

**University of Swaziland**

**Faculty of Social Science**

**Department of Economics**

**Final Examination Paper, December 2014**

- Title of paper** : **Public Finance I**
- Course Code** : **Econ 408**
- 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) Describe fully the three levels of government and how they are interrelated. (9 Marks)
- b) Explain four (4) reasons why government could fail. (16 marks)

### **Question 2**

- a) Identify the ways in which the Peacock Wiseman analysis differs from Wagner's law of increasing state activity. (18 marks)
- b) In what way might be the two models in a) above be considered Macroeconomic models? (7 Marks)

### **Question 3**

Show the coordination for an efficient supply of public goods in an economy characterized by many public goods and private goods, and many individuals. (25 marks)

### **Question 4**

An increase in public expenditure without an increase in the level of service provision does not necessarily imply inefficiency in service provision. Do you agree or disagree? Explain fully your reasoning. (25 marks)

### **Question 5**

- a) What is local government finance? (7 marks)
- b) Using a diagram, analyse how an open-ended matching grant given to Matsapha Town Board would affect its spending decisions. (18 marks)

### **Question 6**

- a) How is a property tax base measured? (7 marks)
- b) Describe fully the main prediction of the Tiebout–Musgrave Layer Cake Model and its Weaknesses. (18 marks)