UNIVERSITY OF SWAZILAND

FACULTY OF SOCIAL SCIENCE

DEPARTMENT OF ECONOMICS

FINAL EXAMINATION PAPER, MAY 2008

TITLE OF PAPER   :   INTRODUCTION TO ECONOMICS

COURSE CODE   :   ECON 101/IDE-ECON 101-1 & 2

TIME ALLOWED   :   THREE (3) HOURS

INSTRUCTIONS   :   1.   ANSWER FOUR (4) QUESTIONS: TWO FROM SECTION A AND TWO FROM SECTION B.

                                            2.   ALL QUESTIONS CARRY EQUAL MARKS OF TWENTY FIVE (25) EACH.

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SECTION A

QUESTION 1

(a)   How far do you consider the definition of economic theory as 'logic of choice' to be adequate?   [18 marks]

(b)   Discuss whether the following can be classified under micro or macroeconomics.

  i.   Determination of total student enrolment at UNISWA.
  ii.   Determination of premium to be paid to the Swaziland Royal Insurance Corporation for motor insurance.

QUESTION 2

(a)   In drawing an indifference curve we need to make the assumption that a consumer is rational. What do you understand by the term 'rational'?   [10 marks]

(b)   Describe the five (5) properties of indifference curves.   [15 marks]

QUESTION 3

(a)   Describe the likely effect on the market for maize of:

  i.   Subsidized credit for buying fertiliser and seeds.
  ii.   Increased demand for rice.
  iii.   Increased incomes of urban dwellers   [15 marks]

(b)   Using a suitable diagram explain the meaning of 'producer surplus'.   [10 marks]

QUESTION 4

(b)   What do you understand by the term 'resource misallocation'?   [7 marks]
(c)   'Monopolistic competition provides a wide variety of products for consumers at a cost of resource misallocation'. Discuss.   [18 marks]

SECTION B

QUESTION 5

(a)   Explain how government spending is financed.   [10 marks]

(b)   What principles would govern the design of an efficient and equitable tax system in Swaziland?   [15 marks]

QUESTION 6

(a)   Outline the classical theory of Full-Employment.   [18 marks]

(b)   Explain Keynes' criticisms of the Classical theory of Full-Employment.   [7 marks]

QUESTION 7

(a)   Discuss the disadvantages of an economy in which incomes are paid in kind and transactions are carried out by barter.   [7 marks]

(b)   'No banking and financial systems can operate effectively without the Central bank'. Discuss.   [18 marks]

QUESTION 8

(a)   What do you understand by the term 'multiplier'?   [7 marks]

(b)   Show algebraically the derivation of the multiplier in a model with an income tax.