



# UNIVERSITY OF ESWATINI

SECOND SEMESTER MAIN EXAMINATION PAPER, AUGUST 2020

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

COURSE CODE: ECO 422/ECON 428

TITLE OF PAPER: STRUCTURE OF THE SWAZI ECONOMY

TIME ALLOWED: 2 HOURS

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## Instructions

1. This paper consists of Section (A) and (B).
2. Section A is compulsory.
3. Answer any two questions from Section B.
4. Show all relevant workings to your answer

## Special Requirements

Scientific calculator

*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) Discuss the benefits and costs of regional economic integration in the context of Eswatini's membership in SACU. (20)
- b) Differentiate between a market failure and the government failure. (10)
- c) Provide a very brief outline of the importance of the public sector economics in an economy. What is its relevance to a country like Eswatini? (10)

## SECTION B

ANSWER ANY ONE (1) QUESTION FROM THIS SECTION

[30 Marks]

### QUESTION 2

Briefly discuss any three pros and any three cons of import-substitution industrialization. (30)

### QUESTION 3

The economy of Vintland has 30 million hours of labour in total per year, while Moonited Republic has 20 million hours of labour per year. Use the information in the table below to answer questions (a) to (f):

	Labor Hours per Bottle of Wine	Labor Hours per Kilogram of Cheese
Vintland	15	10
Moonited Republic	10	4

- a) Which country has an absolute advantage in wine? In cheese? (4)
- b) Which country has a comparative advantage in wine? In Cheese? (4)
- c) Graph each country's production- possibility curve. Show the no-trade production point for each country, assuming that with no trade Vintland consumes 1.5 million kilos of cheese and Moonited Republic consumes 3million kilos of cheese. (5)

- d) When trade is open, which country exports which good? If the equilibrium international price ratio is  $\frac{1}{2}$  bottle of wine per kilo of cheese, what happens to production in each country? (4)
- e) In this free-trade equilibrium, 2 million kilos of cheese and 1 million bottles of wine are traded. What is the consumption point in each country with free trade? Show this graphically. (10)
- f) Does each country gain from trade? Explain, referring to your graphs as is appropriate. (3)

### SECTION C

ANSWER ANY ONE (1) QUESTION FROM THIS SECTION

[30 Marks]

#### QUESTION 4

- a) Discuss the causes of the fiscal crisis experienced in Eswatini. (15)
- b) Discuss the different methods that can be used to finance a budget deficit in any economy. (15)

#### QUESTION 5

- a) Under what conditions should a country seek for foreign aid in future? (10)
- b) Discuss the arguments for and against the effects of foreign aid in Eswatini. (20)

\*\*\*\*\*GOOD LUCK\*\*\*\*\*