UNIVERSITY OF SWAZILAND

DEPARTMENT OF ECONOMICS

SUPPLEMENTARY EXAMINATION 2009

TITLE OF PAPER: PUBLIC SECTOR ECONOMICS

COURSE CODE: ECON 405

INSTRUCTIONS: ANSWER FOUR (4) QUESTIONS: TWO QUESTIONS IN SECTION A AND TWO QUESTIONS IN SECTION B

2. ALL QUESTIONS CARRY EQUAL MARKS OF 25 EACH

TIME ALLOWED: THREE(3) HOURS

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR

SECTION A

Question 1

Critically evaluate the following statement: ***"Government intervention is indispensable for economic growth and development".***

(25 marks)

Question 2

Using the concept of Pareto Optimality, compare and contrast the concepts of Utility Possibility Curve (UPC) and Production Possibility Curve (PPC). Explain the usefulness of these concepts in determination of overall efficiency of a market economy.

(25 marks)

Question 3

Using both partial and general equilibrium models, explain how ***"optimal provision of public goods"*** is different from ***"optimal provision of private goods"***

(25 marks)

Question 4

With the aid of diagrams, explain how allocation inefficiencies may arise as a result of bureaucracy in the provision of public goods.

[15marks]

Explain the Principal –Agent problem in the context of the public sector.

[10 marks]

SECTION B

Question 5

Outline the major socio economic challenges facing the Government of Swaziland. Comment on the current policies designed to address the challenges.
[25 marks]

Question 6

"A regressive tax system is undesirable" What causes a tax to be regressive and how can the condition be reversed?

Question 7

Using a model of your choice, explain how bureaucracy in government can result in inefficiencies in the allocation of resources. How would you correct these inefficiencies.

[25 marks]

Question 8

Explain what constitutes a good tax system and analyze the impact of taxes on the output of competitive industries.

[25 marks]