

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
MAIN EXAMINATION
DECEMBER 2017

TITLE OF PAPER: STRUCTURE OF THE SWAZI ECONOMY

COURSE CODE: ECON 427

TIME ALLOWED: 2 HOURS

INSTRUCTIONS: QUESTION ONE (1) IS COMPULSORY

**ANSWER ONE QUESTION FROM SECTION B, AND
ONE QUESTION FROM SECTION C**

**QUESTION ONE CARRIES 40 MARKS. THE REST OF
THE QUESTIONS CARRY 30 MARKS EACH**

SECTION A (Compulsory)

(40 Marks)

Question One

- a) (a) With the aid of a diagram, discuss the Impossible Trinity Principle. [15]
- (b) What is the implication of the Principle in (a) above on the conduct of monetary policy for the Central Bank of Swaziland? [5]

Question Two

- b) (a) "Even in the dramatically changed context of the 21st century, agriculture remains critical to the development agenda of African countries". Discuss the relevance of this statement citing relevant examples from Swaziland. [20]

SECTION B (Choose One Question from this Section)

(30 Marks Each)

Question Three

- c) (a) Discuss the costs of inflation to an economy. [12]
- (b) If the Central Bank of Swaziland wanted to use all **four** of its policy tools to decrease the money supply, what would it do? [12]
- (c) Explain why the underdeveloped financial systems in developing and transitional economies face several difficulties that restrict their efficiency? [6]

Question Four

- d) (a) Outline the functions of the four main players in the money creation process. [10]
- (b) What are the dangers of a high government debt for monetary policy? [20]

SECTION C (Choose One Question from this Section)

(30 Marks Each)

Question Five

- a) Explain what is meant by sequencing in structural adjustment programmes. [10]
- b) How should reforms in the agricultural sector be sequenced? Explain your sequencing priorities. [20]

Question Six

Discuss the concept of agricultural development in the context of the following stages

- i. The Growth and modernization era [10]
- ii. The growth with equity phase [10]
- iii. The structural adjustment phase [10]