

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
MAIN EXAMINATION
DECEMBER 2016

TITLE OF PAPER: PUBLIC FINANCE I

COURSE CODE: ECON408

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: ANSWER QUESTION 1 (ONE) AND ANY
OTHER **TWO** QUESTIONS

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BEEN GRANTED BY THE CHIEF INVIGILATOR.

Question 1 compulsory (total 40 marks)

- a) Outline the constituent institutional components of the public sector in Swaziland. (10 marks)
- b) Outline two measures of the size of government in an economy. State what these measures are for Swaziland. (10 marks)
- c) Outline any five instances of market failure. (10 marks)
- d) Discern between recurrent and capital government expenditure. (5 marks)
- e) Distinguish between a pure public good and a private good. (5 marks)

ANSWER ANY TWO QUESTIONS FROM THE FOLLOWING:

Question 2

- a) Using examples from Swaziland, discuss the distributive, allocative and stabilization and regulatory functions of government. (15 marks)
- b) Outline possible solutions to the externality problem. (15 marks)

Question 3

- a) Use Wagner and the stages-of-development approach to explain growth in public spending overtime. Is this useful in explaining public expenditure growth in Swaziland? (15 marks)
- b) Outline the role of politicians, bureaucrats and other interest groups in the ever expanding spending by governments, especially in Africa. (15 marks)

Question 4

- a) Discuss the Tiebout model on fiscal decentralization. Be sure to highlight the model assumptions and shortcomings. (20 marks)
- b) Do you agree with the main reasons advanced in support of decentralization in the model in part a) above? Explain, using Swaziland as your case study. (10 marks)