

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
RE-SIT/SUPPLEMENTARY EXAMINATION JULY 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. Sticky wages
- ii. Stabilisation policies
- iii. Fluctuations in economic activity
- iv. Wage-unemployment relationship

[5 marks each]

B.

- i. Differentiate between the properties of the AS curve and the properties of the AD curve. **[10]**
- ii. Outline any five (5) costs of inflation **[10]**

Section B

Answer any two questions

Question 2

- a) The government of Swaziland is experiencing a growing trend with regards to national spending. Using a graph(s) elaborate on the effects of this fiscal expansion on the AD curve. **[20]**
- b) Discuss five (5) major causes of hyperinflation. **[10]**

Question 3

- a) Critics of stabilization policy always lament whenever something goes wrong in the economy. Discuss [20]
- b) With an aid of a graph, elaborate on the impact of an adverse supply shock in the economy. [10]

Question 4

- a) Discuss any five (5) measures employed by the government of Swaziland in combating unemployment. [15]
- b) Why is unemployment not desirable? Give five (5) reasons. [10]
- c) Differentiate between structural and frictional unemployment. [5]