

UNIVERSITY OF ESWATINI
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS

MAIN EXAMINATION

DECEMBER 2018

TITLE OF PAPER: **STRUCTURE OF THE SWAZI ECONOMY I**

COURSE CODE: **ECO 421/ ECON 427**

TIME ALLOWED: **2 HOURS**

INSTRUCTIONS: **ANSWER QUESTION ONE (1) AND ANY TWO (2)**
OTHER QUESTIONS

QUESTION ONE CARRIES 40 MARKS.

THE REST OF THE QUESTIONS CARRY 30 MARKS
EACH

SECTION A (Compulsory)**(40 Marks)****Question One**

Use the IS–LM model to predict the short-run effects of an increase in government taxes on income, the interest rate, consumption, and investment. Illustrate on your graph and also explain the effect of the central bank reacting to the fiscal policy action by intervening to keep the income level constant. [20]

Question Two

Increases in agricultural production in developing countries has been observed to be a result of the expansion of the land under cultivation than of land or labour productivity” What is meant by food policy? Mention and discuss the factors that constrain existing food production in the kingdom of Eswatini. [20]

SECTION B (Choose One Question from this Section)**(30 Marks Each)****Question Three**

- (a) Discuss the Interest Parity Condition and its implications for the conduct of monetary policy in Eswatini. [18]
- (b) List and explain the attributes of intermediate policy targets. Which intermediate policy target does the Central Bank of Eswatini pursue? [8]
- (c) Define a nominal anchor and state the benefits of using one in the conduct of monetary policy. [4]

Question Four

- (a) How does the Central Bank exercise control over the monetary base? [8]
- (b) Suppose there was a financial crisis similar to the recent Global Financial Crisis, which led to an increase in bank panics. Explain in detail the effects on the money supply of:
- (i) Depositors withdrawing their money from their bank accounts in fear that they would suffer losses on their deposits [5]
- (ii) Increased excess reserves as a result of the Central Bank making reserves costless. [5]
- (c) Discuss the benefits and costs of the CMA arrangement for the smaller member countries. [12]

SECTION C (Choose One Question from this Section)

(30 Marks Each)

Question Five

- a) Define the meaning of policy in its broadest sense and hence explain what is meant by agricultural price policy. [5]
- b) What are the main objectives of agricultural price policy? [15]
- c) What could be the possible outcomes of agricultural price policy on the performance of a typical farmer in Eswatini? [10]

Question Six

- (a) Define the concept of “Rural Development” in the context of agriculture. [5]
- (b) What initiatives are applied by the Eswatini government to tackle rural poverty? Make reference to real programmes. [10]
- (c) “Family size is the cause and not a consequence of poverty”. Explain the meaning of the statement. [5]
- (d) What role can women play in the alleviation of poverty in Eswatini? [10]