



MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

**FOURTH YEAR FIRST SEMESTER EXAMINATIONS FOR BACHELOR OF
ECONOMICS & FINANCE**

EAE 402: HISTORY OF ECONOMICS THOUGHT

DATE: 3/8/2017

TIME: 2:00 – 4:00 PM

INSTRUCTIONS:

Answer Question ONE and any other TWO questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Although Malthus is more famous for his theory of population, his theory of deficiency of effective demand laid foundation to Keynes General theory. Briefly explain this theory of deficiency of effective demand. (10 marks)
- b) Explain the mercantilist beliefs and practices and compare with Kenya's trade practices today. (10 marks)
- c) Aristotle was the first analytical economist. He was the pupil of ancient economist Plato. Compare and contrast the two ancient economists and bring out their contribution to economic theory. (10 marks)

QUESTION TWO (20 MARKS)

- a) What observations did Kenyans make about the classical theory of price mechanism? (5 marks)
- b) Briefly explain the theory of value by David Ricardo and its contribution to classical system. (5 marks)

- c) Philip Von Hornick came up with principal rules of national economy. List these principals and show whether the same principles are being applied in the current Kenyan economy in an effort of encouraging inflow and discouraging the outflow foreign currency . (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain Karl Marx's critique of the classical system. (7 marks)
- b) Ricardo is most famous for his theory of rent. Explain the problems with Ricardo's theory of rent. (8 marks)
- c) While Plato advocated for the communal property, Aristotle advocated strongly in favour of the institution of private property. Explain Aristotle's ground for his argument. (5 marks)

QUESTION FOUR (20 MARKS)

- a) Explain Adam Smith contribution to the theory of absolute advantage and compare it with Ricardo's theory of comparative advantage. (10 marks)
- b) Merchants become more successful, wealthy and powerful, but this was at the expense of other people. Explain the dark side of mercantilism. (10 marks)

QUESTION FIVE (20 MARKS)

- a) J.B Say is considered an adherent of Adam Smith. J.B Say is famous for his theory of markets. What is the criticism of J.B Say's law of the market? (10 marks)
- b) Hume pointed out two weaknesses in the mercantilist argument for the accumulation of specie, explain the weakness and show how it led to the operational of specie-flow mechanism. (10 marks)