

UNIVERSITY OF SWAZILAND  
DEPARTMENT OF ECONOMICS  
MAIN EXAMINATION 2011

TITLE OF PAPER: PUBLIC SECTOR ECONOMICS  
COURSE CODE: ECON 405

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

TIME ALLOWED: THREE(3) HOURS

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

## Question 1 (Compulsory)

a) Outline the six pillars and actions around which the Poverty Reduction Strategy and Action Programme (PRSAP) was developed.

[25 marks]

b) Comment on the extent to which the government of Swaziland has been successful in the quest to achieve the goals set out in the PRSAP.

[ 15 marks]

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

## Question 2

a) Describe the canons of a good tax

[ 10 marks]

b) “ More generally, we find that both the incidence and the excess burden of a tax depend on supply and demand elasticities.” Do you agree with this statement? Support your answer.

[10 marks]

## Question 3

a) With the aid of diagrams compare and contrast tax incidence under conditions of monopoly for the case of a linear demand curve and that of a non linear demand curve.

[ 9 marks]

b) Demonstrate, algebraically, the cases described in a) above.

[11 marks]

## Question 4

a) Discuss the Tiebout model of fiscal decentralization.

[ 12 marks]

b) What are the weaknesses of the Tiebout model?

[8 marks]

### **Question 5**

Present and critically analyse **two** macroeconomic models for explaining public expenditure growth. [ 20 marks]

### **Question 6**

Summarize the policy issues raised with regard to public expenditures and revenues in Swaziland's 2011 budget speech.

[ 20 marks]