

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

**RE-SIT/ SUPPLEMENTARY EXAMINATION PAPER: JULY
2017**

TITLE OF PAPER: MACROECONOMICS

COURSE CODE: ECO 202

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS:

- 1. THIS PAPER CONSISTS OF TWO SECTIONS.**
- 2. SECTION ONE IS COMPULSORY THEN CHOOSE ANY TWO (2) OTHER QUESTIONS FROM THE THREE PROVIDED IN SECTION TWO.**
- 3. ANSWER THREE (3) QUESTIONS IN TOTAL.**
- 4. SECTION ONE CARRIES 40 MARKS WHILE QUESTIONS IN SECTION TWO CARRY 30 MARKS EACH**

**DO NOT OPEN THIS PAPER UNTIL YOU HAVE BEEN
INSTRUCTED TO DO SO**

SECTION ONE

Question1 (Compulsory and Carries 40 Marks)

A. Write explanatory notes on the following economic terms. Your response should show full understanding of the concept and how it applies to macroeconomics.

- a) Aggregate Supply Curve
- b) Properties of the frictionless neoclassical analysis
- c) Phillips curve
- d) Structural unemployment
- e) Hyper inflation

[5 Marks each]

B. Differentiate between the Frictionless Neoclassical and Keynesian analyses of the AS curve. [15

SECTION TWO

Question 2

- a) With an aid of a diagram and the use of an appropriate example, discuss what effect a fiscal expansion would have on the AD curve. [15]
- b) Discuss any four types of unemployment. [15]

Question 3

- a) What are the components of the inside lag. [6]
- b) Policy makers can also cause disturbance in an economy. Discuss the two arguments concerning this possibility. [10]

- c) Explain the processes involved in the formulation of each policy. [9]
- d) Differentiate between frictional and structural unemployment [5]

Question 4

- a) What is a business cycle? [5]
- b) Just like any other country, Swaziland also experiences fluctuations in its economy. Using a diagram, discuss the different stages of the business cycle. [16]
- c) Which stage of the business cycle is Swaziland's economy? Explain the relationship between unemployment and the business cycle [9]