

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS

SUPPLEMENTARY EXAMINATION PAPER

JULY 2017

PAPER TITLE: MACROECONOMICS

CODE : ECON 203 IDE

INSTRUCTIONS

1. ANSWER ANY **FOUR** QUESTIONS
2. ANY TWO FROM SECTION A AND ANY TWO FROM B
2. ALL QUESTIONS CARRY EQUAL MARKS [25]
3. THIS IS A THREE HOUR PAPER

DO NOT OPEN THIS PAPER UNTIL YOU HAVE BEEN
INSTRUCTED TO DO SO

SECTION A

Question 1

- a) Highlight the 4 assumptions of the Simple Keynesian model [6]
- b) Highlight Swaziland's progress towards the MDG's [15]
- c) Highlight the importance of SACU to Swaziland [4]

Question 2

- a) Why are positions on the IS curve considered to be goods market equilibrium positions? [5]
- b) Why are positions on the LM curve considered to be money market positions? [5]
- c) Graphically derive the IS curve [8]
- d) Graphically derive the LM curve [7]

Question 3

- (a) Clearly discuss the concept of monetary accommodation? [15]
- (b) What is crowding out and when is it likely to occur? [10]

Question 4

- (a) Using a graph showing a simultaneous equilibrium in the goods and assets markets clearly show and explain how the market will adjust towards a simultaneous equilibrium in the four disequilibrium positions. [15]
- (b) Highlight any 5 major challenges facing the Swaziland Economy. [10]

SECTION B

Question 5

Write explanatory notes on the following economic terms. Your response should show full understanding of the concept and how it applies to macroeconomics.

- a) Aggregate Supply Curve
- b) Properties of the frictionless neoclassical analysis
- c) Phillips curve
- d) Structural unemployment
- e) Hyper-inflation

[5 Marks each]

Question 6

- a) Discuss the three (3) fundamental views of the nature and causes of economic fluctuations. [15]
- b) Define what stabilization policies are and state why such policies should be used with caution. [10]

Question 7

- a) Discuss the AD-AS theory of demand-pull and cost-push inflation. [10]
- b) Economists generally regard a relatively low, stable level of inflation as desirable. When inflation is stable and expected, the economy is generally able to adjust easily to slowly rising prices. However, inflation does have some economic costs, especially when it is high or unexpected. What are the costs of inflation, discuss. [15]

Question 8

- a) The costs of unemployment are probably more obvious when viewed through the lens of the national check book. Discuss [15]

- b) In an attempt to fight unemployment, African countries (with Swaziland inclusive) have come up with a number of strategies or programmes. With reference to Swaziland, discuss any five of these strategies. [10]