



UNIVERSITY OF EMBU

2016/2017 ACADEMIC YEAR

SECOND SEMESTER EXAMINATION

FOURTH YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE
IN AGRICULTURE (ECONOMICS OPTION)

AEC 406: INSTITUTIONAL ECONOMICS

DATE: APRIL 5, 2017

TIME: 2:00-4:00PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

- a) Explain the three main contributions of Institutional Economics to the field of economics. (6 marks)
- b) Explain the following terms as used in Institutional Economics:
- i) Institutions (4 marks)
 - ii) Rules (4marks)
 - iii) Norms (4 marks)
- c) Discuss three challenges experienced by small-scale agriculture in Kenya. (6 marks)
- d) Differentiate between formal and informal rules. (6 marks)

QUESTION TWO

- a) Discuss three alternative responses to asymmetric information. (12 marks)
- b) Discuss the problems experienced in rural areas in Kenya. (8 marks)

QUESTION THREE

- a) Explain the term adverse selection and cite the transaction problems it poses. (6 marks)
- b) Explain three broad categories of institutional arrangements in the exchange process. (8 marks)
- c) Citing relevant examples in agriculture explain what economic institutions are.
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(3 marks)

d) Citing relevant examples in agriculture explain the term “asset specificity”. (3 marks)

QUESTION FOUR

a) Citing a relevant example in agriculture explain the term asymmetric information.

(5 marks)

b) Explain three main roles of economic institutions.

(9 marks)

c) Briefly discuss what moral hazard is and explain the transaction problems it poses.

(6 marks)

QUESTION FIVE

a) Citing relevant examples contrast between institutions and organizations.

(8 marks)

b) Discuss three sources of transaction costs.

(6 marks)

c) Discuss three dimensions of transaction costs

(6 marks)

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