



“Investing in Africa’s future”

COLLEGE OF BUSINESS PEACE LEADERSHIP GOVERNANCE (CBPLG)

MEC403: DEVELOPMENT ECONOMICS

END OF SECOND SEMESTER FINAL EXAMINATIONS

JAN/MAY 2019

LECTURER: MR. GABRIEL MUZAH

DURATION: 3 HRS

INSTRUCTIONS

The Paper contains Six (6) Questions

Answer **any four (4) questions**

All questions carry equal marks (25).

DO NOT repeat material.

Write legibly. Write your answer clearly. Use numbered headings or subheadings to show which part of your answer refers to which question. Example: Question 2 (a)

Question 1

- a) What is the meaning of development? [5 Marks]
- b) Why is economics central to an understanding of development? [5 Marks]
- c) Discuss how the UN Sustainable Development Goals fit with this meaning? [15 Marks]

Question 2

- a) For most of human history, living standards remained constant at subsistence levels. This phenomenon can be represented by the Malthusian population trap model. With the help of a diagram, explain why this population trap is a stable equilibrium. [15 Marks]
- b) Most problems of the poor countries are attributed to large family sizes and resulting lack of resources. Discuss if one child policy a desirable solution? [10 Marks]

Question 3

- a) In the models we've studied in class all income is paid to households. Households spend money on consumer goods, where does the market for capital goods come from? [5 Marks]
- b) List Rostow's stages of economic growth. [5 Marks]
- c) With reference to the Harrod-Domar model, discuss the determinants of economic growth and inherent criticisms of the model? [15 Marks]

Question 4

International differences in income per capita are best understood using an augmented Solow growth model. In this model output is produced from physical capital, human capital, and labor, and is used for investment in physical capital, investment in human capital, and consumption. Discuss the implications of this model according to Mankiw, N. Gregory, David Romer, and David N. Weil. 1992. "A Contribution to the Empirics of Economic Growth." *The Quarterly Journal of Economics*, Vol. 107, No. 2, pp. 407-437? [25 Marks]

Question 5

Corruption is an ancient problem. In a treatise on public administration dating back to the fourth century B.C. in India, Kautiliya writes in his Arthashastra: "*Just as it is impossible not to taste the honey (or the poison) that finds itself at the tip of the tongue, so it is impossible*

for a government servant not to eat up, at least, a bit of the king's revenue. Just as fish moving under water cannot possibly be found out either as drinking or not drinking water, so government servants employed in the government work cannot be found out (while) taking money (for themselves)". (R. P. Kangle 1972, p. 91) Discuss how corruption affects economic growth? **[25 Marks]**

Question 6

With reference to two countries of your choice that are alike in many ways as possible except institutions. Discuss how institutions matter in the long run? **[25 Marks]**