

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ECONOMICS

FINAL EXAMINATION 2011

**TITLE OF PAPER: THE STRUCTURE OF THE SWAZILAND
ECONOMY**

COURSE CODE: ECON 425

INSTRUCTIONS:

- 1. ANSWER FOUR (4) QUESTIONS:
ONE QUESTION FROM EACH SECTION**
- 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: Agricultural Economics

Question 1

- a) Critically examine the impact of rural-urban migration on rural agriculture and the livelihoods of the rural households in Swaziland. (15 marks)
- b) Explain how the issue of rural-urban migration can be effectively managed. (10 marks)

Question 2

- a) Explain fully the role of women in the development of the Swazi economy. (15 marks)
- b) What mechanisms can the government adopt to promote the advancement of women in Swaziland. (10 marks)

Section B: International Economics

Question 3

Why Swaziland, being small open economy, has pursued a liberal trade policy regime of being member of a regional economic grouping "SACU"?

[25 marks]

Question 4

2.1 Comment on the outlook for inflation in Swaziland and give your predictions on the overall inflation digit in the country during 2011. [10 marks]

2.2 Does the country expect some form of inflationary pressures from possible hike in domestic electricity prices? [15 marks]

Section C: Monetary Economics

Question 5

- a) Discuss the functions of the Central Bank of Swaziland. (10 marks)
- b) Discern between Nedbank, Swaziland and the Swaziland Building Society. (5 marks)
- c) Discuss the most recent Monetary Policy Committee statement for Swaziland. Be sure to state the monetary policy instrument, reasons advanced for the monetary policy stance taken by the committee. (10 marks)

Question 6

- a) Enumerate the causes of the existence of the informal financial system in Swaziland. How does it affect the implementation of monetary policy? (15 marks)
- b) The financial system should foster growth in any economy. Do you agree? Explain your position using the Swazi economy as an example. (10 marks)

Section D: Public Sector Economics

Question 7

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

[25 marks]

Question 8

a) Assume that there exists a competitive environment in industry. The government of Swaziland has decided to levy a commodity tax on producers of soft drinks. With the aid of a diagram, analyze the impact of such a tax.

[15 marks]

With the aid of diagrams, compare and contrast economic conditions where the entire tax burden is borne by consumers with situations where the full burden of a consumption tax falls on producers.

[10 marks]