MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARMENT OF ECONOMICS

THIRD YEAR FIRST SEMESTER EXAMINATION FOR BACHELOR OF ECONOMICS

EAE 305: URBAN ECONOMICS

DATE: 4/8/2017 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS

Answer question ONE and any other TWO questions

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Distinguish between urbanization economies and localization economies as applied in development of cities (4 marks)

b) Using the economies of agglomeration explain the reasons why firms should cluster in one place. (6 marks)

c) Illustrate and Explain BID – Rent functions for housing, farming and commercial economic activities. (8 marks)

d) Consumers in urban areas are faced with an optimization problem of choosing a location within a city that maximizes their utility subject to some constraints. With clear assumptions formulate a model that can be used to solve the consumers' optimization problem (6 marks)

e) What are the specific determinants of housing prices in the cities of emerging countries? (6 marks)

QUESTION TWO (20 MARKS)

a) Explain the different methods of road pricing (10 marks)

b) Identify and briefly explain the factors that influence transport demand in developing cities (6 marks)

c) Explain the Hedonic Approach as applied in the determination of housing prices in urban areas (4 marks)

QUESTION THREE (20 MARKS)

a) Illustrate and explain how cities use building permits to control residential growth in urban areas (10 marks)

b) Discuss factors that may be behind rapid sub urbanization in developing countries (10 marks)

QUESTION FOUR (20 MARKS)

a) Using Kenyan examples, discuss the challenges that city governments experience in the service delivery in their areas of jurisdiction. (12 marks)

b) Firms in urban areas are faced with an optimization problem of choosing a location within a city that maximizes their profits subject to some constraints. With clear assumptions formulate a business location model that can be used to solve the firms optimization problem (8 marks)

QUESTION FIVE (20 MARKS)

a) Explain the following concepts

   i) Urban service boundary (3 marks)

   ii) Urban fiscal zoning (3 marks)

   iii) Central place theory (3 marks)

   iv) Agglomeration Economies (3 marks)

b) Discuss urban problems and recommend relevant policies to solve these problems (8 marks)