KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF ECONOMICS

EAE 801: DEVELOPMENT THEORIES AND STRATEGIES

DATE: Wednesday, 7th February, 2018 **TIME: 9.00 a.m. - 12.00 p.m.**

INSTRUCTIONS:

Answer **ALL** questions

QUESTION ONE

(a) The table below shows some figures from the Kenya National Accounts for the years 2010 and 2011. Use these data to calculate:

(i) The growth rate in nominal GDP in 2011 (%). (2 marks)

(ii) The growth rate in real GDP in 2011 (%) (3 marks)

(iii) The GDP deflator in 2010 (2 marks)

(iv) The GDP deflator in 2011 (2 marks)

(v) The rate of inflation in the GDP deflator in 2011 (%) (1 mark)

	2010	2011
GDP, current prices, Ksh million	3,330,581	3,495,066
GDP, constant prices (reference year 2005)	2,988,156	3,107,239

The reference year is 2005, which means that real GDP is valued at the price level of 2005 and that the GDP deflator is 1 for this year.

(b) Discuss globalization tendencies in Kenya (5 marks)

QUESTION TWO

(a) Discuss the relevance of the following theories to economic development in Africa:

- (i) Adam Smith Theory (3 marks)
- (ii) Karl Marx Theory (3 marks)
- (iii)Keynesian Theory (3 marks)

(b) Critique Kenya's Sessional Paper No. 10 on African Socialism (6 marks)

QUESTION THREE

(a) Uganda has the production function $Y = F(K, L)\ K^{0.5}L^{0.5}$

Where Y is its level of output (GDP), K is its capital stock, and L its labor force. The country saves 20% of its output each year ($s = 0.20$). The capital depreciation rate is 4% ($\delta = 0.04$). There is no population growth or technological progress. Use the Solow growth model to compute the steady state values of the following variables:

- (i) Capital per worker ($k = K/L$). (4 marks)
- (ii) Output per worker ($y = Y/L$) (4 marks)
- (iii)Consumption per worker (c) (3 marks)

(b) The global Sustainable Development Goals (SDGs) are more superior economic development goals that a Kenya's political party manifestos. Identify two of the goals and discuss their significance to economic development of the country (4 marks)

QUESTION FOUR

(a) Discuss the three approaches of measuring GDP (5 marks)

(b) The following are genuine concerns to economic development in Kenya. Discuss

- (i) Government Indebtedness (2 marks)
- (ii) Population (2 marks)
- (iii)Religion (2 marks)
- (iv)Gender (2 marks)
- (v) Dependence on primary products (2 marks)