



UNIVERSITY OF ESWATINI

FIRST SEMESTER RE-SIT EXAMINATION PAPER, SEPTEMBER, 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) What defines government? [5 marks]
- b) Explain briefly three elements of public finance. [15 marks]
- c) An increase in public expenditure without increase in the level of service provision does not necessarily imply inefficiency in service provision. Do you agree? Explain fully your reasoning. [20 marks]

Section B

Answer any two questions: [30 marks each]

Question 2

- a) What is displacement effect as per Peacock and Wiseman hypothesis? [5 marks]
- b) State and explain the principal-agent problem [5 marks]
- c) Distinguish between X-efficiency and Allocative efficiency. [10 marks]
- d) Explain economic and social-development benefits of governments prioritizing educational expenditures (expanding access to education and improving its quality). [10 marks]

Question 3

- a) Describe fully key assumptions of the Niskanen model that give rise to its conclusions. [10 marks]

- b) Public expenditure has a tendency to grow very fast in modern time. Briefly discuss any four (4) factors responsible for the rapid growth of public expenditure.

[20 marks]

Question 4

- a) What are two examples of local government? Give any four (4) sources of revenue for local governments.

[10 marks]

- b) Differentiate between block grants and categorical grants.

[10 marks]

- c) Categorical grants are more popular than block grants. Do you agree? Explain fully your reasoning.

[10 marks]