Moderated

KENYATTA UNIVERSITY

SCHOOL OF ECONOMICS

DEPARTMENT OF APPLIED ECONOMICS

SEMESTER II 2019/2020

EXAM EAE 801: DEVELOPMENT THEORIES AND STRATEGIES

INSTRUCTIONS: ANSWER ALL QUESTIONS.

TIME: 3 HOURS

Question 1.

(a) A good definition of economic development should entail the following. ~~Discuss.~~

i. Elimination of Absolute Poverty. **(3 Marks)**
ii. Reducing Unemployment. **(3 Marks)**
iii. Improvement of Quality of Life. **(3 Marks)**
iv. Fulfillment of Potential of Individuals. **(3 Marks)**
v. Reducing Income Inequality. **(3 Marks)**

~~Discuss and the above aspects of economic development.~~
Explain

Question 2:

(a) Discuss how the following issues demonstrate international interdependence of the world economy:

i Oil Shocks. **(3 Marks)**
ii Debt Crisis. **(3 Marks)**
iii Global Warming. **(3 Marks)**
iv Migration of People. **(3 Marks)**

(b) Given the following hypothetical data for Country A and Country B, what would you deduce about economic development in the two countries? **(3 Marks)**

	Country A	**Country B**
GDP Per Capita in US$.	56,000	16,800
Population below Poverty Line.	20%	6%
Life Expectancy.	54 Years	72 Years

Question 3:

(a) Let $q = Ak^a$ represent Solow's Growth Model. If given $A = 100$; $k = 100$; $a = 0.5$; and, 25% of output is saved. In a spurn of five years prove the Solow's Model. Compute the equilibrium values. **(10 Marks)**

— Not adequate to carry 10 mks — set a(ii) and reallocate marks

(b) Explain three economic development strategies that Kenya may use to achieve its economic objectives. **(6 Marks)** — Too simple for this level. Set another question

Question 4:

(a) On the relationship between economic growth and population growth, one of these two variables is assumed to be exogenous and the other endogenous in some growth models. In still other models, both are either assumed to be endogenous or exogenous. Discuss. **(6 Marks)** Question not clear — can be rephrased

(b) While citing practical examples discuss possible causes on the problem of poverty in Africa. **(9 Marks)**

— Simple for this level — set another question (c) and rearrange marks.