

**UNIVERSITY OF SWAZILAND**

**DEPARTMENT OF ECONOMICS**

**FINAL EXAMINATION 2009**

**TITLE OF PAPER: THE SWAZILAND ECONOMY**

**COURSE CODE: ECON 425**

**TIME ALLOWED: THREE(3) HOURS**

**INSTRUCTIONS: ANSWER FOUR (4) QUESTIONS:  
ONE QUESTION FROM EACH SECTION**

- 2. ALL QUESTIONS CARRY EQUAL  
MARKS OF 25 EACH**

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

**SECTION A: AGRICULTURAL AND DEVELOPMENT ECONOMICS**

**ANSWER ONLY ONE QUESTION**

**QUESTION 1**

'As in many parts of the LDCs, in Swaziland concern for economic development should primarily be concerned about agricultural and rural development.' Discuss [25 marks]

**QUESTION 2**

In the UNDP Swaziland Human Development Report 2008, it was indicated that "The HIV prevalence rates for Swaziland (at 25.9% of the 15-49 year age group) is estimated to be the highest in the world". Based on this observation, discuss the following issues:

- (a) The causes of HIV/AIDS in Swaziland (10 marks)
- (b) The socio-economic effects of the pandemic in the country (15 marks)

**SECTION B: PUBLIC SECTOR ECONOMICS**

**ANSWER ONLY ONE QUESTION**

**QUESTION 3**

Using two of the public expenditure growth theories discussed in class, explain causes of growth in public expenditures. Which of the two theories would be more applicable in explain public expenditure growth in Swaziland, explain? [25 marks]

**QUESTION 4**

- a) Explain the rationale for intervention of the government of Swaziland in economic activity? [ 15 marks]
- b) Critically evaluate the following principles of taxation:
  - i) Benefit Principle
  - ii) Ability – to Pay Principle

[5 marks each]

**SECTION C: MONETARY ECONOMICS**

**ANSWER ONLY ONE QUESTION**

**QUESTION 5**

- a) Suppose that the Central bank governor announces that interest rates have fallen, say, from 6% to 4% in Swaziland over the past twelve months. How will this fall in interest rate affect the behaviour of people in the country? (5)
- b) Is everyone worse off when interest rates rise? (5)
- c) "Swaziland money supply is indeterminate". Explain the implication of this statement about money supply in Swaziland? (5)
- d) How does a depreciation of the Lilangeni affect consumers in Swaziland? (5)
- e) What effects might a fall in stock prices have on business investment in Swaziland? (5)

**QUESTION 6**

- a) What are the main objectives of the establishment of the central bank of Swaziland? (10)
- b) One notable feature of the commercial banking system in Swaziland is the excess liquidity. What are the implications of this problem for Swaziland? (5)
- c) What are the factors that have contributed to the excess liquidity in the banking system of Swaziland? (10)

**SECTION D: INTERNATIONAL ECONOMICS**

**ANSWER ONLY ONE QUESTION**

**QUESTION 7**

- (a) The external sector is an engine of growth in the Swazi economy. To what extent is this statement justified? (15 marks)
- (b) Discuss the current account as a major part of Swaziland's balance of payments (10 marks)

**QUESTION 8**

- (a) Discuss the structure of the exports and imports of Swaziland since the early 1980s (15 marks)
- (b) Identify the country's most important export commodity and the role it plays in the Swazi economy (10 marks)