UNIVERSITY OF ESWATINI

FIRST SEMESTER MAIN EXAMINATION PAPER, NOVEMBER 2019

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

COURSE CODE: ECO203

MACROECONOMICS

TIME ALLOWED: 2 HOURS

Instructions

1. This paper consists of Section (A) and (B);
2. Section A is compulsory;
3. Answer any two (2) questions from Section B.
4. All questions in Section B carry equal marks of 30 each

Special Requirements

1. Scientific calculator

Additional Material (s)

None

Candidates may complete the front cover of their answer book when instructed by the Chief Invigilator and sign their examination attendance cards but must NOT write anything else until the start of the examination period is announced.

No electronic devices capable of storing and retrieving text, including electronic dictionaries and any form of foreign material may be used while in the examination room.

DO NOT turn examination paper over until instructed to do so

SECTION A

Question 1 (Compulsory)

a) What is the rationale for regional economic integration in Africa [4]

b) Explain four challenges of regional economic integration in Southern Africa. [16]

c) Algebraically derive the equation for the IS curve, clearly explaining all assumptions made. [10]

d) Given the following information that describes the economy of Eswatini, find the equilibrium levels of national income and the equilibrium level of interest rate. [10]

$Y = AD = C + I$

$Y = 10 + 0.5Y + 190 - 20i$

$M_d = 0.4Y - 80i$

$M_S = 1200$

SECTION B

Question 2

Outline the nature of the structural characteristics of the Eswatini economy within a dualistic framework. [30]

Question 3

a) State and explain three (3) socio-economic challenges in Eswatini. [15]

b) Write short notes on the following:

   i. Monetary accommodation

   ii. Monetising budget deficits

   iii. LM curve

[5 marks each]

Question 4

a) Demonstrate graphically the effectiveness of monetary policy in the liquidity trap and the classical case. [20]

b) State and explain the assumptions underlying the Simple Keynesian model. [10]