



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**SECOND YEAR SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF ARTS (ECONOMIC)
WITH INFORMATION TECHNOLOGY**

MAIN CAMPUS

AEC 206: HISTORY OF ECONOMIC THOUGHT II

Date: 9th June, 2017

Time: 8.30 - 11.30am

INSTRUCTIONS:

- Answer Question ONE and any THREE



Q1.

- (a) Keynesian Revolution changed the consensus amongst economists on both the Fiscal and Monetary policies. Explain (10 mks)

- (b) Differentiate the determination of equilibrium level of income under the classical and Keynesian theorists. (10 mks)
- (c) Differentiate between the Monetarist Keynesian and Fiscal Keynesians (5 mks)

Q2

- (a) The determination of equilibrium level of income with changed level of capital stock accelerate economic growth through increase in the level of output and employment. Discuss (10 mks)
- (b) Briefly explain the portfolio theories for demand of money as given by the neo-classical theorists. (5 mks)

Q3

- (a) Discuss the neo- classical synthesis (5 mks)
- (b) Explain how a change in the level of government spending in a closed economy increase the level of income and employment in the economy. (10 mks)

Q4

- (a) In the Keynesian system, the component of aggregate demand plays an important role in determination of level of income and interest rate. Discuss (15 mks)

Q5

- (a) Critically, discuss with assumptions the Harrod-Domar model of growth (15 mks)

Q6 What do you know about two of the following?

- (a) Liquidity trap (7.5mks)
- (b) Fisher and Cambridge Equation of exchange (7.5mks)
- (c) Keynesian Revolution (7.5mks)
- (d) Capital theory (7.5mks)