KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF ECONOMICS AND FINANCE

EAE 204: ECONOMIC DEVELOPMENT

DATE: WEDNESDAY 29TH NOVEMBER 2017 TIME: 8.00 A.M. – 10.00 A.M.

INSTRUCTIONS

Answer question 1 and any other two questions

Question One (30 marks)

a) Briefly explain the basic needs strategy of economic development (4 marks)

b) How does income inequality affect poverty and quality of life in a country? (6 marks)

c) Economic growth is synonymous to economic development. Do you agree with this statement? Explain your answer. (6 marks)

d) Explain the assumptions of the Romer model. (6 maks)

e) Explain four measures that determine which countries are more developed and which are less developed? (8 marks)

Question Two (20 marks)

a) Several theories were studied in class with the objective of explaining why some countries are richer than others. Answer the following questions about these different theories.

i) According to the Solow model, what is the main reason for the observed dispersion in income per capita across countries? (6 marks

ii) In what sense do we say the Solow Growth model addresses the proximate causes of economic growth? (4 marks)

b) Elaborate on the various dimensions of poverty other than low incomes (10 marks)

Question Three (20 marks)

a) Explain what is meant by sustainable development while giving its main features (8 marks)

b) "The conventional wisdom in mainstream development policy circles is that transfers to the poor are at best a short-term palliative and at worst a waste of money. They are not seen as a core element of an effective long-term poverty-reduction strategy" Briefly convince a conventional/mainstream economist that transfers to the poor should n fact be a core element of long-term poverty-reduction strategy in developing countries. (12 marks)

Question Four (20 marks)

a) Many countries that became independent after World War II found that the legacy of colonialism hindered their economic development. Explain these hindrances with relevant examples.

b) Which policies do you think are most effective in reducing poverty and income inequality in developing countries. (10 marks)

Question Five (20 marks)

a) By comparison with other regions of the world, Sub-Saharan Africa is richly endowed with mineral resources and agricultural land per capita, and poorly endowed with human capital. This resource endowment implies a comparative advantage in exporting primary commodities (fuels, minerals, or agricultural commodities) and importing manufactured goods. In a recent characterization of the so-called Beijing consensus, John Williamson – the author of the original Washington consensus – says that one of the 5 central pillars of the Beijing Consensus is export-led growth.

   i) What do you think Williamson means by export-led growth? (2 marks)

   ii) Do you consider export-led growth to be the right trade strategy for sub-Saharan African countries, given their current comparative advantage? (6 marks)

b) What were the principal reasons for the relative stagnation of developing country agriculture during the so-called development decades of the 1960s and 1990s? Explain you answer. (12 marks)