



MACHAKOS UNIVERSITY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

UNIVERSITY EXAMINATIONS FOR THE DEGREE OF MASTER OF ECONOMICS.

UNIT CODE: EAE 800: DEVELOPMENT THEORIES AND STRATEGIES

**INSTRUCTIONS: ANSWER QUESTION ONE (1) AND ANY OTHER THREE
QUESTIONS**

DURATION: 3 HOURS

QUESTION ONE (COMPULSORY)- 24 Marks

- (a) “Most development economists now seem to agree that the level and rate of growth of GNP and per capita income, economic welfare and occupational pattern do not provide sufficient or even accurate measure of a country’s development”
- (i) Do you agree? Why or why not? 4 Marks
- (ii) Discuss the measures of economic development clearly pointing out strengths and weaknesses of each. 8 Marks
- (b) What role do you think international trade and foreign investment can play in solving some problems identified in the; 8 Marks
- (i) Big Push model
- (ii) O-ring model
- (c) Discuss the implications of the O – ring theory of economic development. 4 Marks

QUESTION TWO - 12 Marks

How does the endogenous (new) growth approach differ from the traditional (neoclassical or Solow) approach? What are the implications for public policy in each case?

QUESTION THREE - 12 Marks

- (a) Explain the meaning of dualism and dual societies. 4 Marks
- (b) Do you think the concept of dualism adequately portrays the development picture in most developing countries? Explain your answer. 8 marks

QUESTION FOUR - 12 Marks

“For all of their diversity, developing countries are linked by a range of common problems”.

- (a) What are these problems? 4 Marks
- (b) Which of these problems are the most important in your view? Why? 8 Marks

QUESTION FIVE - 12 Marks

“Founded on the belief that there is a need for international pressure on countries to have more expansionary economic policies- such as increasing expenditures, reducing taxes, or lowering interest rates to stimulate the economy – today the IMF typically provides funds only if countries engage in policies like cutting deficits, raising taxes or raising interest rates that lead to a contraction of the economy. Keynes would be rolling in his grave were he to see what has happened to his child”.

- (a) Giving a brief historical account, explain the validity of this statement. 6 marks
- (b) Discuss the applicability of the Keynesian theory of economic development to Kenya’s development process. 6 Marks