

**THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL
ADVANCED CERTIFICATE OF SECONDARY EDUCATION
EXAMINATION**

151/2

ECONOMICS 2

(For Both School and Private Candidates)

Time: 3 Hours

Monday, 08th May 2017 a.m.

Instructions

1. This paper consists of **eight (8)** questions in sections A and B.
2. Answer **five (5)** questions, choosing at least **two (2)** questions from each section.
3. Each question carries **twenty (20)** marks
4. Non programmable calculators may be used.
5. Cellular phones are **not** allowed in the examination room.
6. Write your **Examination Number** on every page of your answer booklet(s).

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SECTION A

Answer at least **two (2)** questions from this section.

1.
 - (a) Define aggregate demand.
 - (b) Describe four determinants of the aggregate demand.
 - (c) Briefly explain the meaning of the following concepts:
 - (i) Leakages
 - (ii) Injections
 - (iii) Deflationary gap
 - (iv) Inflationary gap
 - (v) Balanced Budget multiplier.

2.
 - (a) Suggest four measures which can be adopted in managing the public debt.
 - (b) Examine four ways of classifying the public debt.

3.
 - (a) “The more liquid an asset is the less profitable it becomes.” Justify this contention by devising five ways used by the commercial banks to reconcile the two conflicting motives of liquidity and profitability.
 - (b) Describe how each of the following monetary policy instruments works to control money supply in the economy:
 - (i) Open market operations.
 - (ii) Bank rate or discount rate.
 - (iii) Reserve requirement ratio.
 - (iv) Selective credit control.
 - (v) Moral suasion.

4.
 - (a) Define the following economic concepts:
 - (i) Transport
 - (ii) Communication.
 - (b) Examine eight roles played by transport and communication in the economy of your country.

SECTION B

Answer at least **two (2)** questions from this section.

5. Agriculture is the backbone of the Tanzanian economy. Account for ten measures which may be adopted to improve production in the agricultural sector.

6. (a) “Adequate capital formation leads into a greater degree of economic growth.”
Substantiate this statement with six arguments.
- (b) Describe the meaning of the following economic concepts:
- (i) Economic dependence
 - (ii) Economic interdependence
 - (iii) Social infrastructure
 - (iv) Economic infrastructure.
7. “Economic integration is not only an imperative for the developing countries like Tanzania but also a bitter pill to be swallowed by these countries.” Critically discuss this contention by giving six advantages and four disadvantages of economic integration.
8. (a) Briefly explain the following economic concepts:
- (i) The theory of absolute advantage
 - (ii) The theory of comparative advantage
 - (iii) Recycling of raw materials
 - (iv) Primary products
 - (v) Protectionism
 - (vi) Strategic dumping.
- (b) Study the data given in the table below and answer the questions which follow:

| Countries | Commodities (Tons per man hour) | |
|-----------|---------------------------------|--------------|
| | Tea (tons) | Sisal (tons) |
| Tanzania | 18 | 12 |
| Kenya | 9 | 4 |

- (i) Which country has got absolute advantage in the production of Tea?
- (ii) Which country has got a least cost comparative disadvantage in the production of Sisal?
- (iii) Which country has got comparative advantage in the production of Tea?
- (iv) How should the two countries specialize to gain in specialization?