



**FACULTY OF ECONOMIC AND FINANCIAL SCIENCES**

**DEPARTMENT OF ECONOMICS AND ECONOMETRICS**

<b>SUBJECT</b>	ECONOMICS 3B	<b>DATE</b>	November 2017
<b>CAMPUS</b>	SWC	<b>TIME</b>	(2 Hours)
<b>ASSESSMENT</b>	Exam	<b>MARKS</b>	100
<b>EXAMINER:</b>	Mr M.S Rooderick	<b>PAGES</b>	2
<b>Internal Examiner:</b> Mr T. Gopane			
<b>External examiner:</b> Prof Tendai Gwatidzo			

**STUDENT NUMBER** \_\_\_\_\_

**CONTACT NUMBER** \_\_\_\_\_  
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- 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 (50)**

1. Define the word "Development" (2)
2. Contrast traditional view of development with a new view of development (4)
3. Name and briefly explain three core values of development (6)
4. Define and give a formula for each of the following
  - 4.1. Headcount poverty ratio (4)
  - 4.2. Total poverty gap (4)
  - 4.3. Lorenz curve (use a graph) (4)
5. Explain three reasons why inequality above poverty line is bad (10)
6. Using Lorenz curve, explain three limiting cases of dualistic development, in each case explain the impact on poverty, income and inequality (16)

**Section B: Market failure (50)**

1. Market Failure Theory. You are required to define market failure. Your answer must also include the meaning of [10]
  - a. Allocative inefficiency
  - b. Productive inefficiency
  - c. Technical inefficiency
  - d. Social inefficiency
2. State and explain 7 reasons for market failure. Do not discuss. (10)
3. Government Failure and Public Good (15)
  - 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)
4. Draw and explain a diagram of External Cost (or negative externality) (15)

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