
CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE IN MASTER OF SCIENCE IN ECONOMICS

MSEC 802: DEVELOPMENT ECONOMICS

STREAMS: MSEC

TIME: 3 HOURS

DAY/DATE: WEDNESDAY 5/12/2018

2.30 P.M - 5.30 P.M.

INSTRUCTIONS:

- Answer Question ONE (COMPULSORY) and any THREE Questions
- Do not write anything on the question paper

QUESTION ONE - COMPULSORY

- (a) What is globalization, and how is it affecting the developing countries? [10 Marks]
- (b) What are foreign-aid motivations of donor nations? Explain. [8 Marks]
- (c) List and briefly discuss the main market failures that Stiglitz and his colleague say, justify a strong government role in developing-country financial sectors. [12 Marks]
- (d) Explain the following theories of growth
- (i) Neoclassical Counter-Revolution Models [5 Marks]
 - (ii) International Dependence Models [5 Marks]

QUESTION TWO

- (a) Discuss the arguments against Private Foreign Investment. [10 Marks]
- (b) Debt crisis is a common problem in most developing countries. How can these countries break the debt vicious cycle? [10 Marks]

QUESTION THREE

- (a) Sometimes government borrows finances to boost economic growth. Other times it increases taxes to increase its revenue for development. Is tax financing better than borrowing? Explain. [10 Marks]

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- (b) Traditional free-trade theories are based on six crucial assumptions, which may or may not be valid for developing nations (or for developed nations for that matter). What are these crucial assumptions, and how might they be violated in the real world of international trade? [10 Marks]

QUESTION FOUR

- (a) Trade liberalization can in many ways have a greater impact in developed and developing countries. Discuss the arguments for trade pessimists and for trade optimists. [12 Marks]
- (b) Describe Kuznet's inverted-U hypothesis. Discuss the conceptual limitations of this hypothesis for contemporary developing countries. [8 Marks]

QUESTION FIVE

- (a) Are rapid economic growth (as measured by either GNI or per capita GNI) and a more equal distribution of personal income necessarily conflicting objectives? Explain. [10 Marks]
- (b) Discuss the role of the financial system in economic development. 10 Marks]

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