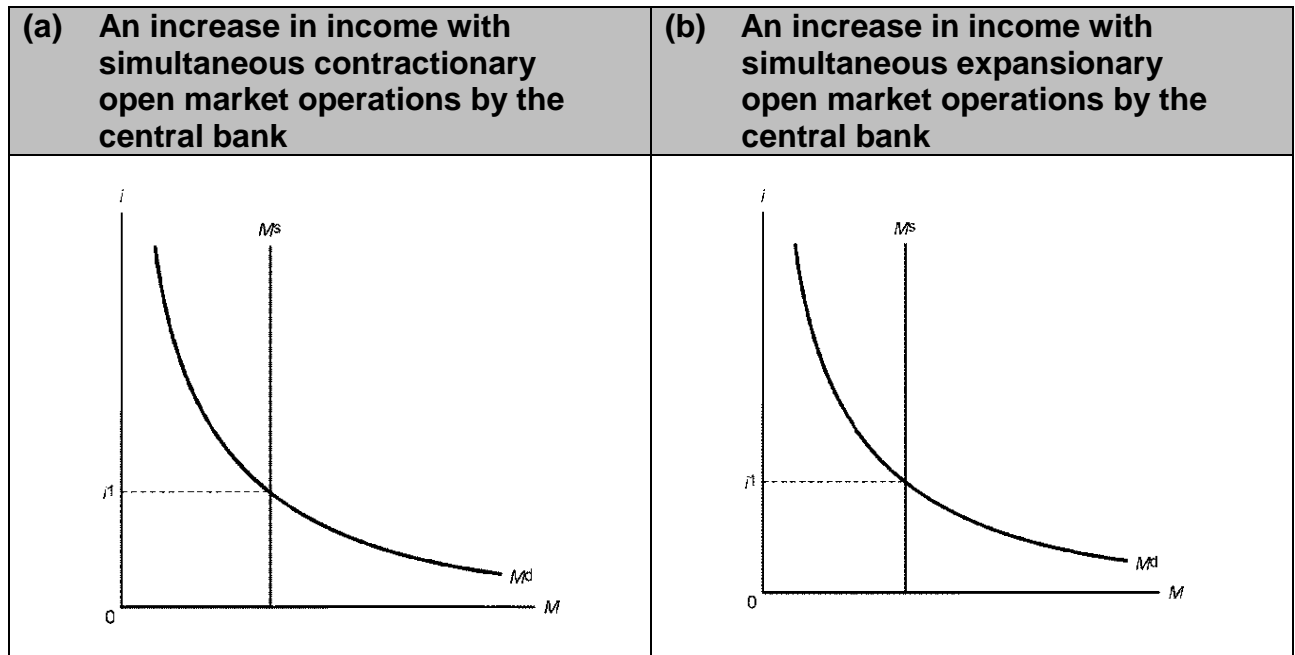

Question 2

Use the following goods market model to illustrate and explain the impact of a simultaneous increase of 200 in government spending and an increase of 200 in taxes on the level of output and income.

Question 3

Use the following diagrams of the financial market to illustrate and explain the impact on the equilibrium interest rate of:

(a) An increase in income with simultaneous contractionary open market operations by the central bank	(b) An increase in income with simultaneous expansionary open market operations by the central bank

Question 4

Explain why investment spending is a negative function of the interest rate and a positive function of the level of output and income and name two determinants of autonomous investment in South Africa.

Question 5

Use the following information to derive an IS curve:

- A decrease in the interest rate from 6% to 4% increases investment spending by 200.
- The multiplier is 5.
- In the goods market model, autonomous spending is 800 before the decrease in the interest rate.

Question 6

Derive the LM curve by assuming that the level of output and income decreases.

Question 7

The following are the behavioural equations of the IS-LM model:
$C = c_0 + cY_D$
$I = I(Y, i)$
$G = G$
$T = T$
$M^d = YL(i)$
$M^s = M^s$
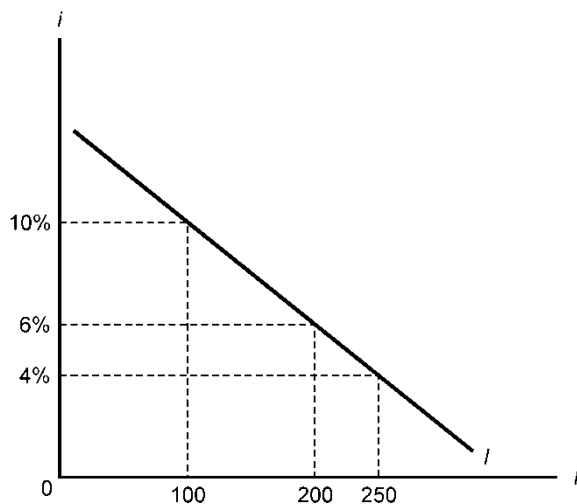Identify the exogenous and endogenous variables.
ALTERNATIVELY, the question above can also be phrased as follows:
50

The IS-LM model is a simplification of the interrelationship between selected economic variables. The model consists of a number of endogenous variables (those variables whose values are determined inside the model) and a number of exogenous variables (those variables whose values are determined outside the model).

List the various endogenous and exogenous variables in the IS-LM model.

Question 8

The following diagram represents the investment function of the country of Mallerga. Use the diagram to answer the following questions:

a.   What will be the impact of a decrease of the interest rate from 10% to 6% on investment spending? How is this illustrated on the diagram?

b.   Assume that the interest rate is at 6%. The government of the country of Mallerga decided to nationalize the mines and factories. Explain the impact of these actions on investment spending in the country of Mallerga.

c.   Investment spending is an important determinant of the level of output and income in the economy. Explain the impact of a decrease in the interest rate and nationalization on the level of output and income and unemployment in the IS-LM model.

Question 9

Critically discuss the following statement:

The more sensitive investment spending is to a change in the interest rate and the less sensitive it is for a change in the level of output and income, the greater the impact of an expansionary fiscal policy on the level of output and income.

Question 10

Use the IS-LM model to identify the variables that will have an impact on the effectiveness of an expansionary fiscal policy to increase the level of output and income and explain how these variables influence the effectiveness of fiscal policy.

Question 11

Use the IS-LM model to identify the variables that will have an impact on the effectiveness of an expansionary monetary policy to increase the level of output and income and explain how these variables influence the effectiveness of monetary policy.

Question 12

The impact of an expansionary fiscal policy differs in the goods market model compared to the impact in the IS-LM model. By using chain of events and words what are the similarities and differences between the impact in the goods market model and the IS-LM model?

Question 13

Use the IS-LM model to compare the impact of a contractionary monetary policy with that of an expansionary fiscal policy.

Question 14

Question 14 is based on the following diagram:

USD per 1 ZAR

25 Jul 2006 00:00 UTC - 21 Jul 2016 07:36 UTC
ZAR/USD close:0.06991 low:0.05923 high:0.15506

Source: http://www.xe.com

a. What was the overall effect from 2012 – 2016 on the nominal exchange rate?
b. What might be the possible reasons for the depreciation of the rand against the USA dollar from 2015?
c. Discuss briefly some possible implications of the weak rand.

Question 15

a.   Describe the concept NX and refer to the different trade balance positions.
b.   Given the following information construct a NX curve. Clearly indicate points of a trade surplus, trade balance and a trade deficit.

Exports = R100 million
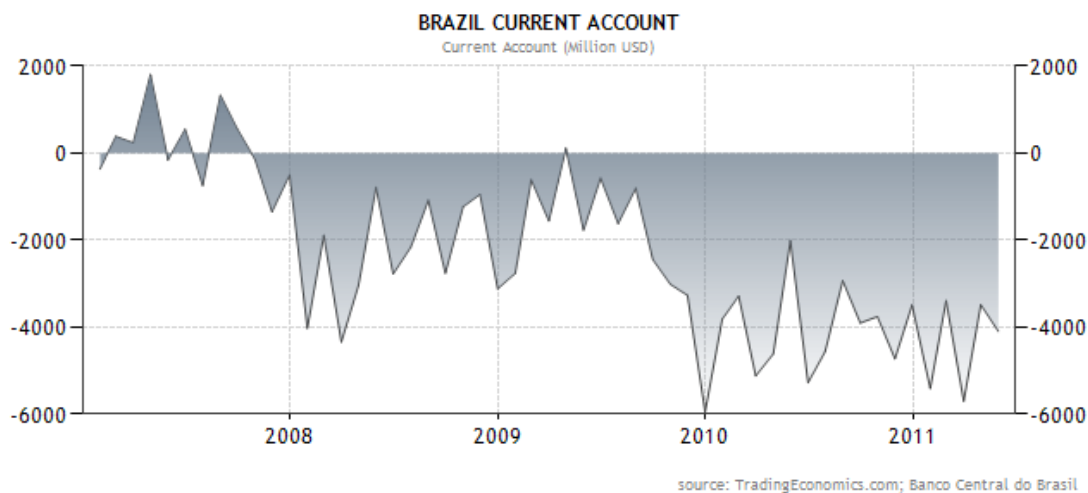Imports:
At Y = R200 million imports = R50 million
At Y = R300 million imports = R100 million
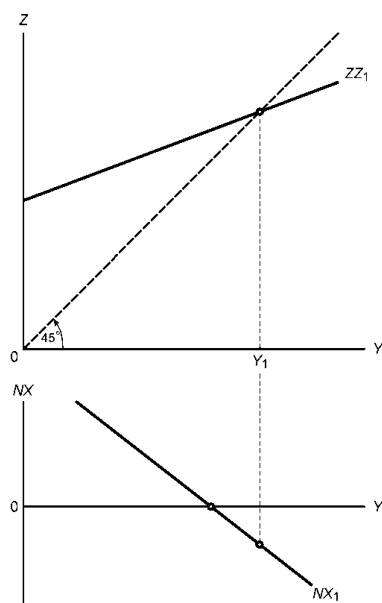At Y = R400 million imports = R150 million

c.   What would happen to the NX curve if exports increase?

Question 16

Question 16 is based on the following data for Brazil:

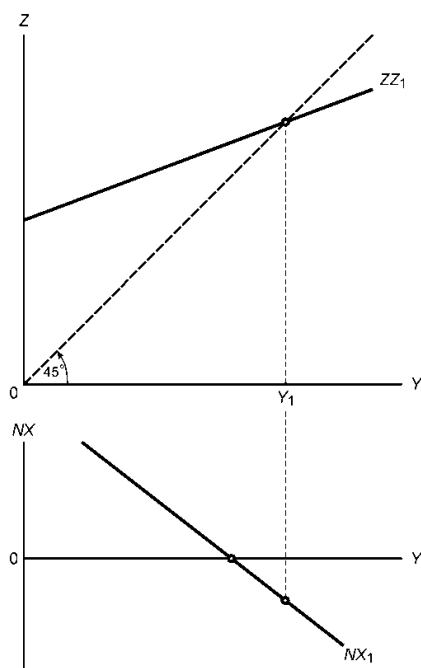source: TradingEconomics.com; Banco Central do Brasil

● Since 2008 government spending in Brazil has been increasing.

a.   Use the following model to explain the impact of increased government spending on the level of output and income and the current account of Brazil.

b.   Use the following model to explain what would happen to the level of output and income and the current account if the exchange rate depreciates.

c.   Explain what effect a depreciation of the exchange rate will have on the trade balance, assuming the Marshall-Lerner condition holds.
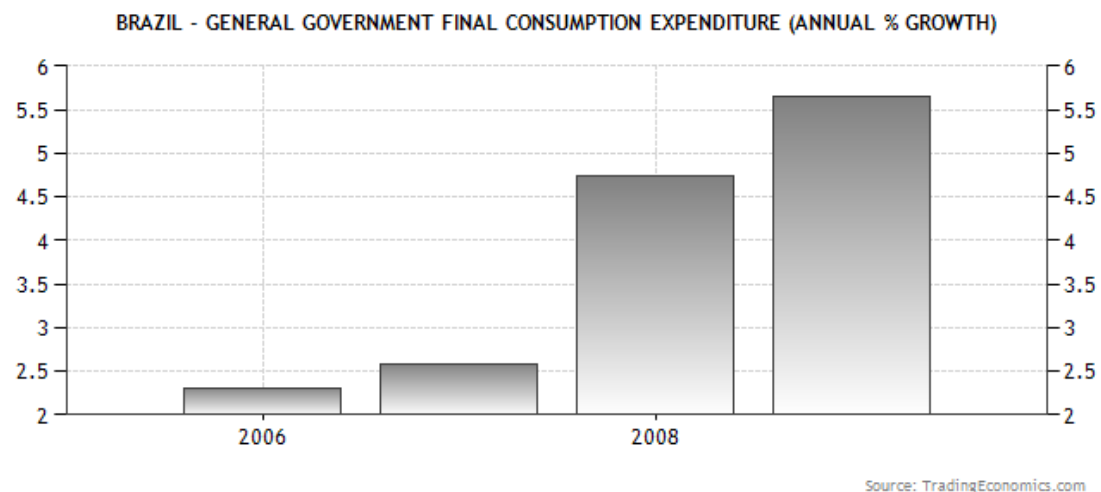

Question 17

Question 17 a is based on the following text and information about the Brazilian economy.

The Great Recession

The Great Recession originated in the financial markets of the United States of America in 2007. It was triggered by falling house prices, which led to the so-called "subprime mortgage" crisis. Preceding the crisis there was a rapid increase in mortgages to less creditworthy borrowers. A combination of falling house prices and default mortgage payments led to the failure and near failure of major financial institutions in America. This sent shockwaves across the financial markets of the world and resulted in a loss of confidence in financial markets and institutions, with the result that share prices fell sharply, investor confidence plunged and the availability of credit to firms and households was severely curtailed. This had the result that consumption spending by households and investment spending by firms declined which had a major impact on the level of output and income.
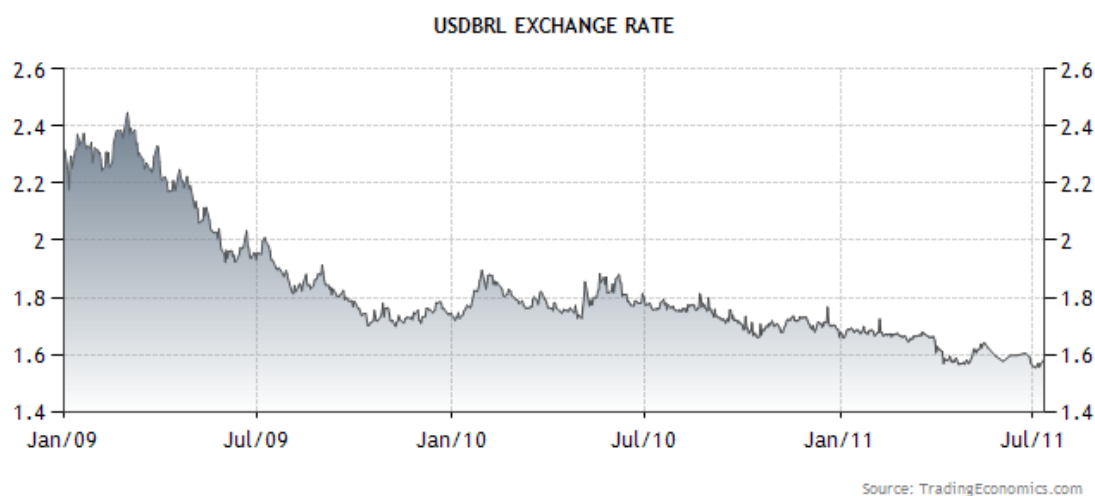
In response to the worldwide economic crisis, many countries used monetary and fiscal policies in an attempt to deal with the impact of the recession on the level of output and income.

BRAZIL GDP ANNUAL GROWTH RATE

source: TradingEconomics.com; IBGE

BRAZIL INTEREST RATE
Benchmark Interest Rate

source: TradingEconomics.com; Banco Central do Brasil

BRAZIL - GENERAL GOVERNMENT FINAL CONSUMPTION EXPENDITURE (ANNUAL % GROWTH)

Source: TradingEconomics.com

i. Given that an economic recession is defined as a decrease in real GDP for two consecutive periods (where a period is 3 months, also known as a quarter because there are four periods of 3 months in a year), during which period did Brazil experience an economic recession?

ii.   Based on the above information use the IS-LM model to explain in words how Brazil made use of monetary and fiscal policies to deal with the economic recession they experienced.
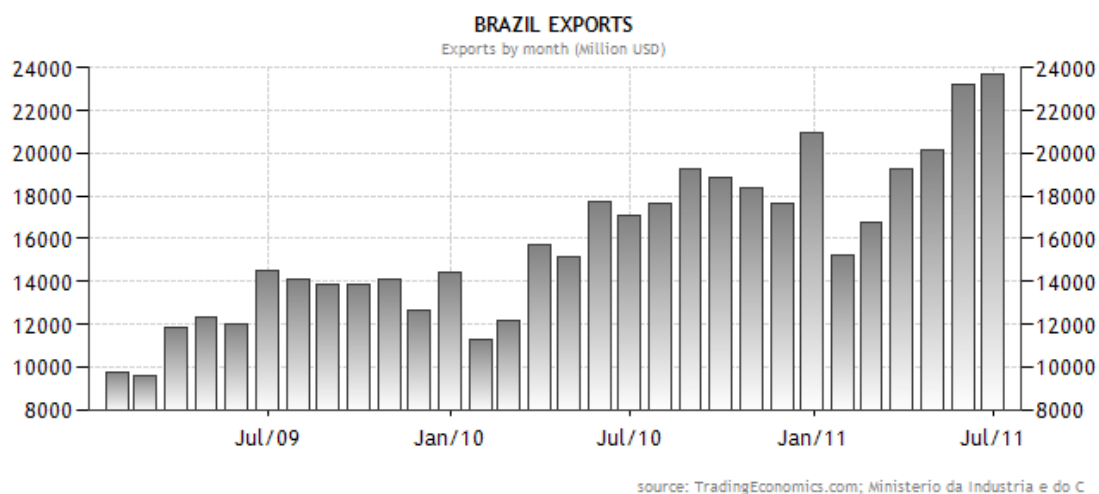
Question 17 b is based on the following diagram where the price of a US$ in terms of the Brazilian Real is given:

USDBRL EXCHANGE RATE

Source: TradingEconomics.com

i.   Did the Brazilian Real depreciate or appreciate against the US$ since January 2009?
ii.   Beginning in 2009 Brazil applied a contractionary monetary policy. Use the IS-LM model for an open economy to illustrate and explain the impact on the

1.   level of output and income
2.   interest rate
3.   financial account of the balance of payment
4.   exchange rate and
5.   current account of the balance of payment
        of this policy.

Events to consider:

●   Since 2009 there was a significant increase in the demand for commodities from Brazil as well as an increase in foreign direct investment in commodity-related industries.

BRAZIL EXPORTS
Exports by month (Million USD)

source: TradingEconomics.com; Ministerio da Industria e do C

●   A contractionary monetary policy has been followed and in 2011 the interest rate in Brazil was the highest interest rate of any major economy.
●   Government spending has increased steadily.

56

Question 18

Briefly explain why an increase in a budget deficit leads to a deterioration of the current account of the balance of payments.

Question 19

Question 19 is based on the following extract from the *Monetary Policy Review* June 2015. South African Reserve Bank. (2015). Pretoria:

"… *monetary policy in South Africa remains in a tightening cycle… policy easing by the European Central Bank (ECB) and the Bank of Japan may support capital flows to emerging markets, further moderating the risk of an abrupt decline in emerging-market (EM) currency prices*"

Which one of the following chain of events' illustrates the effect of the above extract on South Africa's trade balance?

1. $M\uparrow \rightarrow M/P\uparrow \rightarrow i\downarrow \rightarrow E\downarrow \rightarrow X\uparrow \rightarrow NX\uparrow$
2. $E\uparrow \rightarrow i\uparrow \rightarrow X\uparrow \rightarrow NX\uparrow$
3. $i\uparrow \rightarrow Capital_{inflow} \rightarrow E\uparrow \rightarrow X\downarrow \rightarrow NX\downarrow$
4. $i\downarrow \rightarrow Capital_{outflow} \rightarrow E\downarrow \rightarrow X\uparrow \rightarrow NX\uparrow$

Question 20

Question 20 is based on the following graph:

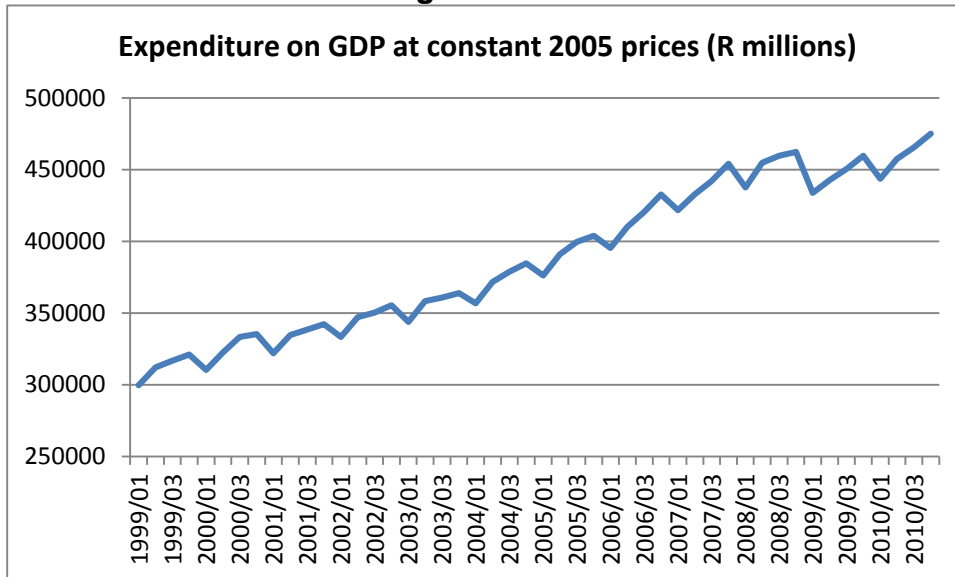SOURCE: WWW.TRADINGECONOMICS.COM | SOUTH AFRICAN RESERVE BANK

Measured in millions of ZAR

a. Which stabilisation policy is represented by the data?
b. Given the data and policy, what will happen in the AS-AD model? Explain in words and by using a chain of events and a diagram what will happen in the short run and in the medium run in the goods market, the financial market and the labour market.

Question 21

Read through the following and answer questions a and b that follow.
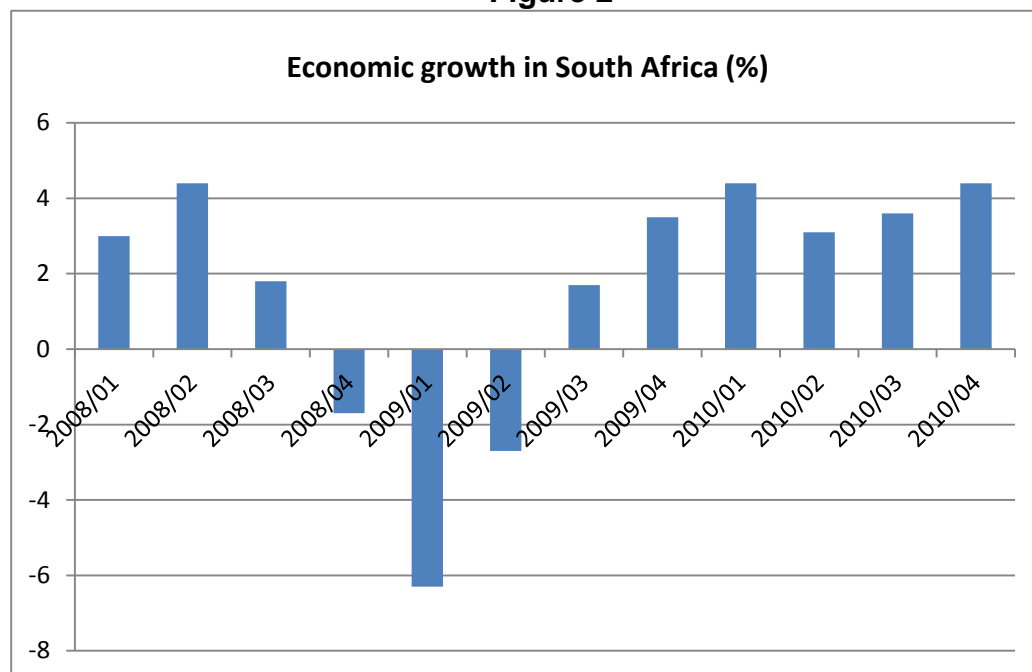
In 1999, the South African economy embarked on its longest expansion phase. It lasted for 99 months and come to an end in November 2007 and in the fourth quarter of 2008 the South African economy experienced an economic recession. (See figure 2).

Figure 1

Expenditure on GDP at constant 2005 prices (R millions)
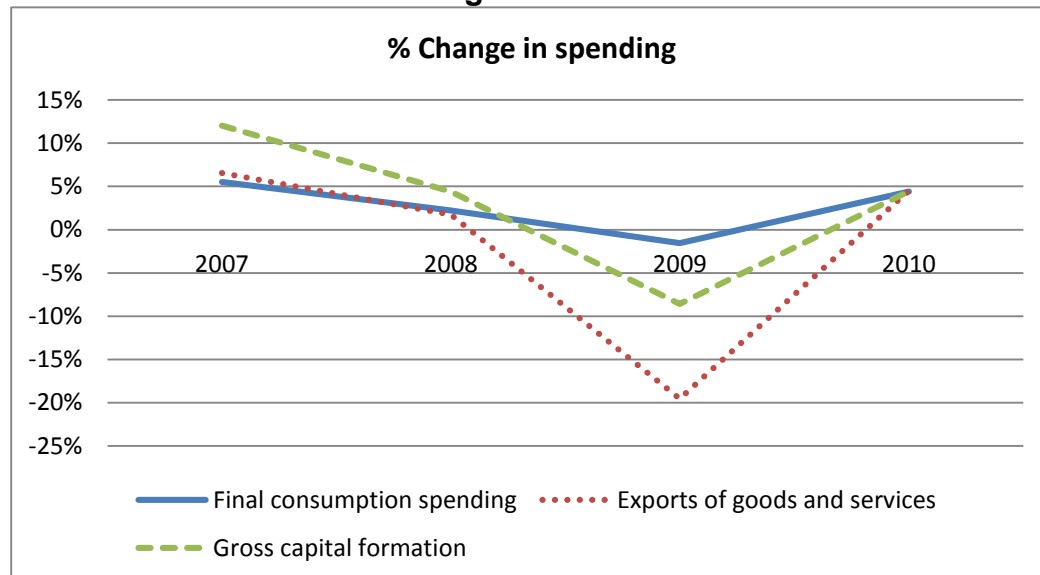

Source: South African Reserve Bank, *Quarterly Bulletin Time Series*

What triggered the end of the expansion phase and the economic recession in South Africa was falling house prices in the United States of America which led to the so-called "subprime mortgage" crisis. Preceding the crisis there was a rapid increase in mortgages to less creditworthy borrowers in America. A combination of falling house prices and default mortgage payments led to the failure and near failure of major financial institutions in America. This sent shockwaves across the financial markets of the world and resulted in a loss of confidence in financial markets and institutions, with the result that share prices fell sharply, investor confidence plunged and the availability of credit to firms and households were severely curtailed. This had the result that consumption spending by households and investment spending by firms declined worldwide which had a major impact on the level of output and income in the major economies of the world. Today this is referred to as the Great Recession.

Figure 2

Economic growth in South Africa (%)

Source: South African Reserve Bank, *Quarterly Bulletin Time Series*

Due to the recession experienced by the major trading partners of South Africa there was a dramatic drop in our exports. In 2009 exports declined by 20% as shown in figure 3. The impact on the economy was worsened by a decline of both consumption spending and investment spending.
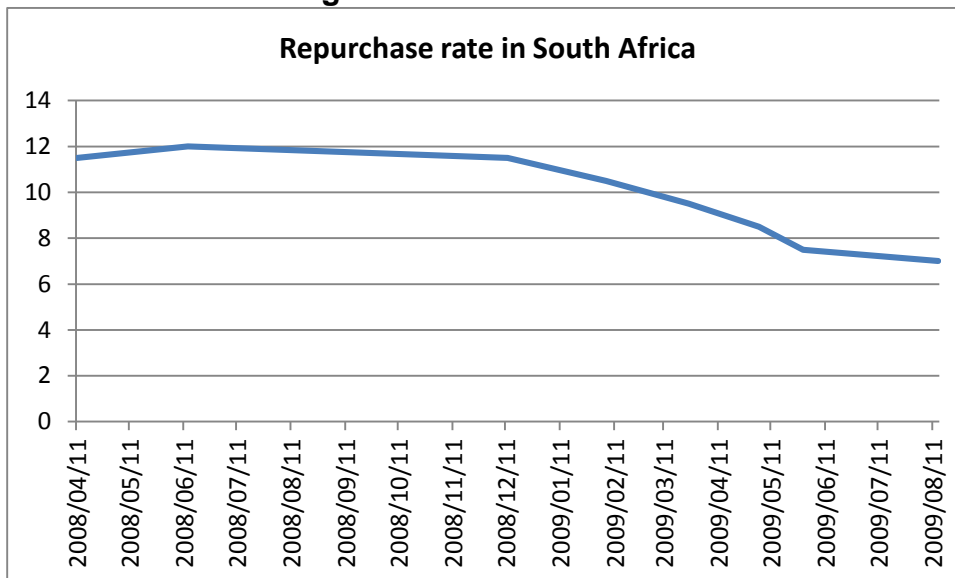
Figure 3

% Change in spending

Source: South African Reserve Bank, *Quarterly Bulletin Time Series*

The recession could have been much worse. But it was met by a strong macroeconomic response, which certainly limited the depth and the length of the recession.

Take monetary policy first. In response to the economic slowdown, the South African Reserve Bank started to decrease the repurchase rate. (Figure 4 shows the decline in the repurchase rate for the period 2008 to 2009.) In April 2008, the repurchase rate was 11.5% while at the end of 2009 it was 7%.

Figure 4

Repurchase rate in South Africa

Source: South African Reserve Bank, *Quarterly Bulletin Time Series*

a. During which period did South Africa experience an economic recession?

b. What type of monetary policy did South Africa follow between May 2008 and the end of 2009?

c. Given the data and policy identified in question b, what will happen in the AS-AD model? Explain in words and by using chain of events and a diagram what will happen in the short and medium run in the goods market, the financial market and the labour market because of this monetary policy being employed.

Question 22

When comparing the impact of the two different policies (question 20 and question 21 above) in the AS-AD model, the impact in the medium run is different. Briefly explain why.

SECOND SEMESTER ASSIGNMENTS

<div style="border:1px solid black; text-align:center">

SEMESTER 2
COMPULSORY ASSIGNMENT 01
LEARNING UNITS 1, 2 and 3
DUE DATE: 2018/08/20
UNIQUE NUMBER: 842465

</div>

This assignment contributes 20% towards your semester mark.

Please ensure that this assignment reaches the university before the due date.

Answer all questions on a mark-reading sheet.

1. Which of the following statements are correct?

    a. In macroeconomics we focus on the determination of the demand for and supply of individual goods and the determination of their prices.
    b. The impact of fiscal and monetary policy on the level of output and income is an important topic in this module.
    c. If the population of South Africa grows at 5% per year and the economic growth rate is 3% per year, a decline in the real GDP per capita occurs.
    d. Expansionary monetary policy during a recession is an example of stabilisation policy.
    e. An expansionary fiscal policy implies a decrease in government spending and/or an increase in taxation.

    1. a, b and c
    2. b, c and d
    3. b, d and e
    4. Only b and c
    5. b, c and e

2. Which of the following are exogenous variables in the consumption function
    $C = c_0 + cY_D$?

    a. The level of output and income.
    b. Marginal propensity to consume.
    c. Autonomous consumption.
    d. Consumption spending.

    1. a, b and c
    2. b, c and d
    3. a and d
    4. b and c
    5. Only b

3. The difference between expenditure on the gross domestic product (GDP) and gross domestic expenditure (GDE) is that …

    1. expenditure on the GDP includes both imports and exports, while GDE includes exports and excludes imports.
    2. expenditure on the GDP includes exports and excludes imports, while GDE includes both imports and exports.
    3. expenditure on the GDP includes exports and excludes imports, while GDE includes imports and excludes exports.
    4. expenditure on the GDP includes imports and excludes exports, while GDE includes exports and excludes imports.

4. If a positive relationship exists between income (Y) and consumption (C) in the consumption function $C = c_0 + cY_D$, it means that …

    1. An increase in consumption spending will increase income.
    2. An increase in consumption spending will decrease income.
    3. An increase in income will increase consumption spending.
    4. An increase in income will decrease consumption spending.

5. Autonomous consumption will _____ while induced consumption is influenced by _____.

    1. decrease if income decreases   the level of disposable income
    2. increase if income increases   non-income determinants of consumer spending
    3. remain unchanged   the level of disposable income

Question 6 is based on the following consumption function: $C = 300 + 0.4Y_D$

6. If the level of disposable income (Y_D) were to increase by 200, the level of autonomous consumption will be _____ and the change in induced consumption will be _____.

    1. 100   0.4 x 100
    2. 500   300 + 200
    3. 200   0.4 x 300
    4. 300   0.4 x 200

7   Which of the following statements are correct?

    a. Real output and income and real GDP mean the same in our goods market model.
    b. In the consumption function $C = c_0 + cY_D$; a change in autonomous consumption changes the vertical intercept and the C curve shifts, while a change in marginal propensity to consume changes the slope of the C curve.
    c. Using the goods market model; if the government decreases taxes by R20 million, consumer spending increase by more than R20 million.
    d. In the equation $C = c_0 + cY_D$, c_0 represents that part of consumption that is not influenced by income.

1. a, b, c and d
2. Only a, b and d
3. Only c and d
4. Only a, c and d
5. Only a and d

8. Which of the following statements is/are correct?

a. When an economist refers to investment, he or she usually means real investment, in other words, spending on additions to the capital stock, such as machinery and structures.
b. Investment creates production capacity and therefore makes higher levels of production possible.
c. Investment creates a demand for consumer goods and services.
d. If the internal rate of return is less than the market rate of interest, then an investment project will not be undertaken.

1. a, b, c and d
2. Only a, b and c
3. Only b, c and d
4. Only a, c and d
5. None of the options 1 to 4 is correct.

9. In the goods market model a decrease in taxes will result in …

a. an increase in autonomous consumption.
b. an increase in disposable income.
c. an increase in income.
d. a decrease in induced consumption.
e. a downward shift of the ZZ curve.

1. a, b, c and e
2. a, b and d
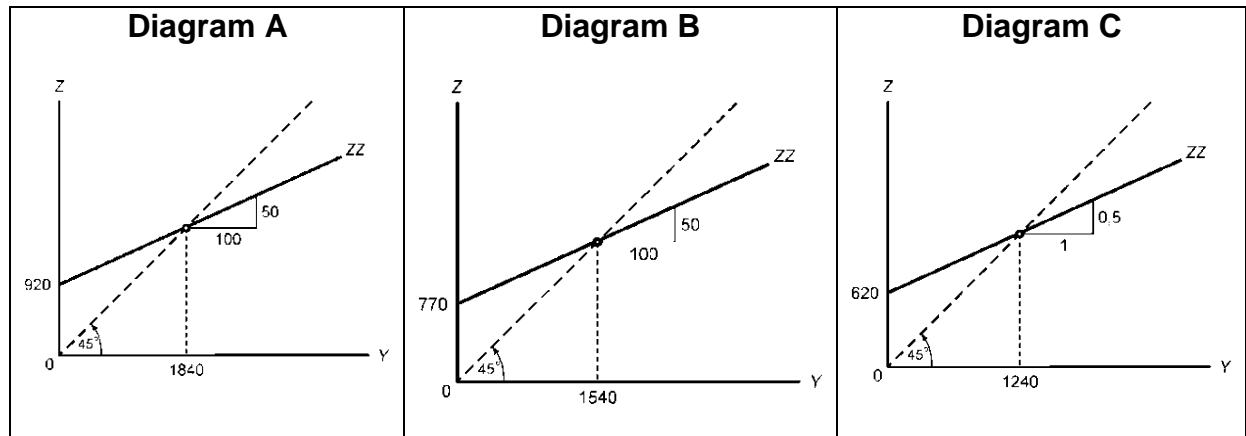3. b, c, d and e
4. a, c and d
5. None of the options 1 to 4

10. If Z < Y, it means that there is:

1. An excess demand for goods: $Y\downarrow \rightarrow C\downarrow \rightarrow Z\downarrow$
2. An excess demand for goods: $Y\uparrow \rightarrow C\uparrow \rightarrow Z\uparrow$
3. An excess supply of goods: $Y\downarrow \rightarrow C\downarrow \rightarrow Z\downarrow$
4. An excess supply of goods: $Y\downarrow \rightarrow C\uparrow \rightarrow Z\downarrow$

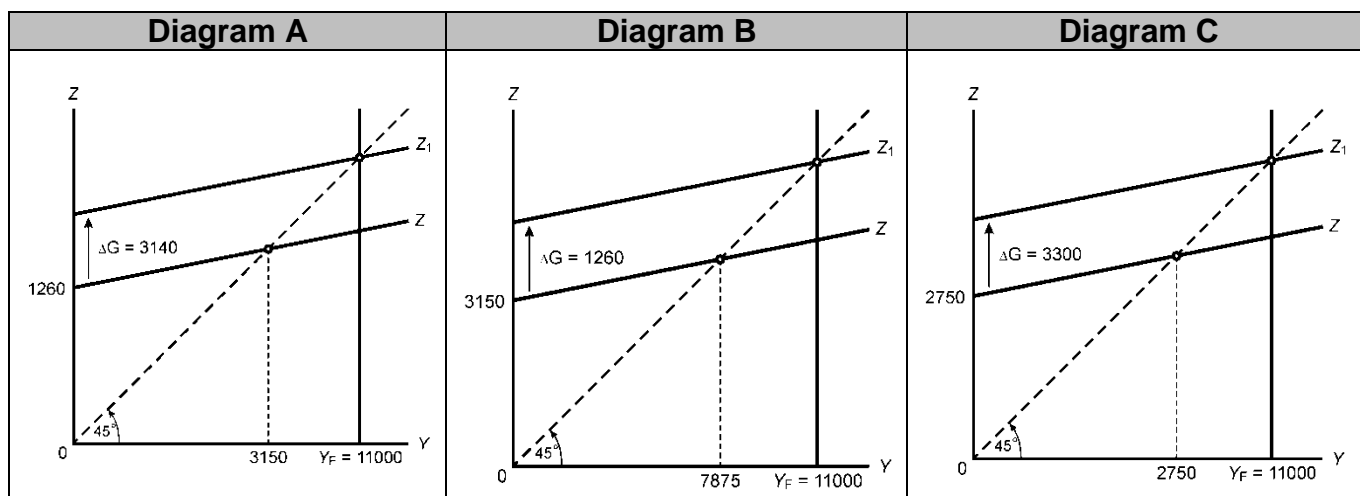Question 11 is based on the following data for the country XYZ for 2017.

Marginal propensity to consume = 0.5
Autonomous consumption = R600 million
Investment spending = R40 million
Government spending = R280 million
Taxes = R300 million

11. Which one of the following goods market models represent the data given for country XYZ:

Diagram A	Diagram B	Diagram C
Z, ZZ; 50/100; 920; 45°; 0; 1840; Y	Z, ZZ; 50/100; 770; 45°; 0; 1540; Y	Z, ZZ; 0.5/1; 620; 45°; 0; 1240; Y

1. Diagram A
2. Diagram B
3. Diagram C

12. Given a marginal propensity to consume of 0.8, an increase of 100 in government spending and an increase of 80 in taxes will cause the level of output and income to ...

1. increase by 180.
2. be unchanged.
3. increase by 100.
4. increase by 80.
5. decrease by 80.

13. Given that c_0 = R200 million, $\bar{I}$ = R600 million, G = R700 million, c = 0.6, T = R400 million and Y_F = R11 000 million the equilibrium level of output and income is _____ and in order to reach the full-employment level of income, government spending must increase by _____.

1. R7 250m   R2 900m
2. R1 260m   R3 896m
3. R3 150m   R3 140m
4. R2 750m   R3 300m
5. R3 150m   R7 850m

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14. Which one of the following goods market models represent the data given for question 13 above?

Diagram A	Diagram B	Diagram C

1. Diagram A
2. Diagram B
3. Diagram C
4. Not Diagram A, B or C

15. Which of the following statements is/are correct in terms of the following information?

Autonomous consumption = R600 million
Investment spending = R150 million
Marginal propensity to consume = 0.9

a. If government spending is R300m and taxes are R300m then the budget deficit will be zero, income will be = R7 800m and consumption will be = R7 620.
b. If government spending is R300m and taxes are R200m then the budget deficit will be R100m, income will be = R8 700m and consumption will be = R8 430m.
c. If government spending is R300m and taxes are R50m then the budget deficit will be R250m, income will be = R10 050m and consumption will be = R9 600m.

1. Only a
2. Only b
3. Only c
4. Only b and c
5. None of the options 1 to 4 is correct.

Question 16 is based on the following information:

Marginal propensity to consume = 0.8 ($^4/_5$)
Multiplier = 5

16. Which of the following policy actions will increase the level of output and income by a R1 000?

    a. An increase in government spending of R200.
    b. A decrease in taxation of R200.
    c. A decrease in taxation of R250.
    d. A decrease in government spending of R1 000.

    1. a and b
    2. a and c
    3. Only d
    4. Only b
    5. b and d

17. Given the following information which one of the following policy actions will ensure full employment?

    Current equilibrium level of output and income   = 2 000
    Full employment level of output and income   = 3 000
    Marginal propensity to consume   = 0.8

    1. An increase in government spending of 100 and a decrease in taxation of 100.
    2. An increase in government spending of 80 and a decrease in taxation of 150.
    3. An increase in government spending of 500 and a decrease in taxation of 500.
    4. An increase in government spending of 125.
    5. A decrease in taxation 1 000.

18. Which of the following will have an impact on the level of output and income in the goods market model?

    a. A change in government spending
    b. Monetary policy
    c. Fiscal policy
    d. A change in taxation
    e. A change in the money supply

    1. a, b, c and d
    2. a, b, c and e
    3. a, b, d and e
    4. a, c, d and e
    5. Only a, c and d

19. If the current level of income (Y_0) is less than the full-employment level of income (Y_F) in a goods market model of a closed economy …

    a. an increase in investment will move the economy closer to full employment.
    b. an increase in the marginal propensity to consume will move the economy closer to full employment.
    c. an increase in government spending will move the economy closer to full employment.
    d. an increase in taxes will move the economy closer to full employment.
    e. an increase in any of the components of autonomous spending will move the economy closer to full employment.

1. Only a, b and c
2. Only b, c and d
3. Only a, c and d
4. Only b, d and e
5. a, b, c, d and e

20. If government spending and taxes increase by the same amount (R100 million), the net effect on the ZZ curve will be:

    1. The ZZ curve will not shift.
    2. The ZZ curve will shift upwards.
    3. The ZZ curve will swivel downwards.
    4. The ZZ curve will shift downwards.
    5. The ZZ curve will swivel upwards.

Question 21 refers to the following diagram that represents the balanced budget multiplier. Study the diagram and answer the following question:
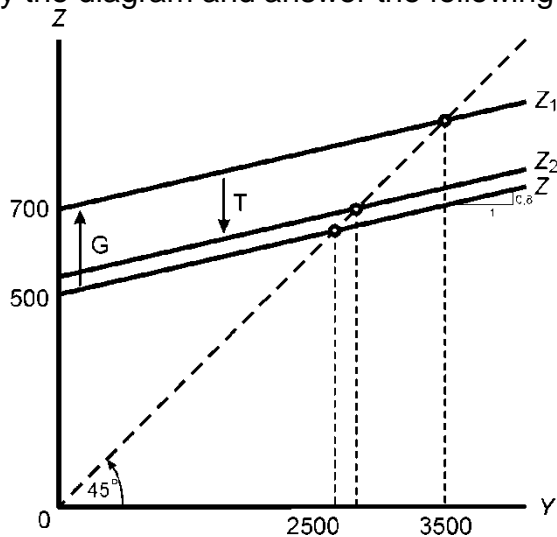
21. The net effect of the budget balanced on the level of output and income is ….

    1. equal to 0 (zero).
    2. an increase of 1 000.
    3. an increase of 200.
    4. an increase of 100.
    5. a decrease of 40.

22. An increase in expenditure implies an increase in income and employment. Which of the following factors can prevent full employment from being reached?

    a. A portion of the unemployed does not have the appropriate training and skills required by the labour market.
    b. An unacceptable high level of inflation.
    c. Crowding out of private investment.
    d. Jobless growth.
    e. Budget constraints of the government.
    f. Balance of payment constraints.

1. a, b, c, d, e and f
2. Only a, b, d, e and f
3. Only b, d, d e and f
4. Only c, d, e and f
5. None of the options 1 to 4

23. Which of the following statements are correct regarding the financial market?

    a. The purpose of the financial market model is to give us an explanation of how the interest rate is determined.
    b. The nominal money supply is an endogenous variable and the interest rate is an exogenous variable in the financial market model.
    c. Since the nominal money supply is not influenced by the interest rate in our model, but is determined by the central bank it can be regarded as an exogenous variable.
    d. The part of the demand for money that is not influenced by the interest rate is an exogenous variable while the part of the demand for money that depends on the interest rate is an endogenous variable in the financial market model.

    1. a, b and c
    2. a, b and d
    3. b, c and d
    4. a, c and d
    5. Only a and c

24. To calculate an individual's financial wealth, the following different kinds of assets will form part of it:

    1. salary, bonds, interest received from bonds and the value of his/her house.
    2. salary, balance on cheque account, bonds and dividends received from shares.
    3. bonds, gold coins, dividends received from shares and the outstanding balance on his/her home loan.
    4. balance on cheque account, cash, bonds, shares, salary, the value of his/her house and paintings.
    5. cash, bonds, shares, the value of his/her paintings and gold coins.

25. A _____ relationship exists between the demand for money (M^d) and the interest rate and an increase in the interest rate will cause a _____.

    1. negative; downward movement along the M^d curve
    2. negative; upward movement along the M^d curve
    3. positive; upward movement along the M^d curve
    4. positive; downward movement along the M^d curve

26. If income increases, the demand for money …

    1. decreases and the money demand curve will shift to the left.
    2. increases and the money demand curve will shift to the right.
    3. increases and there will be an upward movement along the money demand curve.
    4. increases and there will be downward movement along the money demand curve.

27. Which one of the following chain of events represents the impact of a decrease in income on the financial market?

    1. $Y\downarrow \rightarrow I\uparrow$
    2. $Y\downarrow \rightarrow i\uparrow$
    3. $Y\downarrow \rightarrow M^d\downarrow \rightarrow P_b\downarrow \rightarrow i\downarrow \rightarrow Y\downarrow$
    4. $Y\downarrow \rightarrow M^d\uparrow \rightarrow P_b\downarrow \rightarrow i\uparrow \rightarrow Y\uparrow$
    5. $Y\downarrow \rightarrow M^d\downarrow \rightarrow P_b\uparrow \rightarrow i\downarrow$

28. Which of the following are correct in terms of the events chain:
    $D_B\uparrow \rightarrow P_B\uparrow \rightarrow i\downarrow$?

    a. The events chain applies to the financial market.
    b. The events chain illustrates expansionary monetary policy.
    c. The events chain illustrates expansionary open market operations.
    d. The events chain shows what happens if the central bank buys treasury bills.

    1. Only a, b and c
    2. Only a, b and d
    3. Only b, c and d
    4. Only a, c and d
    5. a, b, c and d

29. Exogenously determined money supply implies that …

    1. as the interest rate increases the money supply will also increase.
    2. the supply of money is determined by the demand for money and the interest rate.
    3. money supply is determined by the central bank.
    4. money demand is determined by the central bank.
    5. the money supply curve is perfectly elastic.

30. In terms of a chain of events, the shift of the M^s curve to the right can be presented as follows:

    1. $M^s\downarrow: D_B\downarrow \rightarrow P_B\downarrow \rightarrow i\downarrow$
    2. $M^s\uparrow: D_B\downarrow \rightarrow P_B\downarrow \rightarrow i\uparrow$
    3. $M^s\uparrow: S_B\downarrow \rightarrow P_B\uparrow \rightarrow i\downarrow$
    4. $M^s\uparrow: D_B\uparrow \rightarrow P_B\uparrow \rightarrow i\downarrow$

Question 31 is based on the diagram below:
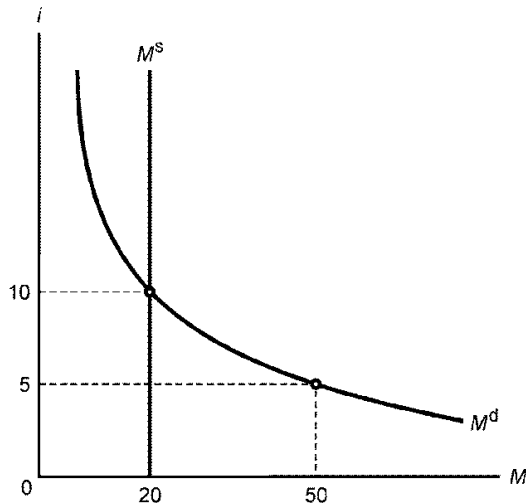
31. Which of the following statements are correct?

   a. At an interest rate of 5% the quantity of money supplied is 50 if the money supply is regarded as exogenous.
   b. At an interest rate of 10% equilibrium occurs in the financial market; the quantity of money supplied (=20) is equal to the quantity of money demanded (=20).
   c. If the level of income increases, an excess demand for money exists at an interest rate of 10%.
   d. An increase in the demand for money shifts the M^s curve to the right.

   1. a, b and c
   2. a and d
   3. b, c and d
   4. Only b and c
   5. Only a and b

32. Which of the following is/are correct regarding the financial market?

   a. There is a negative or inverse relationship between the price of a treasury bill and the interest rate.
   b. If the price of a treasury bill is R9 700 and the rate of return is 3%, the rate of return will be lower than 3% if the price of the treasury bill increases to R9 800.
   c. If the face value of the treasury bill is R300 000, the price paid is R280 000 with the maturity date of one year, the rate of return is 7.14%.
   d. Assuming that the face value of a treasury bill is R150 000, the price paid for the bill is R138 000 and the date to maturity is one year, the rate of return is 8.70% and it will decrease if the price paid for it increases to R145 000.

   1. a, b, c and d
   2. Only a, b and c
   3. Only b, c and d
   4. Only a, c and d
   5. None of the options 1 to 4

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33. A contractionary monetary policy involves the …

    1. selling of bonds by the central bank on the open market to increase the supply of money and the interest rate will decrease.
    2. selling of bonds on the open market by the central bank to decrease the supply of money and the interest rate will increase.
    3. buying of bonds on the open market by the central bank to increase the supply of money and the interest rate will decrease.
    4. buying of bonds on the open market by the central bank to decrease the supply of money and the interest rate will increase.

34. If the financial market is in a liquidity trap …

    a. monetary policy is ineffective in bringing about a decrease in the interest rate.
    b. financial money market participants are willing to hold less money at the same interest rate.
    c. a decrease in the interest rate can be brought about by buying of bonds by the central bank.
    d. there is a high demand for bonds.

    1. Only a
    2. Only c
    3. a and c
    4. a, b and d
    5. b, c and d

35. Which of the following statements is/are correct?
    A decrease in income with simultaneous expansionary open market operations by the central bank …

    a. is represented by a shift of the demand for money curve to the left and the money supply curve to the right.
    b. is represented by a shift of the demand for money curve to the right and the money supply curve to the left.
    c. will result in an increase in the interest rate.
    d. will result in a decrease in the interest rate.
    e. will result in an indeterminate impact on the interest rate.

    1. Only e
    2. a and e
    3. b and c
    4. a and d
    5. b and e

This assignment contributes 40% towards your semester mark.

Please ensure that this assignment reaches the university before the due date.

Answer all questions on a mark-reading sheet.

1.   Which of the following statements are correct?

    a.   Marginal propensity to consume and autonomous consumption are exogenous variables of the consumption function.
    b.   Nominal money supply and the part of the demand for money that is influenced by expectations, business confidence, and political and social factors are exogenous variables in the financial market.
    c.   Marginal propensity to consume and the level of output and income are endogenous variables in the goods market model.
    d.   Investment spending is an exogenous variable in the goods market model but in the IS-LM model the part of investment spending that is dependent on the level of output and income and the interest rate are endogenous components of the variables.
    e.   Level of output and income, interest rate, investment spending, consumption spending are exogenous variables in the IS-LM model.
    f.   Taxes, government spending and the nominal supply of money are exogenous variables in the IS-LM model.

    1.   a, b, c and d
    2.   b, c, e and f
    3.   Only a, b and f
    4.   a, b, d and f
    5.   b, d and e

2.   Which of the following statements are correct?
    In the IS-LM model:

    a.   Investment is influenced only by the interest rate.
    b.   Investment is influenced by exogenous factors such as expectations, business confidence and regulations.
    c.   Investment is influenced by the interest rate and the level of output and income.
    d.   Investment is negatively related to the interest rate and the level of output and income.
    e.   Investment is negatively related to the interest rate and positively related to the level of output and income.

    1.   a and b
    2.   b, c and e
   3.   b, c and d
    4.   a and e
    5.   Only c and e

3.   Assume that the interest rate increases when deriving the IS curve.
      On the goods market, if the interest rate increases …

      1.   government spending increases, the demand for goods increases and the equilibrium
            level of income rises.
      2.   investment spending increases which increases the demand for goods and the
            equilibrium level of income rises.
      3.   taxation decreases, disposable income of households and the demand for goods
            increase, and the equilibrium level of income rises.
      4.   the demand for money decreases which decreases the level of income.
      5.   investment spending decreases which decreases the demand for goods and the
            equilibrium level of income falls.

4.   In the event of a rise in the interest rate a(n) _____ an investment curve takes place
      while an increase in output will cause a(n) _____ an investment curve.

      1.   rightward shift of   downward movement along
      2.   downward movement along   rightward shift of
      3.   upward movement along   leftward shift of
      4.   upward movement along   rightward shift of
   5.   downward movement along   upward movement along

Questions 5 to 8 deal with the derivation of the IS curve and are based on the following information and diagram:

We assume that investment spending is the only component of autonomous spending.

The autonomous spending at an interest rate of 10% is 4 000.

A decrease in the interest rate from 12% to 10% increases investment spending by 2 000.
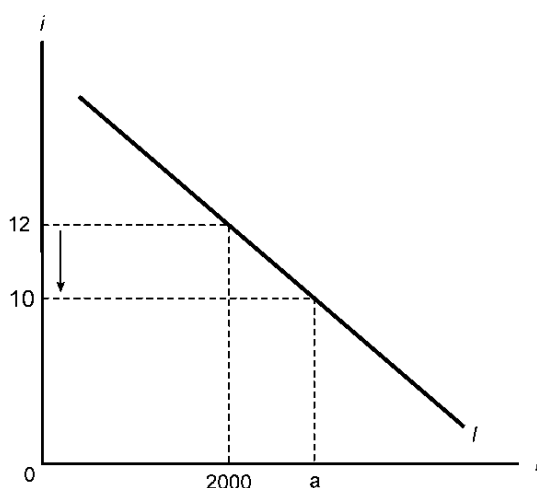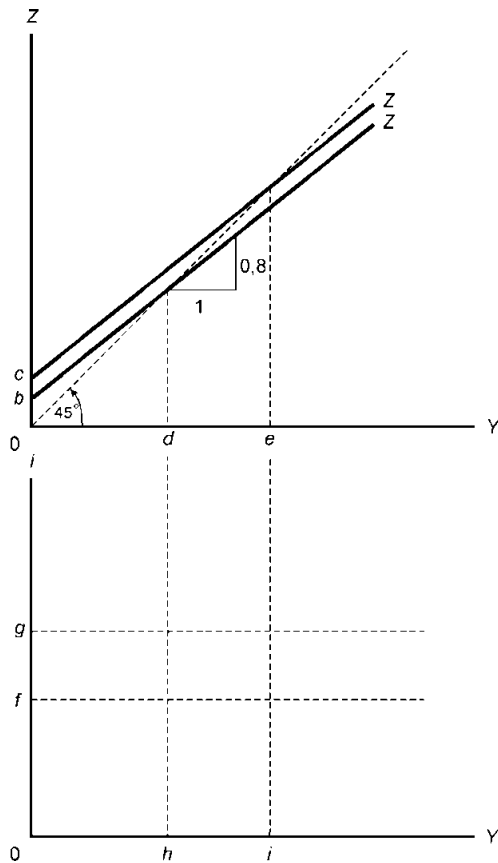
5. The value for a is _____ and the value of the multiplier _____.

1.	1 000	1.25
2.	2 000	5
3.	3 000	1.25
4.	4 000	5
5.	5 000	5

6. The values for b and c are:

    1. b = 2 000   c = 4 000
    2. b = 4 000   c = 2 000
    3. b = 2 000   c = 3 000
    4. b = 6 000   c = 4 000
    5. b = 4 000   c = 6 000

7. The values for d and e are:

    1. d = 12 000   e = 16 000
    2. d = 10 000   e = 20 000
    3. d = 20 000   e = 30 000
    4. d = 30 000   e = 20 000
    5. d = 15 000   e = 20 000

8.   The values for f and g are _____ and the values for h and i are _____.

    1.   f = 10%   g = 12%   h = 12 000   i = 16 000
    2.   f = 12%   g = 10%   h = 10 000   i = 20 000
    3.   f = 2 000   g = 3 000   h = 20 000   i = 30 000
    4.   f = 12%   g = 10%   h = 30 000   i = 20 000
    5.   f = 10%   g = 12%   h = 10 000   i = 20 000

Questions 9 and 10 are based on the following diagram:
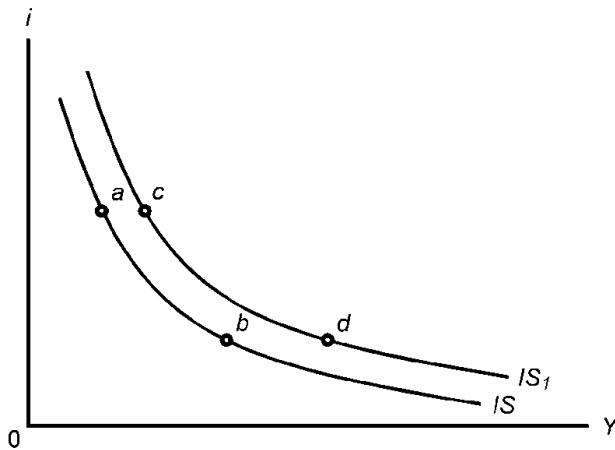
9.   Which of the following statements is/are correct?

    a.   The movement from point b to point a implies an increase in investment spending.
    b.   The movement from point a to point b implies a decrease in the interest rate which will increase investment spending and the demand for goods.
    c.   A change in investment spending does not always shift the IS curve because an increase in investment spending due to a decrease in the interest rate is represented by a movement along the IS curve.
    d.   An increase in business confidence and a decrease in the interest rate both increase investment spending. The increase in investment spending due to an increase in business confidence shifts the IS curve to IS_1 while an increase in investment due to a decrease in the interest rate causes a downward movement along the IS curve from point a to point d.

    1.   a, b, c and d
    2.   Only b, c and d
    3.   Only c and d
    4.   Only b and c
    5.   Only a, b and c

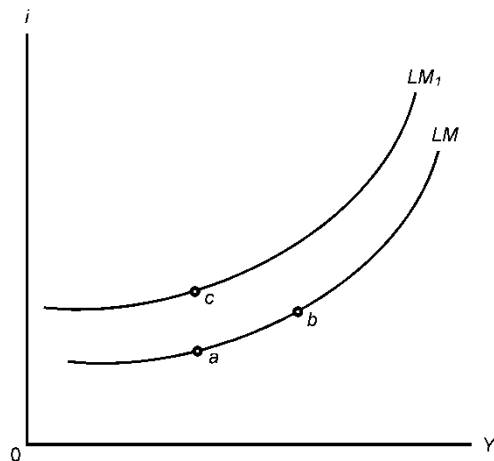10.   Which of the following statements is/are correct?

    a.   A shift of the IS curve can be the result of a change in government spending, a change in consumer confidence, or a change in any of the autonomous factors that change the demand for goods.
    b.   The movement from point b on IS to point d on IS_1 can be the result of a decrease in taxation.
    c.   The movement from point b to point d implies an increase in the money supply.
    d.   A shift from IS to IS_1 can be the result of a change in fiscal and monetary policy.

e.   The movement from point b on IS to point d on IS₁ can be the result of an increase in consumer and investors confidence.

1.   a, d and e
2.   a, b and d
3.   a, b and e
4.   c, d and e
5.   a, b, d and e

11.   Which of the following statements is/are correct?

a.   To derive the LM-curve we change the level of income to determine the effect on the interest rate.
b.   The derivation of the LM curve is described by the following chain of events;
$Y\uparrow \rightarrow M^s\uparrow \rightarrow I\downarrow \rightarrow Z\downarrow \rightarrow i\uparrow$.
c.   When we derive the LM curve an increase in income will cause an increase in the demand for money, which is represented by the shift of the demand for money curve to the right, and it will cause an increase in the equilibrium interest rate.

1.   a, b and c
2.   Only a and b
3.   Only a and c
4.   Only b and c
5.   None of the options 1 to 4 is correct.

Study the following LM curve and answer question 12 that follows:

12.   Which of the following statements is/are correct?

a.   At point a the demand for money is higher than at point b.
b.   At point c the money supply is higher than at point a.
c.   At point a, point b and point c the financial market is in equilibrium.
d.   An increase in the nominal money supply will shift LM to LM1.
e.   To derive the LM-curve we change the level of income to determine the effect on the interest rate.

1. a, b, c, d and e
2. Only c, d and e
3. Only a and e
4. Only c and e
5. Only b, c, d and e

13. An increase in taxation …

   1. decreases the demand for goods and the IS curve shifts to the left. As taxation decreases, the supply of money decreases and the LM curve shifts down.
   2. increases the demand for goods and the IS curve shifts to the right. The demand for money increases and the interest rises and a movement along the LM curve takes place.
   3. decreases the demand for goods and the IS curve shifts to the left. The demand for money decreases and the interest falls causing the LM curve to shift up.
   4. decreases the demand for goods and the IS curve shifts to the left. The demand for money decreases and the interest falls causing a movement along the LM curve.

Questions 14 to 16 are based on the following scenario for a hypothetical country:

Period	Quarterly change in real GDP
2014/Q3	2.8%
2014/Q4	1.9%
2015/Q1	-1.2%
2015/Q2	-3.9%
2015/Q3	-2.8%
2015/Q4	-0.9%

Period	Interest rate (%)
May 2014	8.2
June 2014	8.0
July 2014	7.9
August 2014	7.7
September 2014	7.5
October 2014	7.4
November 2014	7.2
December 2014	6
January 2015	6.8
February 2015	6.7
March 2015	6.5
April 2015	6.2
May 2015	5.0
June 2015	4.9
July 2015	4.8
August 2015	4.6
September 2015	4.4
October 2015	4.1
November 2015	3.0
December 2015	2.9

Government spending and government revenue as % of GDP		
Period	Government spending	Government revenue
2014/Q3	28%	32%
2014/Q4	29%	32%
2015/Q1	31%	30%
2015/Q2	34%	27%
2015/Q3	35%	26%
2015/Q4	36%	25%

14. Which of the following applies to the country during 2015?

    a.   The country experienced an economic recession.
    b.   It has implemented a contractionary fiscal policy
    c.   It has implemented an expansionary monetary policy.
    d.   Unemployment increased.
    e.   The budget deficit increased.

    1.   a, b, c, d and e
    2.   Only a, b, c and d
    3.   Only b, c and d
    4.   Only a, d and e
    5.   Only a, c, d and e

15. In terms of the IS-LM model the macroeconomic stabilisation policies the country has followed can be represented as follows:

    1.   The IS curve shifts to the left and the LM curve shifts down.
    2.   The IS curve shifts to the left and the LM curve shift up.
    3.   The IS cure shifts to the right and the LM curve shifts up.
    4.   The IS curve shifts to the right and the LM curve shifts down.

16. The impact of the policy mix on the budget deficit was that it …

    1.   increased the budget deficit since exports decline more that imports.
    2.   increased the budget deficit since government revenue decreased and government spending increased.
    3.   decreased the budget deficit since government revenue increased and government spending declined.
    4.   decreased the budget deficit since imports decline more than exports.

17. When comparing a **contractionary fiscal policy** with an **expansionary monetary policy** in the IS-LM model the results regarding the interest rate and investment spending are as follows:

1.	Contractionary fiscal policy	Expansionary monetary policy
The interest rate	Lower	Lower
Investment spending	Indeterminate	Higher

2.	Contractionary fiscal policy	Expansionary monetary policy
The interest rate	Lower	Higher
Investment spending	Indeterminate	Higher

3.	Contractionary fiscal policy	Expansionary monetary policy
The interest rate	Lower	Lower
Investment spending	Higher	Higher

4.	Contractionary fiscal policy	Expansionary monetary policy
The interest rate	Lower	Lower
Investment spending	Indeterminate	Lower

5.	Contractionary fiscal policy	Expansionary monetary policy
The interest rate	Higher	Lower
Investment spending	Indeterminate	Higher

18. In the case of South Africa, a change from R1 = $0.40 to R1 = $0.45 implies…

    a. an increase in the nominal exchange rate.
    b. a decrease in the nominal exchange rate.
    c. a depreciation in the domestic currency.
    d. an appreciation in the domestic currency.
    e. more rands are now needed to buy a dollar.
    f. fewer rands are now needed to buy a dollar.

    1. b and c
    2. a and d
    3. d and e
    4. a, d and f
    5. b, c and e

19. If the exchange rate between South Africa and the USA changes from R1 = 0.30 to R1 = $0.25, *ceteris paribus*,

    a. the rand appreciates and South Africa will import more from the USA.
    b. the rand appreciates and USA will import more from South Africa.
    c. the rand depreciates and South Africa will import more from the USA.
    d. the rand depreciates and USA will import more from South Africa.

    1. Only a
    2. Only b
    3. Only c
    4. Only d
    5. Not option 1, 2, 3 or 4

Question 20 is based on the following information:

Year 1
GDP deflator for South Africa: 150
GDP deflator for the USA: 120
The nominal exchange rate: R1 = $0.30

Year 2
GDP deflator for South Africa: 190
GDP deflator for the USA: 130
The nominal exchange rate: R1 = $0.28

20. Which of the following statements are correct?

    a. The real exchange rate for year 1 is 0.38.
    b. The real exchange rate for year 1 is 0.24.
    c. The real exchange rate for year 2 is 0.19.
    d. The real exchange rate for year 2 is 0.41.
    e. Comparing the real exchange rate for year 2 with the real exchange rate for year 1, a real depreciation has occurred.
    f. Comparing the real exchange rate for year 2 with the real exchange rate for year 1, a real appreciation has occurred.

    1. a, c and e
    2. a, d and f
    3. b, c and e
    4. b, c and f
    5. a, d and e

21. A trade balance deficit indicates that …

    1. merchandise imports exceed merchandise exports.
    2. government spending exceeds tax revenue.
    3. merchandise exports exceed merchandise imports.
    4. tax revenue exceeds government spending.
    5. imports of services exceed exports of services.

22. Given the following information:

    Interest rate on RSA bonds: 8%
    Interest rate on USA bonds: 6%

    Which one of the following statements is correct?

    1. If the expected depreciation of the rand is 3% financial market participants will buy RSA bonds.
    2. If the expected depreciation of the rand is 3% financial market participants will buy USA bonds.
    3. If the expected depreciation of the rand is 3% financial market participants will be indifferent between RSA and USA bonds.
    4. If the expected appreciation of the rand is 3% financial market participants will buy USA bonds.

23. Which of the following statements is/are correct?

    a. An appreciation of the nominal exchange rate results in an increase in exports and the trade balance improves. The increase in exports increases the demand for goods and the level of output and income.
    b. A depreciation of the nominal exchange rate results in an increase in exports and the trade balance improves. The increase in exports increases the demand for goods and the level of output and income.
    c. According to the interest-parity condition a lower domestic interest rate leads to a depreciation of the nominal exchange rate and an improvement of the trade balance.
    d. According to the interest-parity condition a depreciation of the nominal exchange rate leads to a lower interest rate and an improvement of the trade balance.

    1. b and c
    2. a and c
    3. a and d
    4. b and d
    5. Only b

24. Which of the following statements are correct?

    a. Foreign demand for domestic goods is also known as exports.
    b. Domestic demand for foreign goods is also known as imports.
    c. Part of domestic demand falls on foreign/imported goods.
    d. The "domestic demand for goods" and the "demand for domestic goods" are the same.

    1. a, b, c and d
    2. Only a, b and c
    3. Only b and d
    4. Only c and d
    5. Only b, c and d

25. Which of the following statements is/are correct?

    a. Exports can be regarded as exogenous because it is determined by the domestic level of output.
    b. Exports will increase if there is an increase in the output level of our trading partners.
    c. The real exchange rate will influence the level of imports as well as the level of exports, but in opposite directions.
    d. When domestic output in the economy increases, it leads to an increase in imports.
    e. When domestic output in the economy decreases, it leads to a decrease in exports.
    1. b, c and d
    2. a and e
    3. a, c and d
    4. Only c and d
    5. Not option 1, 2, 3 or 4

26. Which one of the following statements is correct?

The NX curve represents the relationship between the ….

1. real exchange rate and imports.
2. level of output and income and imports.
3. level of output and income and the trade balance.
4. level of output and income and exports.
5. nominal exchange rate and the trade balance.

27. Which of the following statements are correct?

a. Equilibrium output is associated with a trade deficit only.
b. Equilibrium output is associated with a trade surplus only.
c. Equilibrium output is associated with a trade deficit or a trade surplus.
d. The goods market is in equilibrium when domestic output is equal to the demand for domestic goods.
e. The goods market is in equilibrium when domestic output is equal to the domestic demand for goods.

1. a and c
2. b and c
3. a and d
4. b and d
5. c and d

28. Which of the following factors will shift the NX curve to the left?

a. A decrease in imports.
b. A decrease in exports.
c. A decrease in government spending.
d. An increase in domestic demand for foreign goods.
e. A decrease in foreign demand for domestic goods.

1. a, b, c and d
2. b, c and e
3. Only a, c and d
4. Only b and e
5. Only b

Questions 29 and 30 are based on the following diagram and model:

SOUTH AFRICA GOVERNMENT SPENDING

SOURCE: WWW.TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA
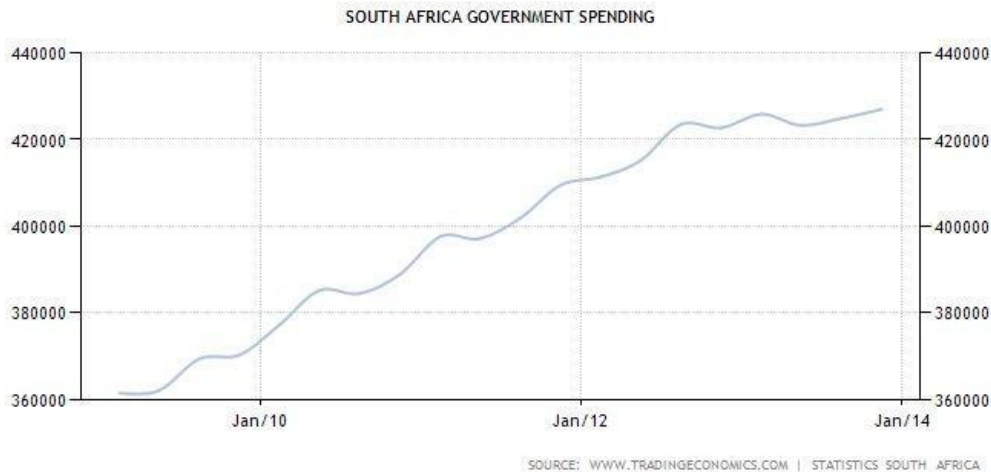
Study the diagram above and use the following model to answer what the impact of the change in government spending in South Africa is on the level of output and the current account:
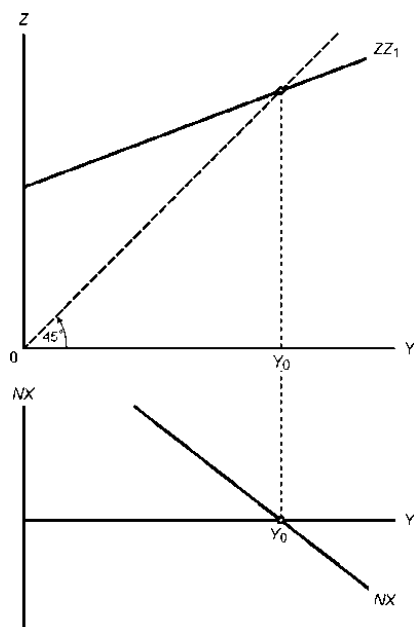

29.   The possible impact on the level of output and income is that the …

1.   increase in government spending increased the demand for goods. This is indicated by an upward movement along of the demand for goods curve and the level of output and income increases.
2.   increase in government spending increased the demand for goods. This is indicated by a downward shift of the demand for goods curve and the level of output and income decreases.
3.   decrease in government spending decreased the demand for goods. This is indicated by a downward shift of the demand for goods curve and the level of output and income decreases.
4.   decrease in government spending decreased the demand for goods. This is indicated by a downward movement along the demand for goods curve and the level of output and income decreases.
5.   increase in government spending increased the demand for goods. This is indicated by an upward shift of the demand for goods and the level of output and income increases.

30. The possible impact on the NX curve of the change in government spending as indicated in the above diagram is that the …

   1. increase in the level of output and income increased imports and at the higher equilibrium level of output and income, a current account deficit arises.
      This is indicated by a leftward shift of the NX curve.
   2. increase in the level of output and income increased exports and at the higher equilibrium level of output and income, a current account deficit arises.
      This is indicated by a rightward shift of the NX curve.
   3. increase in the level of output and income increased imports and at the higher equilibrium level of output and income, a current account deficit arises.
      This is indicated by a downward movement along the NX curve.
   4. increase in the level of output and income decreased imports and at the higher equilibrium level of output and income, a current account deficit arises.
      This is indicated by an upward movement along the NX curve.
   5. decrease in the level of output and income decreased exports and at the higher equilibrium level of output and income, a current account deficit arises.
      This is indicated by a downward movement along the NX curve.

31. For the Marshall-Lerner condition to hold a(n) …

   1. depreciation must eventually lead to an increase in exports and an improvement in the trade balance.
   2. appreciation must eventually lead to an increase in exports and an improvement in the trade balance.
   3. depreciation must eventually lead to an increase in imports and deterioration in the trade balance.
   4. appreciation must eventually lead to an increase in imports and an improvement in the trade balance.

Questions 32 and 33 are based on the following diagram.

Given the goods market equilibrium in the following diagram, what would the likely impact of a depreciation of the domestic currency be?
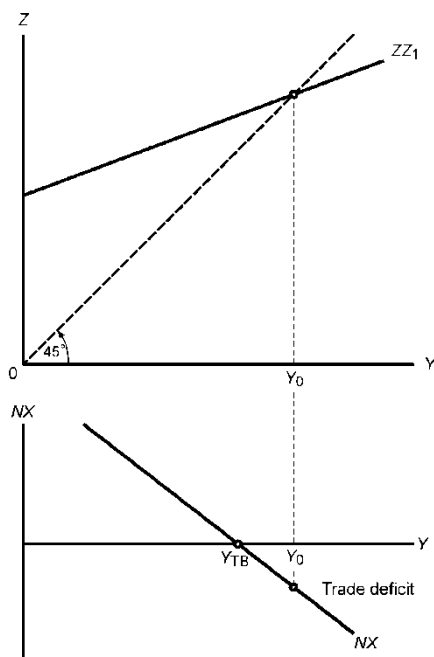
32. Which one of the following statements is correct?

    1. The ZZ_1 curve will shift upwards.
    2. The ZZ_1 curve will shift downwards.
    3. The ZZ_1 curve will stay constant
    4. The ZZ_1 curve will shift upwards and then downwards.
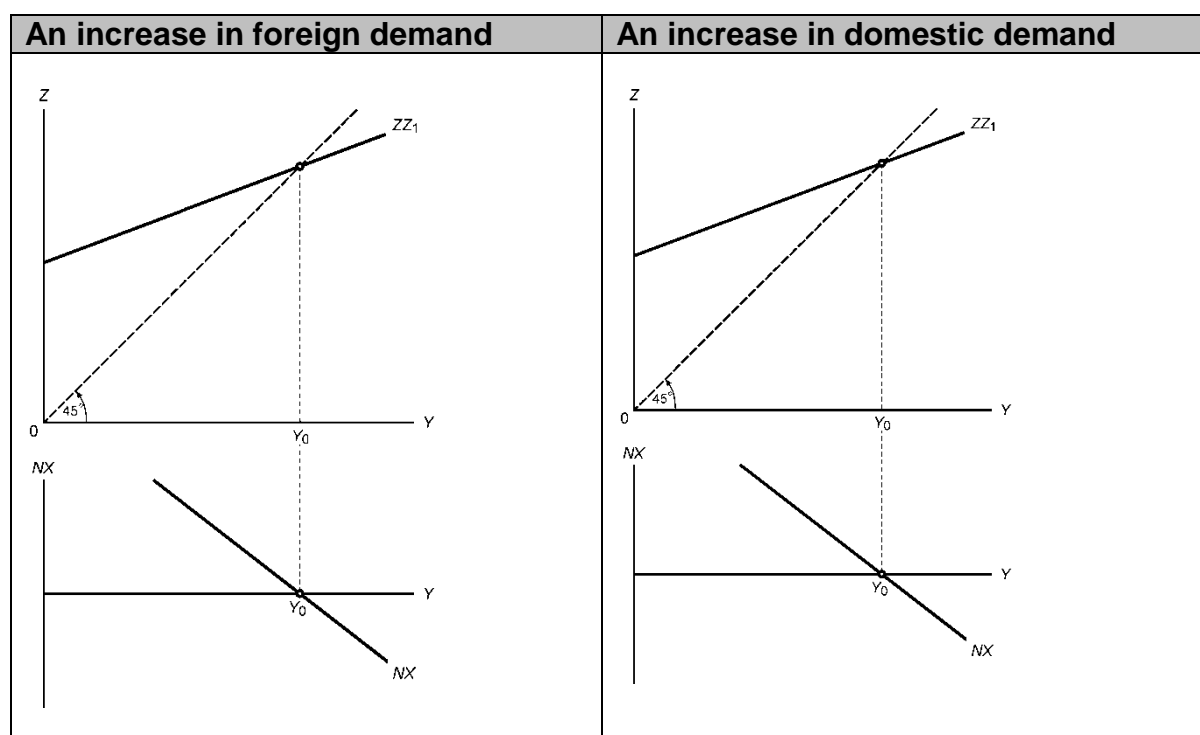
33. Which one of the following statements is correct?

    1. The domestic level of output will increase and there will be a higher trade deficit.
    2. The domestic level of output will decrease and there will be a lower trade deficit.
    3. The domestic level of output will decrease and there will be a trade surplus.
    4. The domestic level of output will be unchanged and there will be a trade surplus.
    5. The domestic level of output will increase and there will be a lower trade deficit.

Questions 34 and 35 are based on the following:
Compare the impact on the level of output and the trade balance of an increase in foreign demand with that of an increase in domestic demand.
Hint: Complete the following diagrams and then answer questions 1 and 2.

An increase in foreign demand	An increase in domestic demand

34. Which of the following statements is/are correct?

    a. An increase in foreign demand and an increase in domestic demand will shift the demand curve ZZ_1 in both instances upwards.
    b. An increase in foreign demand will shift the demand curve ZZ_1 upwards while an increase in domestic demand will shift the demand curve ZZ_1 downwards.
    c. An increase in foreign demand and an increase in domestic demand will increase the level of output and income.
    d. An increase in foreign demand will increase the level of output and income while an increase in domestic demand will decrease the level of output and income.

1. a and c
2. b and c
3. a and d
4. b and d
5. Only a

35. Which of the following statements are correct?

    a. An increase in foreign demand and an increase in domestic demand will shift the NX curve to the right.
    b. An increase in foreign demand will shift the NX curve to the right while an increase in domestic demand will cause a downward movement along the NX curve.
    c. An increase in foreign demand will shift the NX curve to the right while an increase in domestic demand will cause an upward movement along the NX curve.
    d. In the case of an increase in foreign demand the trade balance will improve and in the case of an increase in domestic demand, the trade balance worsens.
    e. In the case of an increase in foreign demand a trade surplus occurs and in the case of an increase in domestic demand, a trade deficit occurs.

    1. a, c and e
    2. b, c and d
    3. b, d and e
    4. a, d and e
    5. Only b and e

**SEMESTER 2
ASSIGNMENT 03
LEARNING UNITS 7, 8 and 9
DUE DATE: 2018/10/03
UNIQUE NUMBER: 732182
FULLY ONLINE ASSIGNMENT ON *my*UNISA**

This assignment contributes 40% towards your semester mark.

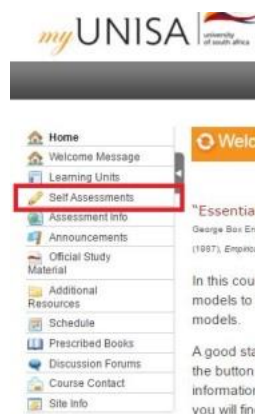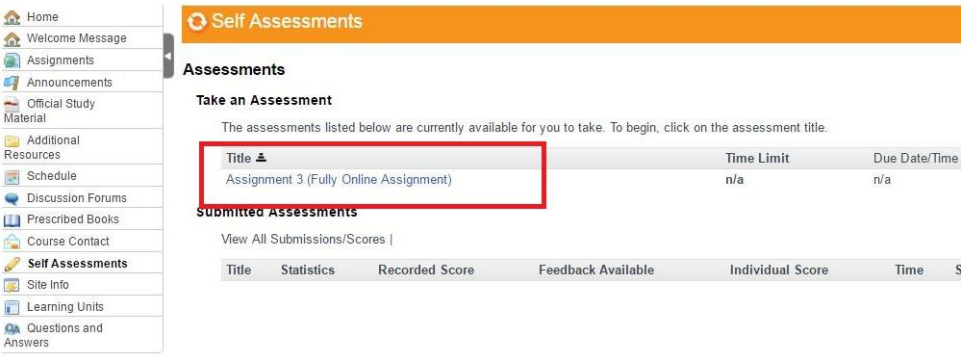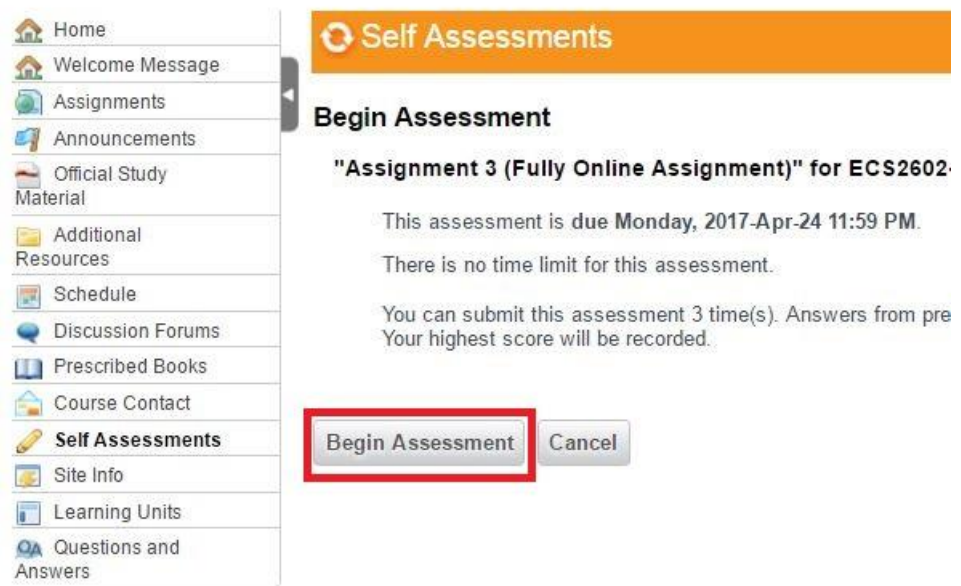| Important information |
|---|
| The assignment consists of 15 online multiple-choice questions. |
| This is a **fully online** assignment; meaning that in order to complete it you will need access to the internet. Your internet connection must be stable. |
| You can do the assignment on a computer, mobile phone or tablet. |
| You will have **three** opportunities to complete the assignment (no time limit) and the highest score will count towards your semester mark. |
| The assignment is only available in English. |
| The questions will be randomly drawn from a question bank so each student will receive a unique assignment. |
| The feedback for your unique set of questions will become available to you under the "Self Assessment" tab after the closing date for the assignment. |

	Online instructions
Step 1	• Visit the *my*Unisa website: https://my.unisa.ac.za • Log on to *my*Unisa with your student number and password. (If you do not already have a *myUnisa* account, click on "Claim UNISA Login" and follow the instructions). • Once logged into myUnisa, select the ECS2602-18-S2 site. • On the left hand side you will see a tool bar, select **"Self Assessments"**

Step 2	• Under "Take an Assessment" click on "**Assignment 3**"
Step 3	• When you are ready to do the assignment, select the "**Begin Assessment**" button.

Calculation of marks for Assignment 03

Note that when the question has multiple correct options the check box will be square and when there is only a single correct answer it is a circle.

Assignment 3 consists of 15 questions, which count 1 mark each therefore it has a total of 15. For example: If you see your mark listed under the "self-assessments" tab as 10, it is 10 out of 15 which equals 66%.

Below is an example of the question level feedback that you will receive. Note that although statement A was correctly selected, the student did not select statement C that is also correct. Therefore, the student would have received 0 for question 1.

Part 1 of 15 - Question 1

Question 1 of 15

If the interest rate increases in SA relative to the interest rate in the rest of world, *ceteris paribus*, it leads to a(n) …

✔ [X] A. appreciation of the rand.
   [ ] B. depreciation of the rand.
   [ ] C. inflow of funds into SA.
   [ ] D. outflow of funds out of SA.

Answer Key: A and C

Feedback:

You are incorrect.

An increase in the domestic interest rate relative to the interest rate in the rest of the world *ceteris paribus*, will cause domestic bonds to become relatively more attractive and a capital inflow occurs. This capital inflow increases the demand for domestic currency and the exchange rate appreciates.

Important: You must correctly indicate ALL of the options within one question to receive the correct mark. For example, if statements A and C are correct you must select only these two options. Selecting only A or selecting A and C plus D for example will mean you receive 0 for that question.

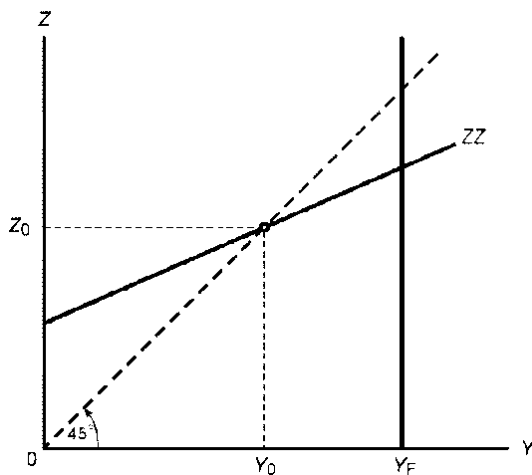Best of luck with your assessment!

Please let us know if you experience any technical difficulties.

SEMESTER 2
ASSIGNMENT 04
LEARNING UNITS 1 to 9
Theoretical and application questions and case studies
SELF-ASSESSMENT ASSIGNMENT
DO NOT SUBMIT THIS ASSIGNMENT

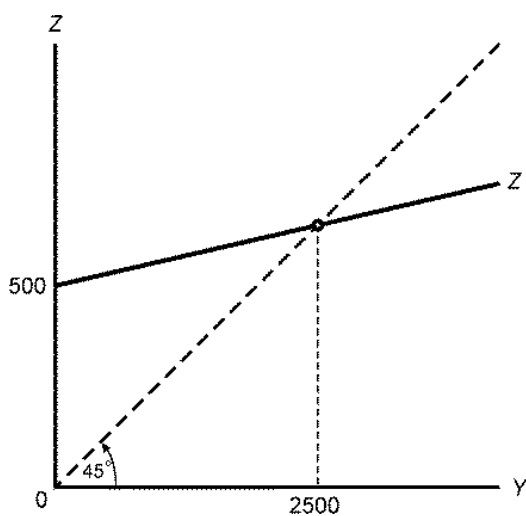**NOTE**: Assess or mark your answers once you have received Tutorial Letter 201.

Question 1

Use the following goods market model to explain how taxes can be used to ensure full employment. Indicate any shift and/or movement on the diagram.
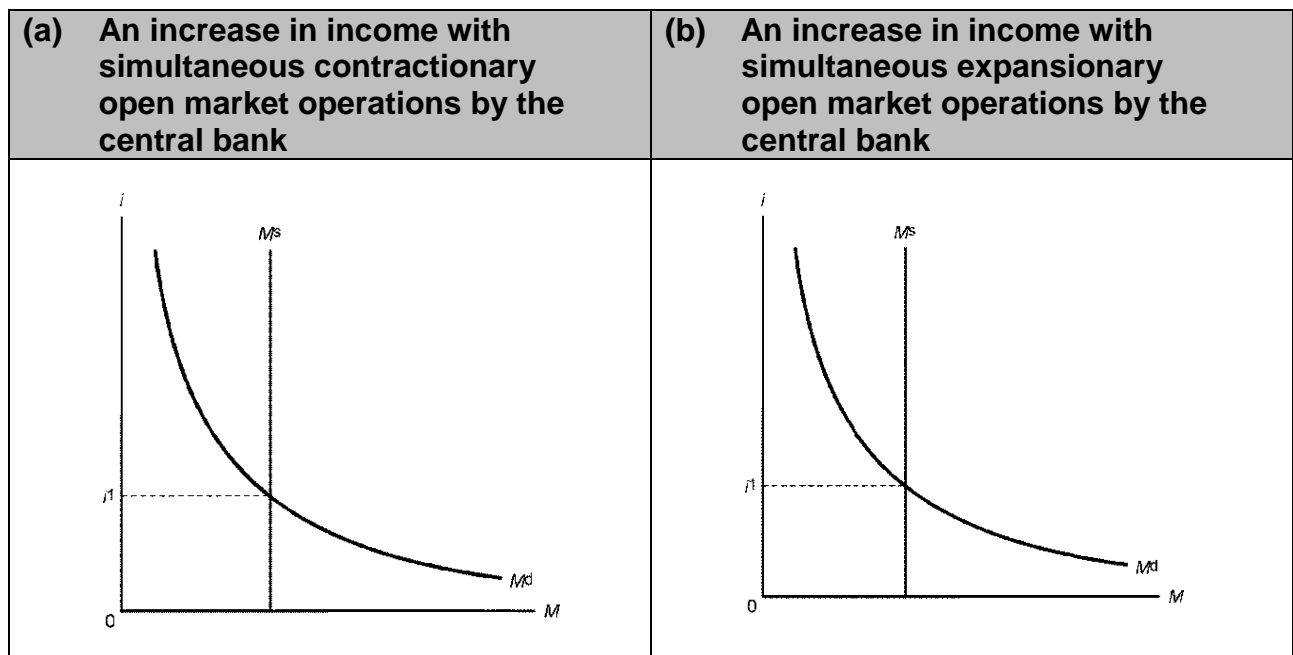

Question 2

Use the following goods market model to illustrate and explain the impact of a simultaneous increase of 200 in government spending and an increase of 200 in taxes on the level of output and income.

90

Question 3

Use the following diagrams of the financial market to illustrate and explain the impact on the equilibrium interest rate of:

(a) An increase in income with simultaneous contractionary open market operations by the central bank	(b) An increase in income with simultaneous expansionary open market operations by the central bank

Question 4

Explain why investment spending is a negative function of the interest rate and a positive function of the level of output and income and name two determinants of autonomous investment in South Africa.

Question 5

Use the following information to derive an IS curve:

● A decrease in the interest rate from 6% to 4% increases investment spending by 200.
● The multiplier is 5.
● In the goods market model, autonomous spending is 800 before the decrease in the interest rate.

Question 6

Derive the LM curve by assuming that the level of output and income decreases.

Question 7

The following are the behavioural equations of the IS-LM model:
$C = c_0 + cY_D$
$I = I(Y, i)$
$G = G$
$T = T$
$M^d = YL(i)$
$M^s = M^s$
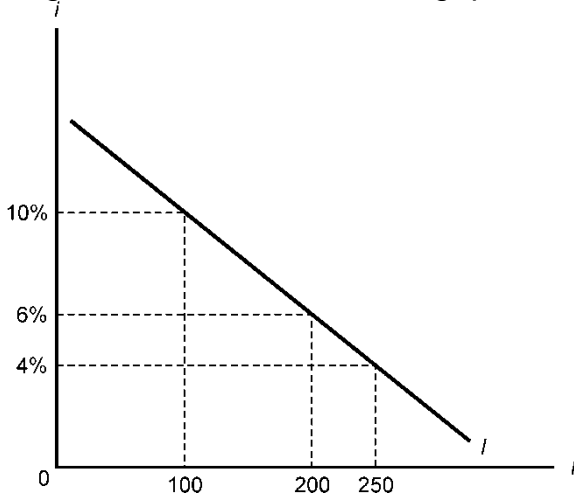Identify the exogenous and endogenous variables.

ALTERNATIVELY, the question above can also be phrased as follows:

The IS-LM model is a simplification of the interrelationship between selected economic variables. The model consists of a number of endogenous variables (those variables whose values are determined inside the model) and a number of exogenous variables (those variables whose values are determined outside the model).

List the various endogenous and exogenous variables in the IS-LM model.

Question 8

The following diagram represents the investment function of the country of Mallerga. Use the diagram to answer the following questions:

a.   What will be the impact of a decrease of the interest rate from 10% to 6% on investment spending? How is this illustrated on the diagram?

b.   Assume that the interest rate is at 6%. The government of the country of Mallerga decided to nationalize the mines and factories. Explain the impact of these actions on investment spending in the country of Mallerga.

c.   Investment spending is an important determinant of the level of output and income in the economy. Explain the impact of a decrease in the interest rate and nationalization on the level of output and income and unemployment in the IS-LM model.

Question 9

Critically discuss the following statement:

The more sensitive investment spending is to a change in the interest rate and the less sensitive it is for a change in the level of output and income, the greater the impact of an expansionary fiscal policy on the level of output and income.

Question 10

Use the IS-LM model to identify the variables that will have an impact on the effectiveness of an expansionary fiscal policy to increase the level of output and income and explain how these variables influence the effectiveness of fiscal policy.

Question 11

Use the IS-LM model to identify the variables that will have an impact on the effectiveness of an expansionary monetary policy to increase the level of output and income and explain how these variables influence the effectiveness of monetary policy.

Question 12

The impact of an expansionary fiscal policy differs in the goods market model compared to the impact in the IS-LM model. By using chain of events and words what are the similarities and differences between the impact in the goods market model and the IS-LM model?

Question 13

Use the IS-LM model to compare the impact of a contractionary monetary policy with that of an expansionary fiscal policy.

Question 14

Question 14 is based on the following diagram:

USD per 1 ZAR

25 Jul 2006 00:00 UTC - 21 Jul 2016 07:36 UTC
ZAR/USD close:0.06991 low:0.05923 high:0.15506

Source: http://www.xe.com

a.   What was the overall effect from 2012 – 2016 on the nominal exchange rate?
b.   What might be the possible reasons for the depreciation of the rand against the USA dollar from 2015?
c.   Discuss briefly some possible implications of the weak rand.

Question 15

a. Describe the concept NX and refer to the different trade balance positions.

b. Given the following information construct a NX curve. Clearly indicate points of a trade surplus, trade balance and a trade deficit.

Exports = R100 million
Imports:
At Y = R200 million imports = R50 million
At Y = R300 million imports = R100 million
At Y = R400 million imports = R150 million
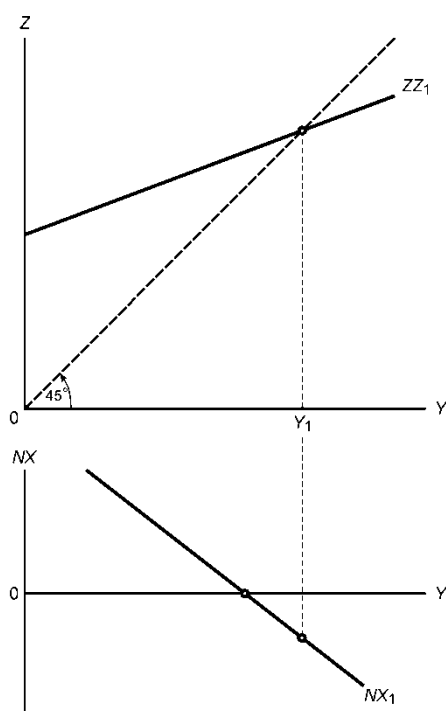
c. What would happen to the NX curve if exports increase?

Question 16

Question 16 is based on the following data for Brazil:

BRAZIL CURRENT ACCOUNT
Current Account (Million USD)
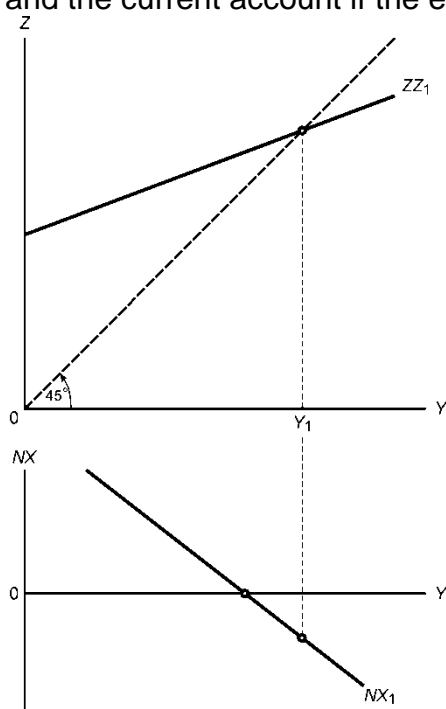
source: TradingEconomics.com; Banco Central do Brasil

● Since 2008 government spending in Brazil has been increasing.

a. Use the following model to explain the impact of increased government spending on the level of output and income and the current account of Brazil.

b. Use the following model to explain what would happen to the level of output and income and the current account if the exchange rate depreciates.

c. Explain what effect a depreciation of the exchange rate will have on the trade balance, assuming the Marshall-Lerner condition holds.
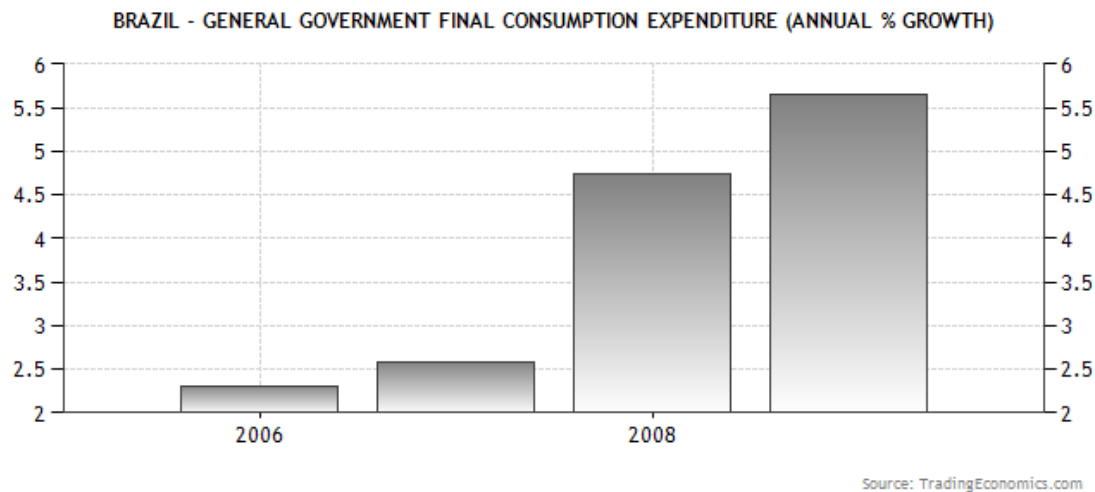
Question 17

Question 17 a is based on the following text and information about the Brazilian economy.
The Great Recession

The Great Recession originated in the financial markets of the United States of America in 2007. It was triggered by falling house prices, which led to the so-called "subprime mortgage" crisis. Preceding the crisis there was a rapid increase in mortgages to less creditworthy borrowers. A combination of falling house prices and default mortgage payments led to the failure and near failure of major financial institutions in America. This sent shockwaves across the financial markets of the world and resulted in a loss of confidence in financial markets and institutions, with the result that share prices fell sharply, investor confidence plunged and the availability of credit to firms and households was severely curtailed. This had the result that consumption spending by households and investment spending by firms declined which had a major impact on the level of output and income.
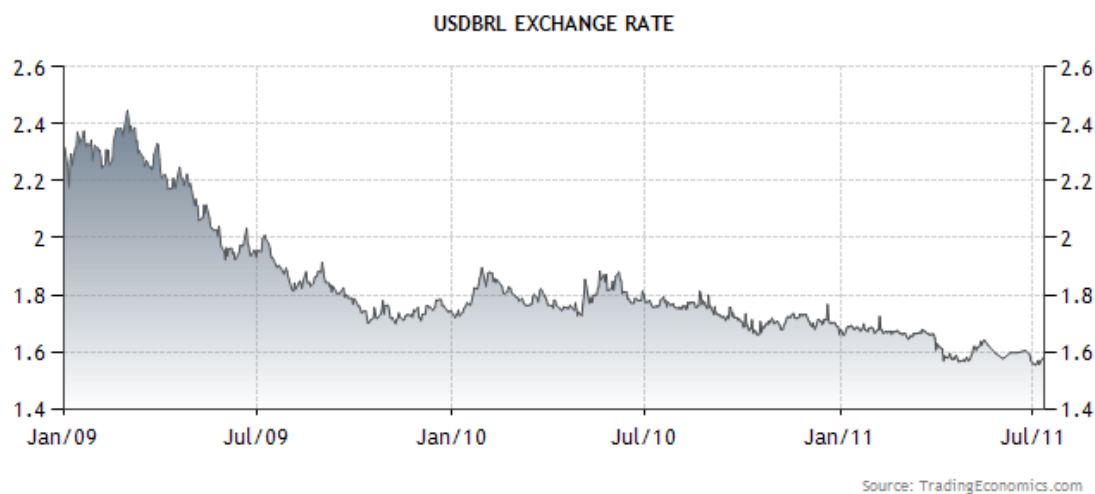
In response to the worldwide economic crisis, many countries used monetary and fiscal policies in an attempt to deal with the impact of the recession on the level of output and income.

BRAZIL GDP ANNUAL GROWTH RATE

source: TradingEconomics.com; IBGE

BRAZIL INTEREST RATE
Benchmark Interest Rate

source: TradingEconomics.com; Banco Central do Brasil

BRAZIL - GENERAL GOVERNMENT FINAL CONSUMPTION EXPENDITURE (ANNUAL % GROWTH)

Source: TradingEconomics.com

i. Given that an economic recession is defined as a decrease in real GDP for two consecutive periods (where a period is 3 months, also known as a quarter because there are four periods of 3 months in a year), during which period did Brazil experience an economic recession?

ii. Based on the above information use the IS-LM model to explain in words how Brazil made use of monetary and fiscal policies to deal with the economic recession they experienced.
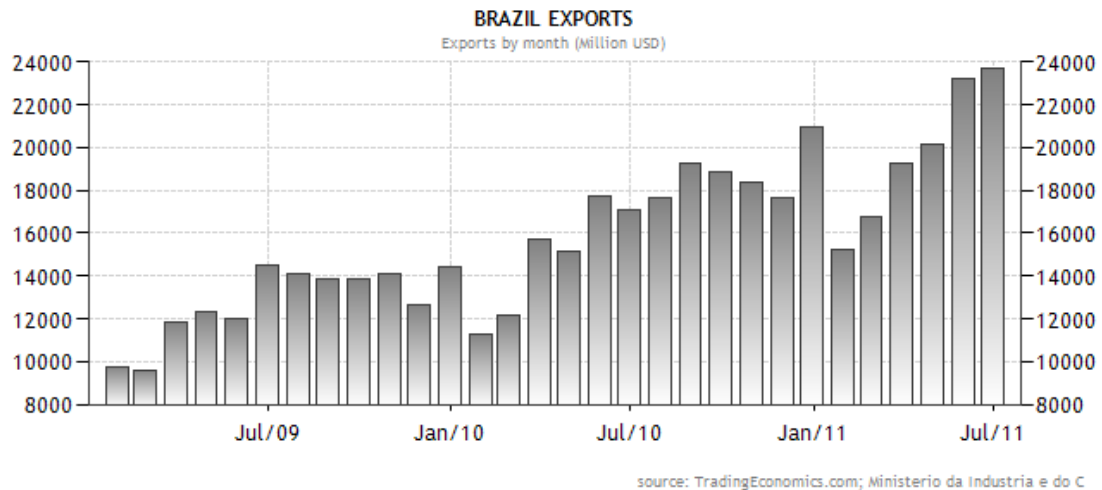
Question 17 b is based on the following diagram where the price of a US$ in terms of the Brazilian Real is given:

USDBRL EXCHANGE RATE

Source: TradingEconomics.com

i. Did the Brazilian Real depreciate or appreciate against the US$ since January 2009?

ii. Beginning in 2009 Brazil applied a contractionary monetary policy. Use the IS-LM model for an open economy to illustrate and explain the impact on the

1. level of output and income
2. interest rate
3. financial account of the balance of payment
4. exchange rate and
5. current account of the balance of payment of this policy.

Events to consider:

●   Since 2009 there was a significant increase in the demand for commodities from Brazil as well as an increase in foreign direct investment in commodity-related industries.

BRAZIL EXPORTS
Exports by month (Million USD)

source: TradingEconomics.com; Ministerio da Industria e do C

- A contractionary monetary policy has been followed and in 2011 the interest rate in Brazil was the highest interest rate of any major economy.
- Government spending has increased steadily.

Question 18

Briefly explain why an increase in a budget deficit leads to a deterioration of the current account of the balance of payments.

Question 19

Question 19 is based on the following extract from the *Monetary Policy Review* June 2015. South African Reserve Bank. (2015). Pretoria:

"… *monetary policy in South Africa remains in a tightening cycle… policy easing by the European Central Bank (ECB) and the Bank of Japan may support capital flows to emerging markets, further moderating the risk of an abrupt decline in emerging-market (EM) currency prices*"

Which one of the following chain of events' illustrates the effect of the above extract on South Africa's trade balance?

1. $M\uparrow \rightarrow M/P\uparrow \rightarrow i\downarrow \rightarrow E\downarrow \rightarrow X\uparrow \rightarrow NX\uparrow$
2. $E\uparrow \rightarrow i\uparrow \rightarrow X\uparrow \rightarrow NX\uparrow$
3. $i\uparrow \rightarrow Capital_{inflow} \rightarrow E\uparrow \rightarrow X\downarrow \rightarrow NX\downarrow$
4. $i\downarrow \rightarrow Capital_{outflow} \rightarrow E\downarrow \rightarrow X\uparrow \rightarrow NX\uparrow$

Question 20

Question 20 is based on the following graph:

SOUTH AFRICA GOVERNMENT SPENDING

SOURCE: WWW.TRADINGECONOMICS.COM | SOUTH AFRICAN RESERVE BANK
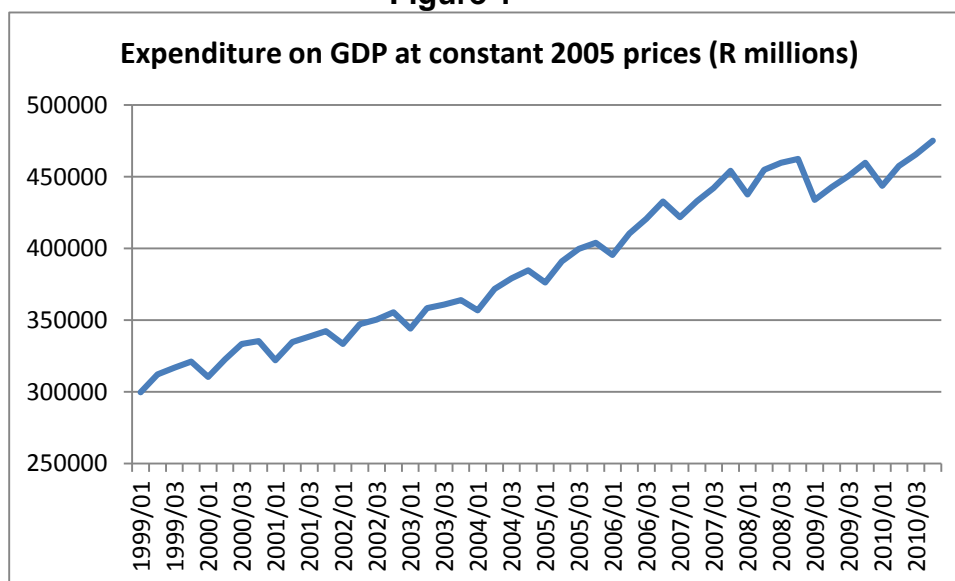
Measured in millions of ZAR

a. Which stabilisation policy is represented by the data?
b. Given the data and policy, what will happen in the AS-AD model? Explain in words and by using a chain of events and a diagram what will happen in the short run and in the medium run in the goods market, the financial market and the labour market.

Question 21

Read through the following and answer questions a and b that follow.

In 1999, the South African economy embarked on its longest expansion phase. It lasted for 99 months and come to an end in November 2007 and in the fourth quarter of 2008, the South African economy experienced an economic recession. (See figure 2).
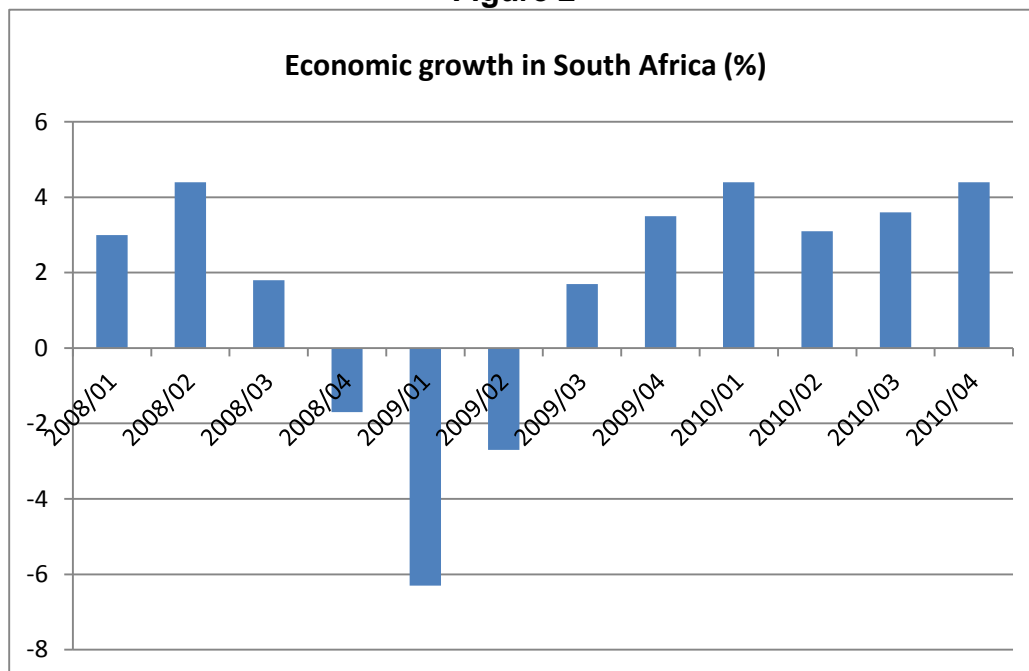
Figure 1

Expenditure on GDP at constant 2005 prices (R millions)

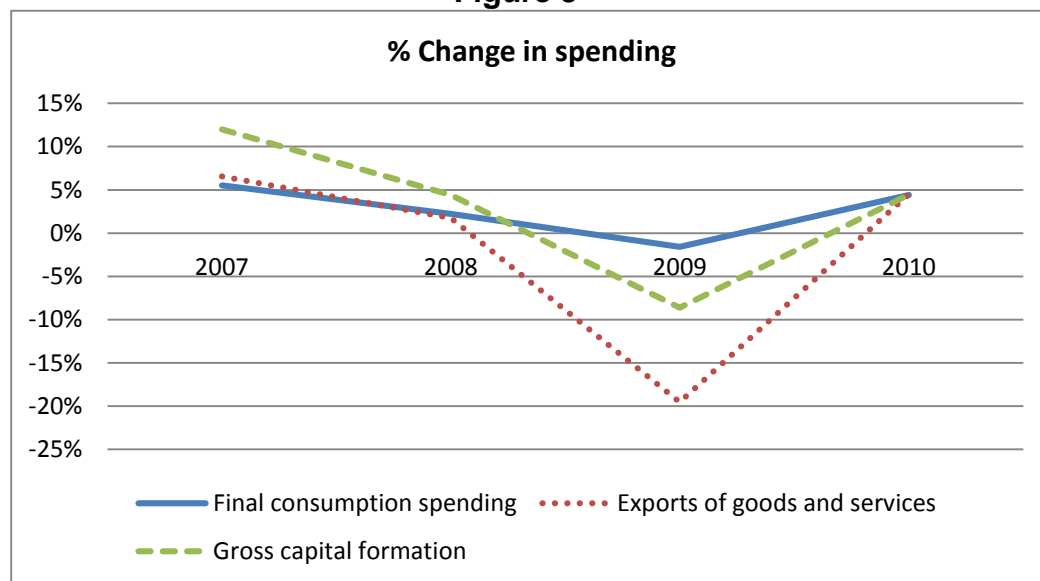**Source:** South African Reserve Bank, *Quarterly Bulletin Time Series*

What triggered the end of the expansion phase and the economic recession in South Africa was falling house prices in the United States of America which led to the so-called "subprime mortgage" crisis. Preceding the crisis there was a rapid increase in mortgages to less creditworthy borrowers in America. A combination of falling house prices and default mortgage payments led to the failure and near failure of major financial institutions in America. This sent shockwaves across the financial markets of the world and resulted in a loss of confidence in financial markets and institutions, with the result that share prices fell sharply, investor confidence plunged and the availability of credit to firms and households were severely curtailed. This had the result that consumption spending by households and investment spending by firms declined worldwide which had a major impact on the level of output and income in the major economies of the world. Today this is referred to as the Great Recession.

Figure 2

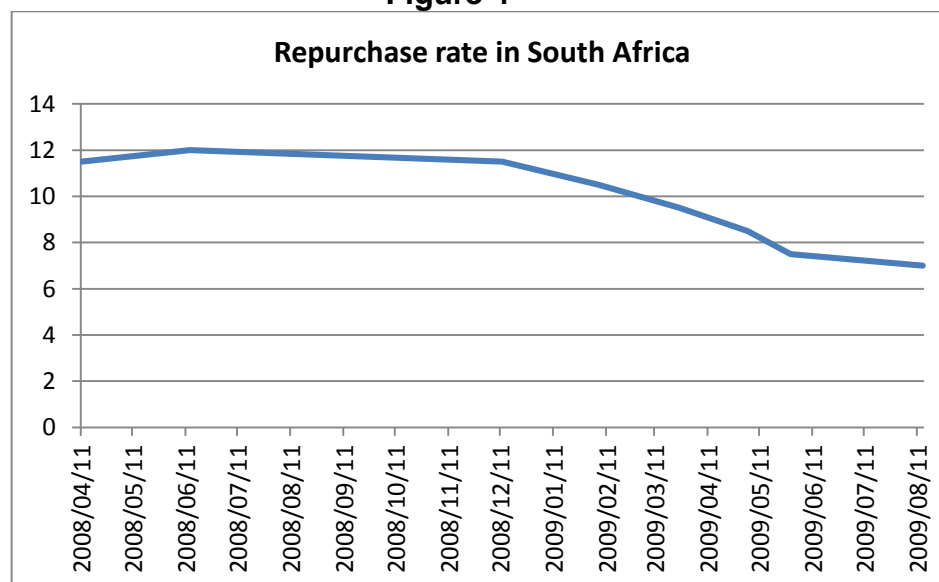**Source:** South African Reserve Bank, *Quarterly Bulletin Time Series*

Due to the recession experienced by the major trading partners of South Africa there was a dramatic drop in our exports. In 2009 exports declined by 20% as shown in figure 3. The impact on the economy was worsened by a decline of both consumption spending and investment spending.

100

Figure 3

% Change in spending

Legend: Final consumption spending (solid line) · · · · · Exports of goods and services (dotted line) · · – – – Gross capital formation (dashed line)

Source: South African Reserve Bank, *Quarterly Bulletin Time Series*

The recession could have been much worse. But it was met by a strong macroeconomic response, which certainly limited the depth and the length of the recession.

Take monetary policy first. In response to the economic slowdown, the South African Reserve Bank started to decrease the repurchase rate. (Figure 4 shows the decline in the repurchase rate for the period 2008 to 2009.) In April 2008, the repurchase rate was 11.5% while at the end of 2009 it was 7%.

Figure 4

Repurchase rate in South Africa

Source: South African Reserve Bank, *Quarterly Bulletin Time Series*

a. During which period did South Africa experience an economic recession?
b. What type of monetary policy did South Africa follow between May 2008 and the end of 2009?
c. Given the data and policy identified in question b, what will happen in the AS-AD model? Explain in words and by using chain of events and a diagram what will happen in the short and medium run in the goods market, the financial market and the labour market because of this monetary policy being employed.

Question 22

When comparing the impact of the two different policies (question 20 and question 21 above) in the AS-AD model, the impact in the medium run is different. Briefly explain why.

* *** *

8.7   Other assessment methods

The *Studies @ Unisa* brochure contains important information on the final year concession procedure (FI) to assist students with one or two modules outstanding for completion of their qualification. The Department of Examination Administration (DEA) will inform all students who qualify for a final year concession by sms/email.

8.8   The examination

8.8.1 Examination period

This module is offered in a semester period of approximately 15 weeks. If you are registered for the second semester, you will write the examination in October/November 2018. This means that if you are registered for the first semester, you will write the examination in May/June 2018 and the supplementary examination will be written in October/November 2018 and the supplementary examination will be written in May/June 2019.
During the semester, the Examination Section will provide you with information regarding the examination in general, examination venues, examination dates and examination times.

8.8.2 Examination paper

The format of the examination paper and guidelines on how to answer examination questions are discussed in detail in Tutorial Letter 103, which you will receive during the semester.

8.8.3 Previous examination papers

Some previous examination papers are available to students on *my*Unisa under the "official study material" folder and one example of a recent examination paper will be provided in Tutorial Letter 103. Should you make use of previous examination papers, we advise you not to focus on such old papers only as the content of the module and, therefore, examination papers may change from year to year. **To concentrate only on previous examination papers will not guarantee a pass**. You must be able to answer questions on all the prescribed work and learning unit outcomes as indicated in the Study guide.

Please revise all the learning units before trying to complete the examination papers. If you complete the papers do it under the same conditions as in the examination room. Therefore, do not consult the study guide or any other help.

8.8.4 Tutorial letter with information on the examination

To help you in your preparation for the examination, you will receive Tutorial Letter 103 that will explain the format of the examination paper and give you examples of questions that you may expect.

9   FREQUENTLY ASKED QUESTIONS

The *Studies @ Unisa* brochure contains an A-Z guide of the most relevant study information.

10   SOURCES CONSULTED

None.

11   IN CLOSING

Distance education is very tough on the student. It requires a lot of self-discipline, sacrifice and hard work. However, it can be done!

Start early and work consistently throughout the semester. Do not leave it for the last two weeks before the examination. It is not possible to master the module in two weeks.

Work actively (with pen and paper) and make use of the activities in the workbook (TL102).

Do all the assignments. Start early by answering the questions as you finish the learning units. Tell your family, friends and other students what you have learned in this module. Even if they do not understand it or are not interested.

Read and read and keep on reading (not only economics but other information as well). We hope that you will enjoy this module and wish you all the best!

12   ADDENDUM

None.