
UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF ECONOMICS

MASTER OF SCIENCE DEVELOPMENT ECONOMICS

MDE 5201: INSTITUTIONAL ECONOMICS OF DEVELOPMENT

DURATION: 3 HOURS

DATE: 25th November 2023

INSTRUCTIONS

The paper is divided into two sections. **Section A** and **Section B**.

Section A is compulsory.

Attempt **any three** questions in section B.

Use of relevant examples and illustrations is very crucial.

SECTION A: COMPULSORY (40 MARKS)

QUESTION ONE

- a) The ever-rising levels of unemployment in the developing countries can be positively correlated to the institutional set up of these countries. Relating to Uganda's economy, justify the statement. (10 marks)
- b) Politics and economics are synonymous. Explain the link between political economy and economic institutions in Uganda. (10 marks)
- c) Informal institutions inform the formal institutions set up. Using relevant illustrations, relate the statement to Uganda's economy. (10 marks)
- d) Compared to the agricultural sector of advanced economies, what are special attributes about the Agricultural sector of African economies? Explain the special features of agricultural sector in African context. (10 marks)

SECTION B

ATTEMPT ANY THREE QUESTIONS. All questions carry equal marks

QUESTION TWO

- a) 'Institutions give a unique definition of different entities and economies'. Explain the fundamental elements of institutions which are used to distinguish them in different dimensions. (10 marks)
- b) Examine the elements of transaction costs and why they are highly considered in institutional economics. (10 marks)

QUESTION THREE

Suppose there is an institution in Uganda that standardize and grade beef for the export market.

- a) What possible information mismatch is this likely to face? (10 marks)
- b) How can the identified mismatch be corrected to allow efficient operation of the market?
(10 marks)

QUESTION FOUR

- a) Conventional economists especially the neo classical economists, differ in their submission on market operations from the institutional economists. Examine the market defects emphasized by the institutionalists that the neoclassical economists could not foresee. (10 marks)
- b) With reference to the coase theorem, explain how the externality problem can be settled by private individuals. (10 marks)

QUESTION FIVE

- a) With relevant examples, describe property rights and the stick of bundles. (10 marks)
- b) Explain how the tragedy of commons can be handled by policy makers to influence better resource utilization? (10 marks)

QUESTION SIX

a) Managers are no longer preoccupied with profit maximisation, but rather sales maximisation as explained by Prof. Baumol. Using illustrations, elaborate the statement.

(10 marks)

b) Explain the reasons behind sales maximisation strategy as a key focus of current firms, use relevant examples (10 marks).

END