



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
SECOND YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS & ECONOMICS
BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS & RESOURCE MANAGEMENT**

COURSE CODE: ECO 2107

**COURSE TITLE: HISTORY OF ECONOMIC
THOUGHT I**

DATE : 2ND MAY 2018

TIME: 0830 – 1030 HRS

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

This paper consists of 3 printed pages. Please turn over.

QUESTION ONE

- (a) Discuss the contributions of the ancient Greek to development of economic thought. **(6mks)**
- (b) “The classical economic school of thought owes a lot of its basic principles to the short-lived school of physiocracy” Discuss the statement. **(6mks)**
- (c) From the following statements indicate if True-False.
- (i) Among the most notable achievements of A. A. Cournot was his development of $MR=MC$, the profit maximisation rule. **(1mk)**
 - (ii) Vilfred Pareto developed a theory of economic welfare that is still important today. **(1mk)**
 - (iii) David Ricardo’s law of comparative advantage asserts that net gains from trade will realised whenever the relative pre-trade production costs of various goods differ between countries. **(1mk)**
 - (iv) Say’s law is a key part of neoclassical theory rejected in Keynesian analysis of recession and development. **(1mk)**
 - (v) Karl Marx viewed increasing concentration of wealth and power as inevitably leading to a cyclical collapse of capitalist that would wither in a communist society. **(1mk)**
 - (vi) The quantity theory of money is of little importance in current monetarist theory. **(1mk)**
- (d) Keynes argues that “animal spirits” control investors’ decisions on how to allocate investment resources, resulting in irrational investment decisions and excessive volatility of investments. When Keynes then looks ahead, what does he expect to see happen to stabilize investment behavior in the future? **(5mks)**
- (e) Explain David Ricardo’s contribution to labor theory of value. **(2mks)**

QUESTION TWO

- (a) Alfred Marshall favored partial equilibrium over general equilibrium analysis. Discuss his key contributions to economic analysis. **(6mks)**
- (b) Discuss the contributions of the Swedish School thought to economic theory. **(4mks)**
- (c) Discuss Kenneth Arrow's criteria for evaluation of social welfare. **(5mks)**

QUESTION THREE

- (a) State Thomas Malthu's law of population and show its' relevance to Kenya today than it was to his home country Britain. **(4mks)**
- (b) Compare the ideas of John Locke and Thomas Hobbes. **(6mks)**
- (c) Explain the divergence of mercantilists and physiocrats ideas to the beneficiaries. **(5mks)**

QUESTION FOUR

- (a) Adam Smith argues that foreign trade is a critical component in a nations wealth creation. Discuss. **(8mks)**
- (b) Explain the convergence of the utilitarianism concern for John Stuart Mill and Jeremy Bentham. **(7mks)**

QUESTION FIVE

- (a) Karl Marx described his views as 'Scientific Socialism'. Discuss. **(6mks)**
- (b) Compare and contrast the ideas of Menger, Jevons and Walras, the three economists who are credited with initiating the marginal revolution in economics. **(9mks)**

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