



UNIVERSITY OF ESWATINI

FIRST SEMESTER MAIN EXAMINATION PAPER, APRIL 2021

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

COURSE CODE: ECO405

PUBLIC FINANCE I

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

None

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: 40 marks)

- a) Distinguish between public finance and private finance. [5 marks]
- b) State the relationship of public finance with economics. [5 marks]
- c) Describe the effect of public expenditure upon the following:
- i) The ability to work, save and invest
 - ii) Diversion of resources
 - iii) Distribution of wealth [15 marks]
- d) Describe the three (3) stages of the development model explaining how government expenditure tends to increase when a country develops from a traditional economy to an industrialized economy. [15 marks]

Section B

Answer any two questions: [30 marks each]

Question 2

- a) Describe two key objectives of the Tatonnement model. [10 marks]
- a) Write short explanatory notes on the following fiscal functions of government. Use suitable examples.
- a. Allocation function
 - b. Distribution function
 - c. Stabilization function
 - d. Regulation function [5 marks each]

Question 3

- a) Describe two advantages and one disadvantage of decentralized provision of public services. [15 marks]
- b) What is the main prediction of the Tiebout Model? Describe its four (4) criticisms. [15 marks]

Question 4

- a) Indicate whether the following statements are true or false. Give a short explanation.
- i. The Wicksell and Lindahl model (by adopting the tatonnement process) produces a set of socially just tax shares and public goods quantities, assuming the individuals in the society reveal accurately their preferences.
 - ii. Local government is responsible for the overall running of the country, and deals with issues such as foreign policy and national defense.
- [10 marks]
- b) Identify the ways in which the Peacock and Wiseman analysis differs from the Wagner's law of increasing state activity. [20 marks]