

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

Title of Paper : Macroeconomics

Course Code : IDE- ECON 203-2

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) 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 through the origin? (5 marks)

QUESTION 2

(a) Derive the trade balance schedule. State all relevant assumptions.

(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 3

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

(20 marks)

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

QUESTION 4

(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)