



(University of Choice)

**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

MAIN

**UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR**

THIRD YEAR FIRST SEMESTER EXAMINATIONS

FOR

BSC ECONOMICS AND BCS MATHEMATICS AND STATISTICS

COURSE CODE: ECO 306

COURSE TITLE: HISTORY OF ECONOMIC THOUGHT I

DATE: WEDNESDAY, 13-12-2023

TIME: 8:00 -10:00

INSTRUCTIONS TO CANDIDATES

ATTEMPT QUESTION ONE AND ANY OTHER TWO

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over

QUESTION ONE (30 Marks)

- a) Differentiate between the History of Economic Thought, Economic History and History of Economics (3 Marks).
- b) According to Jhingan et al (ibid), economic thought can be studied and analyzed by adopting different approaches. List and clearly explain four approaches. Why do you think the approach according to J.M. Keynes is considered ideal? (5 Marks)
- c) Discuss the ideas advanced by Adam Smith on, laissez-faire and the Invisible hand of the market in the regulation of the Economy. (8 Marks)
- d) What were the roles of the state in the Economy according to Adam Smith? (8 Marks)
- e) What do you understand by the term mercantilism?(2 Marks)
- f) Discuss two factors that shaped Mercantilism (4 Marks).

QUESTION TWO (20 Marks)

- a) What is meant by the term 'Marginalism'? Why is it important to the history of economic thought?
- c) What is meant by the term 'Marginalism'? Why is it important to the history of economic thought?
- a) What is meant by the term 'Marginal utility'? Why is it important to the history of economic thought? (3 Marks)
- b) Explain the three central assumptions of the neoclassical theory of economic thought? (9 Marks)
- c) Explain any three concepts which arose from marginalize. (4 Marks)
- d) Perfect competition is one of the critical concepts within the neoclassical theory of economics. List and explain two assumptions required to arrive at this conclusion? (4 Marks).

QUESTION THREE (20 Marks)

- a) According to David Ricardo, in what circumstances will land generate rent? (2 Marks)
- b) What do you understand by the terms comparative advantage and absolute advantage as used by David Ricardo. (4 Marks)
- c) Countries can gain mutual national benefit from trade even if one country is more

competitive in every area than its trading counterpart. Explain? (2 Marks)

d) Two countries in East Africa, Kenya and Uganda are engaged in the production of bread and wine. Kenya can produce one bottle of wine with five hours of labor and one loaf of bread with ten hours. Uganda workers, on the other hand, are more productive. They produce a bottle of wine with three hours of labor and a loaf of bread with one hour. The information is illustrated in the table below.

Country	Kenya	Uganda
Labour	Labour Hours	
Wine	5	3
Bread	10	1

i). Explain of the two countries which one has a comparative advantage in the production of which product. (2 Marks).

ii). Kenya's Cabinet Secretary for Trade, Tourism and Industrial Development has convened a meeting of senior technical officers and has invited you to provide a professional advice and a justification on whether Kenya and Uganda Should engage in trade. Explain how you will guide the Ministry in choosing the correct option in this scenario using the information in the table above (10 Marks).

QUESTION FOUR (20 Marks)

a) History of economic thought is a history of errors. Explain why it is still important to study history of economic thought. (8 Marks)

b) Citing appropriate examples explain why economics is different from economists. (4 Marks)

c) History of economic thought can be studied by adopting different approaches and different time periods. Discuss.(8 Marks)

QUESTION FIVE (20 Marks)

a) The Hebrews are considered to be the ancient civilization of the world. Discuss their economic ideas. (6 Marks)

b) According to Karl Marx Capitalists make profits by exploiting the workers. Discuss the criticism that Marx levels against the capitalists and why he thought that they should not make any profit. (6 Marks)

c) What do you understand by labour theory of value? What were its criticism? What is the alternative? (8 Marks)

