



UNIVERSITY OF ESWATINI

FIRST SEMESTER MAIN EXAMINATION PAPER, NOVEMBER 2019

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

COURSE CODE: ECO405/ECON408

TITLE OF PAPER: PUBLIC FINANCE I

TIME ALLOWED: 2 HOURS

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**Instructions**

This paper consists of Section (A) and (B).

1. Section A is compulsory.
2. Answer any two questions from Section B.

**Special Requirements**

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 (total 40 marks)

- a) Distinguish between X-efficiency and Allocative efficiency. [5 marks]
- b) Explain fully why some services and goods are allocated more efficiently through the national government's budget rather than the market mechanism. [15 marks]
- c) What is government? Explain fully the three (3) levels of government. [20 marks]

## SECTION B

Answer any two questions from the following: (30 marks each)

### Question 2

- a) Using a relevant diagram, explain briefly the Principal-Agent problem. [15 marks]
- b) Explain fully three (3) stages of the development model of public expenditure. [15 marks]

### Question 3

- a) Distinguish between the displacement effect and the inspection effect of the crisis period on public expenditure. [10 marks]
- b) Explain fully the peacock and Wiseman hypothesis and its criticism. [20 marks]

### Question 4

- a) Outline the nature and implications of the Wagner's law of increasing state activity. [20 marks]
- b) Explain two (2) criticisms of the Wagner's law of increasing state activity. [10 marks]