

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ECONOMICS**

JUN 2025

**MSc ECONOMICS**

**CONTEMPORARY ISSUES IN DEVELOPMENT ECONOMICS (MEC 504)**

**EXAMINATION**

**DURATION: 3 HOURS**

**INSTRUCTIONS TO CANDIDATES**

1. Answer any three questions from section B
2. Answer any four (4) questions
3. The paper carries six questions
4. All questions carry equal marks of 25 each
5. The use of cellphones is not allowed in the exam

**Question 1**

Consider an economy whose production function is characterized by the following Cobb-Douglass expression:  $Y = K^\alpha L^{1-\alpha}$

where, K and L denote the amount of capital and labour employed respectively and  $0 < \alpha < 1$ .

(a) Let  $y = Y/L$  and  $k = K/L$ .

i) Express  $y$  in terms of  $k$ . (7 marks)

ii) Explain whether or not output per capita  $y$  exhibits decreasing marginal returns to capital intensity  $k$ . (8 marks)

(b) Let  $r$  be the cost per unit capital and  $w$  the wage rate per unit labour. It is known that  $r = dY/dK$  and  $w = dY/dL$ . Show that  $y = rk + w$ . (10 marks)

[25 marks]

**Question 2**

(a) Discuss the shortcomings of using per capita GDP for cross country comparison of welfare. (10 marks)

(b) Discuss three other methods of measuring welfare and describe the advantages and disadvantages of each method. (15 marks)

[25 marks]

**Question 3**

Compare and contrast the opinions of Easterly, W.(2004). "*The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*" and Moyo, D. (2007). "*Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*" on Overseas Development assistance. [25 marks]

**Question 4**

On the basis of the book, Sachs, J. (2006). "*The End of Poverty: Economic Possibilities of Our time*".

(a) Detail the poverty traps that developing countries are trapped in. (15 marks)

(b) Discuss the strategies proposed to eradicate extreme poverty. (10 marks)

[25 marks]

**Question 5**

Critique Diamond's evolutionary biological approach to economic development.

[25 marks]

**Question 6**

Discuss the growth of developing countries before and after World War II.

[25 marks]

**END OF PAPER**