

UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER

Title of Paper: Macroeconomics

Course Code: IDE ECON 203-2

Time Allowed: Two(2) Hours

Instructions:

- 1.** Answer 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) What is meant by money being neutral in the long run? [5 marks]
- b) Using the AD-AS model, analyse the effect of an increase in government spending on equilibrium income. [15 marks]
- c) What are supply shocks? [5 marks]

Question 2

With reference to the traditional list of its functions answer the question "what is money" [25 marks]

Question 3

- a) Define and distinguish between the inside and outside lags in policy formulation and implementation. [10 marks]
- b) What is meant by a business cycle? Show and explain the different stages of the cycle. What indicators are normally used to trace the cycle? [15 marks]

Question 4

- a) Explain what it means to say that inflation is "unanticipated" and discuss two possible redistribution effects of inflation. [10 marks]
- b) Explain what is meant by the term "search unemployment" and explain how such unemployment comes about. [10 marks]
- c) What is meant by stagflation [5 marks]

Question 5

Write concise explanatory notes on any five of the following

- a) The Keynesian School of thought's attitude to the role of government in the economy.
- b) The Phillips curve
- c) Exogenous and endogenous variables of a model
- d) Expansionary monetary policy

e] Cost Push and Demand pull inflation

f] Fixed and flexible exchange rate regimes

g] Active money balances and passive money balances.

[5 marks each]