

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

**RE-SIT/SUPPLEMENTARY- EXAMINATION PAPER: JULY
2018**

TITLE OF PAPER: MACROECONOMICS I

COURSE CODE: ECO203

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS TO CANDIDATES

- 1. ANSWER FOUR QUESTIONS IN ALL.**
- 2. CHOOSE ANY TWO QUESTIONS IN SECTION A AND TWO FROM SECTION B.**
- 3. ANSWER EACH SECTION ON A SEPARATE ANSWER BOOKLET**

REQUIREMENTS

- 1. SCIENTIFIC CALCULATORS**

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

Section A - Answer Any Two Questions

Question 1

In September 2015, countries adopted a new Sustainable Development Agenda and a new global agreement on climate change. This agenda includes 17 Sustainable Development Goals (SDGs) which build on the eight Millennium Development Goals. The new goals are broader in their scope of eradicating all forms of poverty by calling for action by all countries, rich and poor, to promote prosperity while protecting the planet.

- a) Define sustainable development **[1]**
- b) Discuss any 8 of these goals and highlight the measures Swaziland has put in place towards achieving these goals by 2030. **[24]**

Question 2

- a) Discuss the benefits entitled to Swaziland as a member of SADC. **[15]**
- b) Discuss any 5 objectives of macroeconomics. **[10]**

Question 3

- a) Economists and politicians talk as if an increase in real GDP means that people are better off. But GDP data are far from perfect measures of either economic output or welfare. Discuss **[15]**
- b) Outline any **five** (5) possible measures that the government could explore to revitalize the ailing Swazi economy. **[10]**

Section B –Answer any Two Questions

Question 4

(a) Suppose autonomous consumption increases. Explain, using the appropriate graph, what the impact will be on equilibrium income and expenditure. [10]

(b) If Swaziland increases its imports, will it lead to higher or lower income? Explain using (a) the relevant formula, and (b) the appropriate graph. [15]

Question 5

(a) What will the impact of an increase in the interest rate on investment, and finally on income? Explain using appropriate graphs. [10]

(b) Use chain reactions to and IS-LM model to explain and illustrate the impact of a decrease in the cash reserve requirement on national income and the interest rate.

[15]

Question 6

(a) Consider the following economy presented by the following equations

$$C = 100 + 0.8Y_d$$

$$I = 50 - 25i$$

$$G = T = 50$$

$$\frac{M^s}{P} = 200$$

$$M^d = Y - 25i$$

(i) Calculate the IS and LM curves. [10]

(ii) Calculate the Equilibrium level of output and interest rate [5]

(b) Using a graph showing a simultaneous equilibrium in the goods and assets markets clearly show and explain how the market will adjust towards a simultaneous equilibrium in the four disequilibrium positions. [10]