

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF MASTER OF

MSEC 802: DEVELOPMENT ECONOMICS

STREAMS: MSEC

TIME: 3 HOURS

DAY/DATE: TUESDAY 05/10/2021

8.30 A.M – 11.30 A.M.

INSTRUCTIONS:

- **Answer QUESTION ONE and any other THREE questions.**

QUESTION ONE

- (a) Most development economists now seem to agree that level and rate of growth of GNI and per capita income do not provide sufficient measures of a country's development. Discuss the essence of this argument while giving some relevant examples. (15 marks)
- (b) Discuss the main tenets of the neoclassical theory of free trade. Hence provide a critique of the theory in the context of developing countries. (15 marks)
- (c) "Globalization is a euphemism for present day free-trade crusade of neo-classical economists." Discuss this statement in view of what you have learnt in development economics giving the pros and cons of globalization. (10 marks)

QUESTION TWO

- (a) Discuss the factors that have caused debt crisis in developing countries such as Kenya and suggest the possible solutions to this crisis. (10 marks)
- (b) Summarize the arguments for and against the impact of private foreign investment in less developed countries. Hence discuss the strategies that developing countries might adopt to make private foreign investment fit their development aspirations better without destroying all incentives for foreign investors. (10 marks)

QUESTION THREE

- (a) Discuss the major financial market failures that necessitate state intervention in developing countries' financial markets. (10 marks)
- (b) Some Economists argue that efforts concentrated to lower poverty would slow rate of growth while others argue that countries with lower inequality would experience slower growth. Explain the reasons why policies focused toward reducing poverty levels need not lead to a slower rate of growth. (10 marks)

QUESTION FOUR

- (a) Make short notes on the following theories of development and discuss their applicability to developing countries. (10 marks)
 - (i) Rostow's stage of growth
 - (ii) International dependence models
- (b) Describe Kuznets's inverted-U hypothesis. Discuss the conceptual limitations of this hypothesis for contemporary developing countries. (10 marks)

QUESTION FIVE

Trade liberalization can in many ways have a greater impact in developed and developing countries. Discuss the arguments for trade pessimists and optimists. (20 marks)
