

UNIVERSITY OF ESWATINI
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
RESIT/SUPPLEMENTARY EXAMINATION
JANUARY 2019

TITLE OF PAPER: PUBLIC FINANCE 1

COURSE CODE: ECO 405/ECON 408

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS:

- 1) ANSWER QUESTION 1 (COMPULSORY) AND THEN CHOOSE TWO QUESTIONS FROM THE REMAINING QUESTIONS.

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BY THE CHIEF INVIGILATOR.

Question 1 Compulsory (total 40 marks)

- a) Cash and in kind transfers have advantages and disadvantages. Explain. (15 marks)
- b) Outline the various elements of recurrent expenditure in Eswatini. What are the challenges government faces on these expenditures? Use data where appropriate. (15 marks)
- c) There is a relationship between stages of development and government expenditure growth. Do you agree? Support your answer. (5 marks)
- d) Externalities and public goods result in market failures. Explain. (5 marks)

Question 2

- a) Endogenous growth theory indicates that public investment in economic and social infrastructure yields increasing returns. Explain using examples. (10 marks)
- b) How has the government of Eswatini financed the fiscal balance over the past three fiscal years? (5 marks)
- c) List the sources of government revenue in order of importance in Eswatini. Show current percentage contribution of each to total revenue (5 marks)

Question 3

- a) Explain the median voter hypothesis of Meltzer and Richard on growth in public spending. (10 marks)
- b) Discuss Coase's theorem and comment on its usefulness in solving the externality problem. (10 marks)

Question 4

Explain the difference between a private and public good. Show and explain how their respective equilibria contrast. (20 marks)