University of Swaziland
Final Examination Paper
MAIN 2005

Title of Paper   :   **Macroeconomics**

Course Code   :   **IDE- ECON 203-1**

Time Allowed   :   **TWO (2) Hours**

Instructions :   **1. Answer ANY THREE Questions**
2. All Questions Carry Equal Marks of 25 each.

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

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 a graph 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)