

**University of Swaziland  
Final Examination Paper  
MAIN 2005**

**Title of Paper : Macroeconomics**

**Course Code : ECON 203/ IDE- ECON 203-1 and 2**

**Time Allowed : Three (3) Hours**

**Instructions:**

- 1. Answer Four Questions, Two from Section A and Two from Section B.**
- 2. All Questions Carry Equal Marks of 25 each.**

**DO NOT OPEN THIS QUESTION PAPER UNTIL THE INVIGILATOR  
HAS GRANTED PERMISSION.**

**SECTION A**

**QUESTION 1**

- a) Developing countries share common goals and problems. Discuss. Be sure to use current statistics where appropriate and you may use Swaziland as a reference in your discussion. (15 marks)
- b) Outline any three features of the Swazi economy. (10 marks)

**QUESTION 2**

- (a) Derive the equations for aggregate demand, and equilibrium output in the Simple Keynesian model both with and without the government sector. State the expenditure multiplier for each. (15 marks)
- (b) Use the model specified in (a) above to trace the effects of an expansionary fiscal policy on output. Illustrate your answer with a graph. (10 marks)

**QUESTION 3**

Write short notes on each of the following:

- (a) SACU  
 (b) CMA  
 (c) Relationship between interest rate and Investment  
 (d) Monetary – fiscal policy mix  
 (e) Income distribution in the economy of Swaziland.

(5 marks each)

**QUESTION 4**

- (a) Lets suppose that the Central Bank of Swaziland expands money supply, using the IS/LM model trace the effects of this on aggregate demand and portfolio holdings. Use graphs to illustrate your answer. (12.5 marks)
- (b) Use the model stated in (a) above to analyse and show the effects of an expansionary fiscal policy on equilibrium output. (12.5 marks)

**SECTION B****QUESTION 5**

a) Use the AD/AS model to compare and show the effects of expansionary fiscal and monetary policies on equilibrium output.

(20 marks)

b) Sketch a production function. Why is it not a straight line from the origin? (5 marks)

**QUESTION 6**

(a) Stating all relevant assumptions, derive the trade balance schedule.

(10 marks)

(b) Define a business cycle. Graph and label its various phases. Outline the characteristics of each phase.

(10 marks)

(c) Distinguish between the outside and inside lags in policy formulation.

(5 marks)

**QUESTION 7**

a) Outline any **four** strategies that the government of Swaziland has instituted to fight poverty and unemployment and hence stimulate economic growth. Use data where appropriate.

(20 marks)

b) What factors have contributed to the rise in unemployment in the country? (5 marks)

**QUESTION 8**

(a) Define unemployment. What are the economic costs of unemployment?

(6 marks)

(b) Discuss **any four** types of unemployment.

(16 marks)

(c) Why is it often difficult to estimate the unemployment rate in a country?

(3 marks)