MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS

EAE 305: URBAN AND REGIONAL ECONOMICS

DATE: 3/12/2019   **TIME: 11.00-1.00 PM**

INSTRUCTIONS:

1. **Answer question one and any other two questions**
2. **Question one is compulsory and carries (30 marks)**
3. **All other questions carry (20 marks each)**

QUESTION ONE (30 MARKS)

a)   Elaborate on the determinants of land and property values in cities found in developing countries.   (10 marks)

b)   Does central theory have any relevance for regional planning?   (10 marks)

c)   Clearly explain the following terms as used in urban economics:

    i.   Urban service boundary.   (5 marks)

    ii.   Urban area.   (5 marks)

QUESTION TWO (20 MARKS)

a)   Explain the social problems surrounding housing in urban areas.   (10 marks)

b)   Discuss how economies of scale in exchange production and differences in productivity inputs lead to the establishment of urban areas.   (10 marks)

QUESTION THREE (20 MARKS)

a) Explain how agglomerative economies influence growth and development of cities.

(10 marks)

b) Explain the meaning of "BID-RENT" functions. (2 marks)

c) The bid rent theory is a geographical economic theory that refers to how the price and demand for real estate change as the distance from the central business district (CBD) increases. It states that different land users will compete with one another for land close to the city centre. Illustrate "BID-RENT" functions for any three distinct economic land uses in urban areas (8 marks)

QUESTION FOUR (20 MARKS)

a) Using a well labelled diagram, explain how equilibrium in the housing market is attained.

(10 marks)

b) Explain the Role Kenyan Cities Play in the Development of Aggregate Economies.

(10 marks)

QUESTION FIVE (20 MARKS)

a) "Nairobi, Dar-es-salaam and Kampala experience high levels of traffic congestion". Citing the merits and demerits, outline four policy measures that could be implemented to address this problem. (12 marks)

b) Explain the challenges faced by the government in the provision of urban services. (8 marks)