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**University Examinations 2014/2015**

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE ECONOMICS

**BEC 3151: CONTEMPORARY ECONOMIC ISSUES IN AFRICA**

**DATE: APRIL 2015 TIME:** $2 $**HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Kenya is an agricultural country. Why has the agricultural sector not been able to attract the relatively more educated youth into productive farming. (10 Marks)
2. What are the key obstacles faced by developing countries in their industrial sectors and how can these obstacles be overcome? (10 Marks)
3. What challenges would be faced by a country trying to protect young less competitive industries in Africa today? (5 Marks)
4. What are voluntary export restrictions? Would a country like Kenya (more industrialized) benefit from imposing voluntary export restrictions to a country like Burundi(less industrialized) Explain. (5 Marks)

**QUESTION TWO (20 MARKS)**

1. Discuss the main characteristics of modern economic growth. (10 Marks)
2. Most of the African economies have not attained the status of a developed country. Briefly explain the main obstacles to economic development in Africa. (10 Marks)

**QUESTION THREE (20 MARKS)**

1. With aid of a diagram explain the Malthusian population trap. (10 Marks)
2. Discuss the measures that developing countries can embrace to control population expansion. (10 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss the economic effects of high inflation. (10 Marks)
2. Philips found a statistical relationship between unemployment and the rate of money wage inflation. Briefly explain the concept of the Phillips curve. (10 Marks)

**QUESTION FIVE (30 MARKS)**

The following information relates to a given economy;

Y = C+ I + G+X – M

C = $C\_{0}$+$C\_{1}$Y

I = $i\_{0}$+$i\_{1}$Y

M= $m\_{0}$+$m\_{1}$Y

G = $G\_{0}$

X= $X\_{0}$

**Required :**

1. (i) Name the endogenous and the exogenous variables in the model. (4 Marks)

(ii) Differentiate $C\_{0 }$and $C\_{1}$ and $m\_{0} $and $m\_{1}$ from the functions. (2 Marks)

(iii) Explain the state of the balance of trade in the economy when; (3 Marks)

1. x > m
2. x < m
3. x = m

(iv) Find the value of $\overbar{Y }$ in terms of Co,C1, io,i1,mo, $m\_{1}$, $x\_{0}$and $G\_{0}$ (6 Marks)

(v) Find the value of $\overbar{C}$. (5 Marks)

b) With aid of a diagram explain the production possibility curve in production of two commodities. (10 Marks