

**UNIVERSITY OF KABIANGA**

**UNIVERSITY EXAMINATIONS**

**2014/2015 ACADEMIC YEAR**

**SUPPLIMENTART/SPECIAL EXAMINATION**

**FOURTH YEAR FIRST SEMESTER EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF ARTS (ECONOMICS)**

**COURSE CODE: ECO 423**

**COURSE TITLE: ECONOMIC POLICY ANALYSIS**

**DATE: 27TH AUGUST, 2015**

**TIME: 9.00 A.M- 12.00 P.M**

**INSTRUCTIONS TO CANDIDATES:**

Answer question **ONE** and any other **THREE** questions.

**QUESTION ONE (25 MARKS)**

1. Discuss six major economic functions of a government such as Kenya.
2. Explain five factors that lead to government failure.

**QUESTION TWO (15 MARKS)**

1. What are the main reasons for government intervention in the market?
2. Explain the four government interventions in the market to close the information gap.

**QUESTION THREE (15 MARKS)**

1. Different forms of government intervention in the market are never neutral. Explain
2. What considerations would you recommend as a policy maker to evaluate the effectiveness of government intervention in the market.

**QUESTION FOUR (15 MARKS)**

1. Distinguish between positive and negative externalities.
2. Explain how taxes are used to correct an external externality in an economy.
3. Highlight three uses of tax revenue collection with regard to existence of a negative externality.

**QUESTION FIVE (15 MARKS)**

1. Explain the major economic challenges facing the agricultural sector in Kenya today.
2. As a policy maker, what would you recommend as policy options open to the government of Kenya to mitigate the issues in (a) above.

**QUESTION SIX (15 MARKS)**

1. Briefly explain the policy of District Focus for Rural Development as adopted in Kenya in the 1980’s.
2. What were the challenges that faced the implementation of the policy in (a) above.