

SECTION A (20 MARKS)

1. (a) (i) What is a laissez-faire economy? — CLF (01 mark)
 (ii) State any three demerits of a Laissez-faire economy. (03 marks)
- (b) (i) Define aggregate demand. (01 marks)
 (ii) Outline any three components of aggregate demand in an open economy.
Individual exp
Company exp
Govt exp (03 marks)
- (c) Outline any four factors that determine the level of savings. (04 marks)
- (d) (i) Define the term foreign exchange rate control as used in economics. (01 marks)
 (ii) Mention three objectives of foreign exchange rate control in an economy. (03 marks)
- (e) Give four ways by which public enterprises are privatized. (4 marks)

SECTION B

2. (a) Explain the role of price mechanism in an economy. (8 marks)
 (b) Examine the implications of price mechanism in an economy. (12 marks)
3. (a) Why is education considered to be an investment? (4 marks)
 (b) Explain the role of education in the economic development of LDCs. (16 marks)
4. (a) Distinguish between bi-lateral aid and multi-lateral aid. (4 marks)
 (b) Assess the impact of foreign aid on the development of an economy. (16 marks)
5. (a) Given that the volume of money in an economy is \$40 Billion, total number of transactions is \$ 400million and the rate at which money changes hands is 50. Compute the general price level. (4 marks)
 (b) Explain the conditions necessary for effective operation of Irving Fisher equation of exchange. (16 marks)
6. (a) Discuss the causes of unemployment in an economy. (10 marks)
 (b) Explain the effects of unemployment in an economy. (10 marks)
7. (a) Explain the benefits of regional economic integration. (10 marks)
 (b) Examine the factors that have undermined the achievement of regional economic integration in developing countries. (10 marks)
8. (a) Distinguish between direct taxes and indirect taxes. (4 marks)
 (b) Assess the impact of direct taxes on an economy. (16 marks)

END