



**AFRICA  
UNIVERSITY**

*(A United Methodist-Related Institution)*

***“Investing in Africa’s Future”***

**FACULTY OF MANAGEMENT AND ADMINISTRATION**

**COURSE TITLE: MEC 301-COMPARATIVE ECONOMICS**

**SEMESTER I: FINAL EXAMINATION NOVEMBER, 2013**

**LECTURER: MR OD MUSHAYABASA**

**TIME: 3 HOURS**

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### ***INSTRUCTIONS***

Answer Question 1 and *any* other three Questions. Total possible mark is **60**.

Start **each** question on a new page on your answer sheet.

The marks allocated to **each** question are shown at the end of the section.

Credit will be awarded for logical, systematic and neat presentations.

### **Question 1(Compulsory)**

Study the adapted extract and answer the questions 1(a), (b) and (c) below:

#### **The Decline of Command Economy**

In command economies of China, Cuba, Eastern Europe, Russia and some African countries, economic growth had declined steadily in the mid- 1980s. These planned, or command economies could not achieve the transformation from extensive growth to intensive growth. Why?

The economies were inefficient. They produced insufficient and shoddy goods. Foreign markets viewed these goods with disdain and derogatorily referring to them as “dollar -for-many” due to their susceptibility to wear and tear instantly after short use. These sub-standard items like clothes, electrical gadgets... are usually dumped on the markets.

Further, the economies lagged and trailed far behind the scientific and technological developments. How and why?

The virtual absence of private ownership was a significant drawback. Private ownership can be a very powerful incentive and stimulus to economic activity. Why and how?

Aggressively, reforms were made in the formerly command economies. How? Consumer influence became paramount; parameters for economic growth and performance were set. Plans and focus on economic growth were concertedly adhered to. Above all, profit maximization was an incentive to producing and selling large quantities of quality goods. High levels of technology and scientific approaches to production boosted massive outputs of quality goods for home and foreign consumption.

Source: Economics Thoughts: Grant, R.R (2008): Adapted.

- a) State any two countries that had Command economies.  
(2)
- b) How were the Command economies ***inefficient*** ?  
(6)
- c) Explain any two ways to transform the economies.  
(7)

## Question 2

Critically evaluate ***ONE*** economic performance determinant.  
(15)

## Question 3

With reference to a named economic system, explain

- (a) Ownership of resources.
  - (b) Allocation of resources.
  - (c) Role of government.
- (15)

## Question 4

Examine any ***three*** *advantages* and ***two*** *disadvantages* of a ***barter*** economy.(15)

## Question 5

To what extent has the ***confiscation*** of a named resource promoted economic growth in your country?  
(15)

**End of paper!!**