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UNIVERSITY OF SWAZILAND

RE- SIT / SUPPLEMENTARY EXAMINATION PAPER

PROGRAMME: BSC in Agricultural Economics and Management

COURSE CODE: AEM 204/307

TITLE OF PAPER: INTERMEDIATE MACROECONOMICS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION

- 1. ANSWER ALL QUESTIONS**
- 2. EACH QUESTION CARRIES TWENTY FIVE (25) MARKS**

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QUESTION ONE

- (a) Discuss the effects of an increase in the population on potential GDP, the quantity of labour, and the real wage rate [15 MARKS]
- (b) Why does GDP equal aggregate income and also equal aggregate expenditure? [10 MARKS]

QUESTION TWO

- (a) Distinguish between GDP Deflator and Consumer Price Index (CPI) as measures of the price level and show with examples how to calculate economic growth rate and inflation rate. [10 MARKS]
- (b) Explain how Fiscal Policy can influence the capital market. [8 MARKS]
- (c) Distinguish the three types of unemployment and explain how they change over the business cycle? [7 MARKS]

QUESTION THREE

- (a) Discuss how can the Swaziland Government use fiscal policies to stabilize the business cycle? [15 MARKS]
- (b) Briefly explain why does a country have to manage its exchange rate? [10 MARKS]

QUESTION FOUR

- (a) Briefly discuss the balanced budget multiplier. [7 MARKS]
- (b) Discuss how government budget deficit and surplus are financed in an open economy [18 MARKS]