MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2017/2018 ACADEMIC YEAR
FOURTH YEAR SECOND SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF ARTS IN ECONOMICS

COURSE CODE: ECO 419
COURSE TITLE: ECONOMICS OF LABOUR AND INDUSTRY II

DATE: TIME:

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

QUESTION ONE

(a) Define the following terms as used in economics of labor and industry
(i) Clearing wage
(ii) Worker surplus
(iii) Mandated benefits
(iv) Import substitution
(v) Predatory pricing

(5 marks)

(b) Using a two-market migration model, demonstrate that in the presence of competition and perfect factor mobility, the wage differentials cannot persist **(10 marks)**

(c) Discuss any five tools of labor market regulation that can be used by the government **(10 marks)**

QUESTION TWO

(a) Suppose we have the following simultaneous game where the first value in every cell is Firm 1's payoff:

		Player 2	
		Left	Right
Player 1	Top	4, 8	12, 6
	Bottom	6, 2	8, 10

Outline and illustrate all pure strategies and mixed strategies. Show that the mixed strategy Nash equilibrium is an inefficient outcome **(7 marks)**

(b) An eight-firm oligopoly market has the following sales data

Firm	1	2	3	4	5	6	7	8
Sales 'millions"	500	650	750	45	56	4	23	89

Compute and comment on:
(i) 6-firm concentration
(ii) 4-firm concentration ration
(iii) Herfindahl –Hirschman Index

(6 marks)

(c) Briefly explain any two types of collusions usable by oligopolists

(2 marks)

QUESTION THREE

(a) Discuss any 5 import substitution strategies that a country may use as a means of promoting industrialization **(10 marks)**

(b) Give any 5 detailed critiques for import substitution **(5 marks)**

QUESTION FOUR

(a) With the aid of a well-labeled diagram illustrate the impacts of payroll tax assessed on firms **(6 marks)**

(b) Discuss 4 ways in which firms may counter labor market regulations as imposed by public authorities **(8 marks)**

QUESTION FIVE

(a) Explain 3 industrialization strategies used in various countries

(9 marks)

(b) Use the asymmetric information model and the accident model to explain why strikes occur in the labor market **(6 marks)**

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