

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
FINAL EXAMINATION PAPER, May 2012

TITLE OF PAPER : PUBLIC FINANCE
COURSE CODE : ECON 405
TIME ALLOWED : THREE (3) HOURS
INSTRUCTIONS : 1. ANSWER FOUR (4) QUESTIONS.
2. ALL QUESTIONS CARRY EQUAL MARKS OF TWENTY FIVE (25) EACH.

DO NOT OPEN THIS PAPER UNTIL THE INVIGILATOR HAS GRANTED PERMISSION.

QUESTION 1

- a) Distinguish between 'market allocative process' and 'non-market allocative process' in the economy. (7 marks marks)
- b) Discuss the main causes of market failure to allocate resources efficiently in the economy. (18 marks)

QUESTION 2

- a) Discuss the main functions of government in the economy. (10 marks)
- b) Explain fully the main sources of government failure. (15 marks)

QUESTION 3

Write concise explanatory notes on each of the following:

- a) Tax evasion and tax avoidance
- b) International and local public goods
- c) Good tax system
- d) Free rider problem
- e) Common property resources (5 marks each)

QUESTION 4

Compare and contrast the effects of the Pay As You Earn (PAYE) tax, the General Sales Tax (GST) and the Value Added Tax (VAT). (25 marks)

QUESTION 5

- a) Spell-out clearly the twelve (12) assumptions underlying the microeconomic model of public expenditure. (12 Marks)
- c) How does population changes relate to growth in public expenditure? (13 marks)

QUESTION 6

Using a suitable diagram outline the Tatonnement model and its criticism. (25 marks)