

**UNIVERSITY OF SWAZILAND  
FACULTY OF SOCIAL SCIENCE  
DEPARTMENT OF ECONOMICS  
MAIN EXAMINATION PAPER: MAY 2018**

**TITLE OF PAPER: MACROECONOMICS II**

**COURSE CODE: ECO202**

**TIME ALLOWED: TWO (2) HOURS**

**INSTRUCTIONS TO CANDIDATES:**

- 1. THIS PAPER CONSISTS OF TWO SECTIONS.  
SECTION A IS COMPULSORY THEN CHOOSE ANY TWO  
(2) OTHER QUESTIONS FROM THE THREE PROVIDED  
IN SECTION B.**
- 2. SECTION A CARRIES 40 MARKS WHILE QUESTIONS IN  
SECTION B CARRY 30 MARKS EACH.**

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

**Section A**

**(Compulsory and carries 40 Marks)**

**Question 1**

**A.** Using graphs where applicable, write short notes on the following:

- i. Phillips curve
- ii. Accommodating policies
- iii. Adverse supply shocks
- iv. Economic fluctuations

**[5 marks each]**

**B.**

- i. Using the Phillips Curve approach, differentiate between demand-pull and cost-push inflation. **[10]**
- ii. Outline the costs of unemployment **[10]**

**Section B**

**Answer any two questions**

**Question 2**

- a) The AS curve can be analysed both in the short-run and long-run using two separate theories. Discuss **[20]**
- b) Discuss the three (3) known views of the nature and causes of business cycles. **[10]**

### **Question 3**

- a) Differentiate between crowding out in the AD-AS model and crowding out in the IS-LM model. [15]
- b) Graphically derive the AD curve. [5]
- c) The business cycle can go into recession for various reasons. Discuss any five. [10]

### **Question 4**

- a) Using the AD-AS model, discuss how the local economy will adjust in the long-run as a result of a monetary expansion. [20]
- b) It is always advisable that policy makers should use stabilisation policies with great caution. Discuss. [10]