FACULTY OF ECONOMIC AND FINANCIAL SCIENCES

DEPARTMENT OF ECONOMICS AND ECONOMETRICS

SUBJECT:	ECONOMICS 3B	**DATE**	December 2017
CAMPUS:	SWC	**TIME**	(2 Hours)
ASSESSMENT:	Supplementary Exam	**MARKS**	100
EXAMINER:	MR. S. Rooderick	**PAGES**	2

Internal examiner: Mr. T. Gopane

External examiner: Prof Tendai Gwatidzo

STUDENT NUMBER _____

CONTACT NUMBER

_____

_____

INSTRUCTIONS:

1. Use mark allocation as a guide to what is required.

2. Round your final answers to two decimal places.

3. Answer all questions.

4. Non-programmable calculators are permitted.

5. You are not allowed to use cell phone as calculator.

5. It is in your interest to show all workings.

6. Label all diagrams and graphs.

7. Write neatly.

Section A: Development, poverty and inequality **(40)**

1. You are required to differentiate between:

    a. Economic development and economic growth (5)

    b. Gross National Income and Gross Domestic Product (5)

    c. Objective and subjective poverty (5)

2. Name and explain three objectives of development [10]

3. Explaining three limiting cases of dualistic development, in each case explain the impact on income, poverty and inequality [15]

Section B: Market failure **(60)**

1. You are required to explain the concept of the market failure. Your answer must include the definition of market failure, and two consequences of market failure [10]

2. Government Failure and Public Goods

    a.) You are required to define government failure. (3)

    b.) Government failure is the same as market failure under certain conditions. Yes, or No. (2)

    c.) Give 5 causes of government failure (10)

3. State four factors that an economist will have to consider in order to evaluate the effect or success of government intervention [10]

4. Draw and explain a diagram of External Cost (or negative externality) [15]

5. Explain the concept of positive economic externality and why this form of externality is a reason for government to provide the necessary development finance [10]

-- End --