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**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
ECONOMICS STATISTICS, ECONOMICS SOCIOLOGY AND ECONOMICS
MATHEMATICS**

ECON 415: ECONOMICS OF INDUSTRY**STREAMS: ECON STAT, ECON SOCI, ECON MATH (ODEL) TIME: 2 HOURS****DAY/DATE: FRIDAY 15/12/2023****8.30 A.M. – 10.30 A.M.****INSTRUCTIONS**

- Answer question ONE and any other two questions

Question one (30 marks)

- Discuss the key drivers and challenges of industrialization in developing countries. (5 marks)
- Identify specific sectors or regions experiencing rapid industrial growth in Kenya. (4 marks)
- Explain how the government support and facilitate the industrialization process in developing areas? (6 marks)
- A town has two garages, A and B, selling identical petrol. The inverse demand function for petrol in the town is given by

$$P = 30 - 3Q$$
 Where P is the market price and $Q = Q_A + Q_B$ where Q_A and Q_B are the quantities sold by A and B respectively. Unit costs are £9 per gallon for Garage A and £6 per gallon for Garage B.
 - If the two garages compete on quantity in a one shot game, find the NASH Equilibrium quantities, price and profits. (10 marks)

- ii) How would your answers in (i) change if the garages compete on price? (3 marks)
- iii) Briefly discuss whether the garages would be more likely to compete on price or on quantity. (2 marks)

Question two (20 marks)

- a) Discuss the role of international trade and global supply chains in the industrialization of developing countries in this economy. (10 marks)
- b) Explain how the industrial sector address issues of resource efficiency and sustainability. (10 marks)

Question three (20 marks)

- a) Explain how industrial firms in Kenyan economy typically finance their operations and investments. (10 marks)
- b) Discuss 10 factors that influence the choice of location of industrial facilities in setting up a new industry in a developing economy. (10 marks)

Question four (20 marks)

- a) Using appropriate examples, discuss the phases of technological progress. (10 marks)
 - b) Discuss the sources of monopoly power. (10 marks)
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