

**UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS**

MAIN EXAMINATION PAPER: MAY, 2014

TITLE OF PAPER: MACROECONOMICS

CORSE CODE: ECON 203/ IDE- ECON 203

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS

- 1. ANSWER FOUR QUESTIONS. TWO FROM SECTION A AND TWO FROM SECTION B. Note that Question 1 in Section A is Compulsory**
- 2. ALL QUESTIONS CARRY EQUAL MARKS OF 25**
- 3. BEGIN A NEW QUESTION ON A NEW PAGE**

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

SECTION A

QUESTION 1

1. a) 'While the Swazi economy was one of the fastest growing in the world in the 1980s, growth has slowed down significantly today'. What reasons would you give for the slow growth of the Swazi economy? (25 marks)
- b) Describe the main objective of the Fiscal Adjustment Roadmap (FAR)? (7marks)
- c) Is financing the government deficit by borrowing rather than raising taxes a best option? Explain your answer. (18 marks)

QUESTION 2

- a) Is the severe fiscal crisis over in Swaziland? Explain your answer. (30 marks)
- b) 'Since the introduction of Value Added Tax (VAT) in Swaziland, it has frequently suffered from being incomplete in one aspect or another'. Do you agree or disagree with this statement? Explain your reasoning. (20 marks)

SECTION B

QUESTION 1

- a. Briefly justify the role of trade in Swaziland's economy. (10 marks)
- b. Briefly describe the functioning of monetary policy in Swaziland. (15 marks)
- c. 'The right fiscal measures, if accompanied by decisive reforms, could put the economy on a path of strong and inclusive growth'. Briefly discuss this statement. (25 marks)

QUESTION 2

- a. What is dualism theory? (15 marks)
- b. Why is the economy of Swaziland a dual economy? (15 marks)
- c. Explain the current size and growth of Swaziland's foreign sector in your own words. (20 marks)