MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2018/2019 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF ARTS IN ECONOMICS

COURSE CODE: ECO 419
COURSE TITLE: ECONOMICS OF LABOUR AND

INDUSTRY II

INSTRUCTIONS TO CANDIDATES

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

*This paper consists of **three** printed pages. Please turn over.*

QUESTION ONE

a) Use a 2-market migration model to demonstrate that wage differentials cannot persist in the presence of perfect competition and perfect factor mobility **6 marks**

b) Discuss how the following strategies can be used by the government to realize import substitution objectives: **9 marks**

i)   Import tariffs
ii)   Exchange rate targeting
iii)   Export duty waivers

c) Highlight any 5 negative points against protectionism policy as an import substitution strategy. **10 marks**

QUESTION TWO

a) With the aid of a well-labeled diagram illustrate the impacts of payroll tax assessed on workers **7 marks**

b) In your opinion, explain any 4 policies that the government can use to increase the level of industrialization in the country. **8 marks**

QUESTION THREE

a) Discuss any 3 labor market regulation tools (apart from subsidies) usable by the government, giving merits and demerits of each. **9 marks**

b) Critique the use of subsidies as a labor market regulation tool **6**

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marks

QUESTION FOUR

a) Discuss 4 ways in which firms may counter labor market regulations as imposed by public authorities **8 marks**

b) You are given the following sales data for an 8-firm oligopoly market

Firm	1	2	3	4	5	6	7	8
Sales (in KShs. "millions")	550	700	800	50	59	24	19	93

Compute and comment on:
i)   5-firm concertation ratio **2 marks**

ii)   3-firm 5-firm concertation ratio **2 marks**

iii)   Herfindahl –Hirschman Index **3 marks**

QUESTION FIVE

a) Suppose we have the following simultaneous game where the first value in every cell is Firm 1's payoff:

Player 1	Player 2		
		Left	Right
	Top	2, 4	6, 3
	Bottom	3, 1	4, 5

i) Outline and illustrate all pure strategies **4 marks**

ii)   Outline and illustrate all mixed strategies **4 marks**

iii)   Show that the mixed strategy Nash equilibrium is an inefficient outcome **1**

b) Explain any 3 pricing strategies which oligopolists may adopt as competition strategies

6 marks

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