

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

151/2  
ECONOMICS 2  
ECONOMIC DEVELOPMENT  
(For Both School and Private Candidates)

Time: 2 Hours 30 Minutes

2006 February, 17 Friday, a.m.

---

**INSTRUCTIONS**

1. This paper consists of ten (10) questions in sections A and B.
2. Answer five (5) questions choosing at least two (2) questions from each section.
3. All questions carry equal marks.
4. Cellular phones are not allowed in the examination room.
5. Write your Examination Number on every page of your answer booklet(s).

## SECTION A

1. The per capita income in country A is shs. 800,000 while the per capita income in country Z is shs. 1,000,000. However, the standard of living in country A is higher than that in country Z. Explain the factors which may be in play in the two countries.

2.

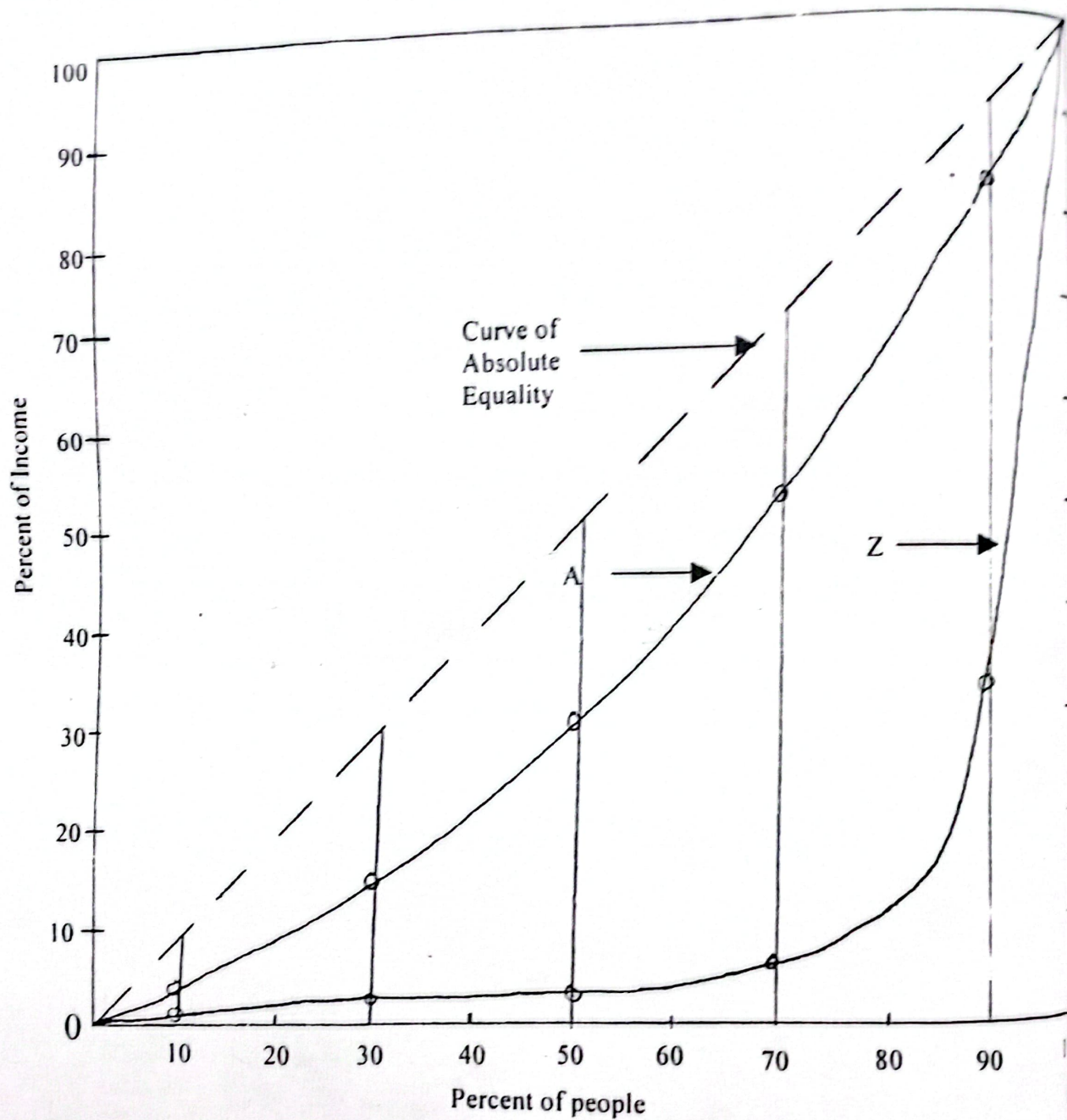


Fig. 1

Figure 1 above shows two countries' Lorenz curves of income distribution (A and Z). Other things being equal:

- Which of the two countries do you think has a fair income distribution than the other, and why?
- In which of the two countries do you think it is easier to alleviate (reduce) poverty, and why?



3. In the context of Tanzania, account for the existence of structural and casual unemployment.
4. Study figure 2 below which represents economic recession as demonstrated by a decline in aggregate demand.

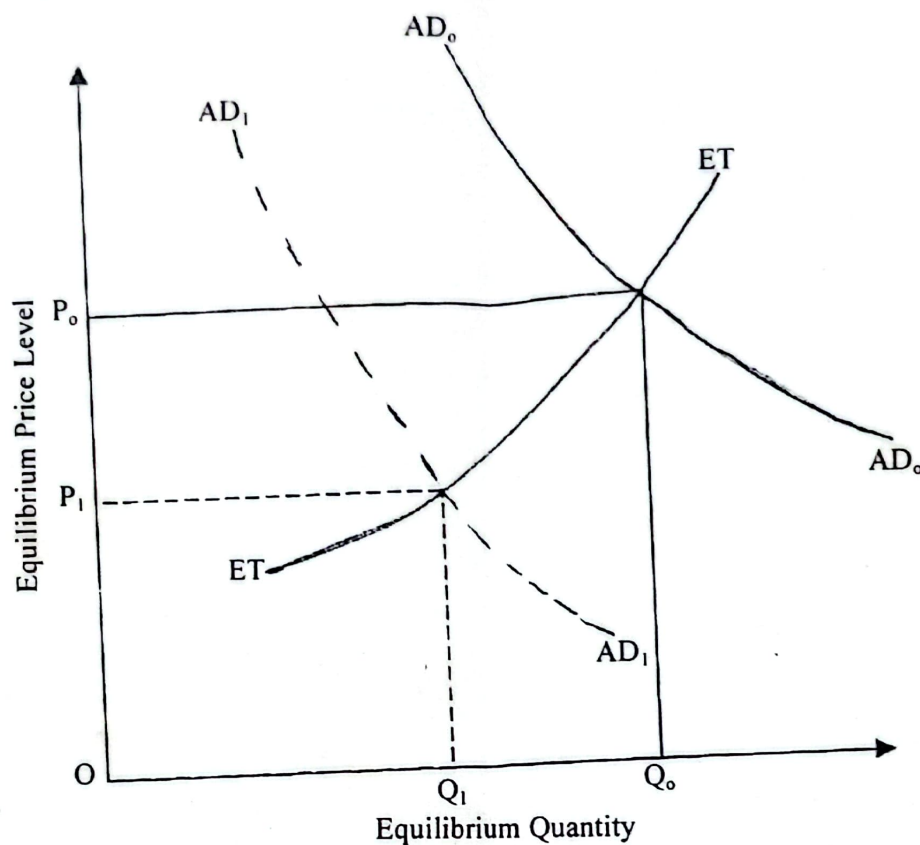


Fig. 2

AD = Aggregate Demand in the whole economy.

ET = Economic Trend.

Figure 2 above, shows what happens in an economy when it is faced with a decline in aggregate output. Explain the factors which generally cause such aggregate demand curves to shift e.g. from  $AD_0$   $AD_0$  to  $AD_1$   $AD_1$ .

5. How can money supply in an economy be controlled by the Central Bank?

## SECTION B

6. Explain why in a developing country like Tanzania much of government revenue is collected from indirect taxes.
7. (a) Distinguish between balance of trade and balance of payments.  
(b) Argue why it is always safer to have a favourable balance of trade than to have a favourable balance on the capital account.

8. (a) What are the advantages of international economic integration?  
(b) Explain two (2) forms of international economic integration.
9. What are the main features of an economic plan?
10. Why is the tertiary sector especially finance and banking still small compared to the primary and secondary sectors in Tanzania in terms of employment?