

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF DOCTOR OF PHILOSOPHY IN
AGRICULTURE**

AGEC 914: NEW INSTITUTIONAL ECONOMICS FOR SMALLHOLDER FARMERS

STREAMS: PhD AGRICULTURAL ECONOMICS Y1S1

TIME: 3 HOURS

DAY/DATE: TUESDAY 04/12/2018

2.30 P.M. – 5.30 P.M.

INSTRUCTIONS:

- **Answer question ONE and any other two questions.**

Question one (20 marks)

- | | |
|--|-----------|
| (a) Transaction cost economics | (3 marks) |
| (b) Asymmetric information | (3 marks) |
| (c) “Opportunism” and incompleteness of formal contracts | (3 marks) |
| (d) Property rights economics | (3 marks) |
| (e) Bounded rationality | (3 marks) |
| (f) Path dependency | (3 marks) |
| (g) Moral hazard | (2 marks) |

Question two (20 marks)

- | | |
|---|------------|
| (a) Explain the role of institutions in facilitating coordinated exchange in economic development. | (10 marks) |
| (b) The escape routes out of poverty are often blocked by various kinds of institutional impediments that go far beyond deficiencies in factors endowments. Discuss this using insights from the new institutional economics. | (10 marks) |

Question three (20 marks)

- (a) Explain four simplifying assumptions made by mainstream economists about the world in which business is conducted. Why don't these usually hold in agricultural markets of developing countries? (8 marks)
- (b) Explain the role played by formal and informal institutional arrangements in the exchange process. (12 marks)

Question four (20 marks)

- (a) Discuss the principal agent problem and the four basic principles of contract design aimed at solving this problem. (12 marks)
- (b) Briefly discuss asset specificity explaining how it leads to the hold-up problem. (8 marks)

Question five (20 marks)

- (a) Describe four major challenges specific to small scale agriculture that are amenable to new institutional economics analysis and responses. (8 marks)
- (b) Evaluate the statement 'new institutional economic does not replace price theory it makes it vastly more fruitful.' (6 marks)
- (c) Critically evaluate the following statement "institutions do matter and their determinants are susceptible to analysis by the tools of economy theory. (6 marks)
-