

UNIVERSITY OF SWAZILAND
SUPPLEMENTARY EXAMINATION PAPER, 2007

TITLE OF PAPER : MACRO ECONOMICS

COURSE CODE : ECON 203

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS :
1. ANSWER FOUR QUESTIONS:
TWO QUESTIONS FROM SECTION A AND
TWO FROM SECTION B.
 2. ALL QUESTIONS CARRY EQUAL MARKS
OF 25 (TWENTY FIVE) EACH.

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

SECTION A

Question 1

- a) Differentiate between 'economic growth' and 'economic development'. (7 Marks)
- b) Discuss four (4) major factors influencing economic growth and development in developing countries. (18 Marks)

Question 2

- a) Explain briefly characteristics of the Swazi economy. (7 Marks)
- b) Discuss major challenges facing the Swazi economy today. (18 Marks)

Question 3

- a) Derive algebraically the slope of the IS curve and the LM curve. (10 Marks)
- b) List the shifting parameters of the IS and LM curves. (10 Marks)
- c) Differentiate between a 'discretionary fiscal policy' and a 'non-discretionary fiscal policy'. (5 Marks)

Question 4

- a) Write short explanatory notes on the following. (5 Marks each)
- i) Capital Account surplus vs. Current Account surplus
 - ii) Foreign Exchange vs. Exchange rate
 - iii) Fixed Exchange rates vs. Floating Exchange rates
- b) Derive algebraically the import multiplier and export multiplier. (10 Marks)

SECTION B

Question 5

- a) What do you understand by the term 'liquidity trap'? (4 Marks)
- b) Using suitable diagrams, explain the meaning and significance of the following terms. (7 marks each)
- i) Financial/complete crowding out
 - ii) Transactions/Partial crowding out
 - iii) Zero crowding out

Question 6

- a) What do you understand by the term 'Inflation'. (5 Marks)
- b) Explain the Demand-pull and Cost-push inflation, and show which of the two would better explain inflation in Swaziland. (20 marks)

Question 7

- a) The Swazi economy is largely dependent on the Republic of South Africa's economy. Discuss four (4) key areas of dependence. (12 Marks)
- b) 'Today HIV/AIDS is not just a health crisis, it is fundamentally a development crisis in Swaziland'. Discuss (13 Marks)

Question 8

- a) Write short explanatory notes on the following. (5 Marks each)
- i) Fiscal drag
 - ii) Automatic stabilizer
- b) Using suitable diagrams, explain the conditions under which an expansionary fiscal policy is completely ineffective in correcting economic instability. (15 Marks)