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UNIVERSITY OF SWAZILAND

DEPARTMENT OF ECONOMICS

FINAL EXAMINATION 2010/2011

TITLE OF PAPER : MACROECONOMICS

COURSE CODE : ECON 104

INSTRUCTIONS : 1. ANSWER TWO QUESTIONS IN SECTION A AND TWO QUESTIONS IN SECTION B

2. ALL QUESTIONS CARRY 25 MARKS EACH

3. DECIMAL NUMBERS ARE TO BE ROUNDED TO TWO (2) DECIMAL PLACES

TIME ALLOWED : TWO (2) HOURS

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

SECTION A

ANSWER TWO QUESTIONS FROM THIS SECTON

Question 1

1.1 The following Table presents data on national income (NI) and consumption (C) in Swaziland.

NI (E.bn)	Consumption (E.bn)
0	12
15	24
30	36
45	48
60	60
75	72
90	84
105	96
120	108

Answer the following:

a) Represent the consumption function graphically. (4)

b) Indicate the marginal propensity to consume of the function on the graph (2)

c) Calculate the value of the marginal propensity to consume. (2)

d) Write the equation of the consumption function. (3)

e) Briefly describe the absolute income hypothesis, relative income hypothesis and permanent income hypothesis. (9)

f) Explain the main differences between GDP and GNP. (5)

(25 Marks)

Question 2

2.1 Describe FOUR main functions of the Central Bank of Swaziland.　　(8)

2.2 Discuss the components of the aggregate expenditure (AE) in Swaziland and represent this situation in one graph.　　(17)

(25 Marks)

Question 3

3.1 Differentiate between Cost – Push and Demand – Pull inflation.　　(5)

3.2 Describe the ways in which Swazi Government intervene in the market.　　(10)

3.3 Briefly discuss FOUR characteristics of the Swaziland economy.　　(10)

(25 Marks)

SECTION B

ANSWER TWO QUESTIONS FROM THIS SECTION

Question 4

4.1 Briefly discuss equilibrium in the Keynesian unemployment and show the graph.

(15)

4.2 Recent statistics show that 15.7 million people are employed in Swaziland and only 3.7 million people are unemployed. Calculate the unemployment rate in Swaziland.

(5)

4.3 Discuss the Keynesian multiplier and show the graph.   (5)

(25 Marks)

Question 5

5.1 Discuss the following hypothesis related to the consumption of goods and services in Swaziland:

5.1.1 Relative income hypothesis   (5)
5.1.2 Permanent income hypothesis   (5)
5.1.3 Absolute income hypothesis   (5)

5.2 Discuss deflationary gap and inflationary gap graphically.   (10)

Question 6

6.1 Discuss THREE main approaches used to measure gross domestic product (GDP).

(15)

6.2 Discuss the role of prices in the functioning of the economy in Swaziland.

(10)

(25 Marks)

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