



SOUTH EASTERN KENYA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

FIRST SEMESTER EXAMINATION FOR THE BACHELOR OF ECONOMICS

XET 304: HISTORY OF ECONOMIC THOUGHT

DATE: 14TH DECEMBER, 2016

TIME: 10.30-12.30PM

INSTRUCTIONS TO CANDIDATES

- a) Answer Question ONE and any other TWO questions.
- b) Begin answering a new question on a separate page on the booklet provided
- c) Credit will be given to the clarity of argument and use of local examples.

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) State four benefits gained by studying the history of economic thought. (4 Marks)
- b) Explain the problems experienced by the mercantilist system (6 marks)
- c) Explain Adam Smith contribution to the theory of absolute advantage (10 marks)
- d) According to Thomas Malthus if man failed to control population by preventive checks, then the positive checks would take over. Discuss five positive checks Malthus had in mind. (10 marks)

QUESTION TWO (20 MARKS)

- a) When Kenya adopted the import substitution strategy for industrial development in 1965, the government advanced the infant industry argument to justify the self-reliance objective, and the protectionist policies that it adopted. Discuss this statement in relation to the fact that during the pre-liberalization period (before 1992) Kenya's trade policies and practices were very similar to those of mercantilists. (10 marks)
- b) Explain Ricardo's theory of comparative advantage in modern economy (10 marks)

QUESTION THREE (20 MARKS)

- a) The manorial system was so successful in serving its stakeholders (lords of the manor, priests, tenants, squatters and serfs) that this success led to the system's collapse. Discuss (10 marks)
- b) Explain five mercantilist beliefs (10 marks)

QUESTION FOUR (20 MARKS)

- a) With relevant examples compare the mercantilist practices in England and Today's trade practices in Kenya (10 marks)
- b) Briefly outline Karl Marx's critique of the classical system and show why his prediction that the capitalist system was doomed to collapse did not materialize. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Explain Jean Baptise Say's contribution to modern economic theory. (5 marks)
- b) What were the criticisms of J.B. Say's law of the markets? (5 marks)
- c) Adam Smith often referred to as father of economics had a great influence on the economic theory through his main work the "Theory of Moral Sentiments (1759) and The Wealth of Nations (1776)" discuss five basic contributions of Adam Smith to economic theory. (10 marks)