

**UNIVERSITY OF SWAZILAND  
DEPARTMENT OF ECONOMICS**

**MAIN EXAMINATION 2010**

**TITLE OF PAPER: PUBLIC SECTOR ECONOMICS**

**COURSE CODE: ECON 405**

- INSTRUCTIONS:**
- 1. ANSWER QUESTION ONE AND THREE (3) OTHER QUESTIONS.**
  
  - 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**

## Question 1 (Compulsory)

Outline the six pillars and actions around which the Poverty Reduction Strategy and Action Programme (PRSAP) was developed. Compare and contrast the PRSAP pillars with the Millennium Development Goals (MDGs). [ 25 marks]

Choose any **three** from the following questions:

## Question 2

- a) Write short explanatory notes on each of the following:
- (i) Common Property Resources and the Tragedy of Commons. [6 marks]
  - (ii) Pure private goods vs pure public goods. [5 marks]
- b) Critically evaluate the following principles of taxation:
- i) Benefit Principle [7 marks]
  - ii) Ability – to Pay Principle [7 marks]

## Question 3

With the aid of examples, discuss the economic rationale for the public sector. [25 marks]

## Question 4

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 5

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

[15marks]

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

[10 marks]

## Question 6

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

[ 25 marks]