

SIR ARTHUR LEWIS COMMUNITY COLLEGE  
DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES

EXAMINATION SESSION : May 2001, Final Examination

TUTORS : Mr. M. Rene

PROGRAMME TITLE : Hospitality/Secretarial Studies

PROGRAMME CODE : 317/353

COURSE TITLE : Introduction to Economics (Macro)

COURSE CODE : ECN 322

CLASS(ES) : Year Two

DATE : 11<sup>th</sup> May 2001

TIME : 9:00 a.m.

DURATION : 3 hours

ROOM : TYP. L1

INVIGILATOR : Mrs. L. McVane Simmons/Mr. M. Rene

#M7



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**INSTRUCTIONS:**

- This paper consists of **ONE SECTION**
- You are required to answer any *five (5) questions* out of a maximum *seven (7) questions*.
- All questions carry equal marks

RESERVE  
21 AUG 2006

#00

**1. The social ills which plague the Caribbean region in general and St.Lucia in particular, have been blamed to a large extent, on the inability of governments to adequately provide employment opportunities for their people.**

**(i) Which are the major social ills affecting our country and is unemployment responsible for their occurrence.**

**(10 marks)**

**(ii) What do you understand by the term full employment?**

**(5 Marks.)**

**(iii) What are some of the measures that may be used to reduce unemployment?**

**(5Marks.)**

**2. (A)**

**Growth in the national economy is as a direct result of a number of variables. Chief among them are Consumption, Investment, Government Expenditure and Savings.**

**What do you understand by the following terms?**

- (i) Gross Domestic Product**
- (ii) Gross Domestic Fixed Capital Formation**
- (iii) Factor Cost**
- (iv) Direct Foreign Investment**
- (v) Constant Dollars**

**(2 Marks Each)**

**(B)**

**Presented below are figures from the national accounts of the Republic of Sandefay.**

	<b>Figures in 000's</b>
	<b>\$</b>
<b>Subsidies</b>	<b>28,500</b>
<b>Consumption</b>	<b>248,500</b>
<b>Expired costs</b>	<b>45,000</b>
<b>Government Spending</b>	<b>225,000</b>
<b>Gross domestic fixed capital formation</b>	<b>60,000</b>
<b>Net property income from</b>	

abroad	14,000
Sales tax	75,000
Exports of goods & services	100,000
Imports of goods & services	120,000

**Required:**

**From the figures presented, calculate the following:**

- (i) GDP at Market Price**
- (ii) GDP at Factor Cost**
- (iii) GNP at Factor Cost**
- (iv) National Income.**

**(10 Marks.)**

**3.**

**The International Fund was superseded by the Bretton Woods System.**

**(a) Why was the Bretton Woods System necessary?**

**(5 Marks)**

**(b) What is an Adjustable Peg System?**

**(5 marks)**

**(c) Devaluation of the domestic currency has been a favourite formula of the IMF for countries with chronic balance of payments deficits. What is devaluation intended to achieve and has Devaluation really helped in stabilising the balance of payments problems in the Caribbean?**

**(10 Marks)**

**4.**

**Many Caribbean countries, despite their expressed commitment to CARICOM and Regional Integration, continue to impose trade restrictions to regulate trade with their member territories.**

**(i) Is protectionism necessary within Caricom or should all trade be liberalised and deregulated?**

**(10 Marks.)**

**(ii) What exactly is Globalisation, and can it be effective in a regulated and protected market?**

**(10 marks)**

**5.**

**(i) What do you understand by the term Inflation?**

**(2 Marks)**

- (ii) Explain briefly how a government benefits from inflation (3 Marks)**
- (iii) Identify and discuss two ways by which Inflation can be measured. (5 marks)**
- (iii) It is said that Inflation causes a reduction in the Real Value of money. How valid is this statement? (10 Marks)**

**6.**

**Write short notes on any five (5) of the following:**

- (a) Comparative advantage**
- (b) Portfolio investments**
- (c) Balance of Payments Deficit**
- (d) ECCB**
- (e) Fiscal Policy**
- (f) Monetary Policy**

**(20 Marks)**

**7.**

- (i) Macroeconomic questions have usually been motivated by a concern to understand economic problems of the day. List five (5) of the oldest and most important macroeconomic questions. (5 Marks.)**
- (ii) List and discuss the Social Costs associated with unemployment. (5 marks)**
- (iii) Recently, the St.Lucia government promoted the concept of Minimum Wage. This Act has found favour with lowly paid workers but is not popular with certain sections of the private sector. What are your views on the Minimum Wage Law. Is it good or bad? Discuss. (10 marks)**