

ECONOMICS SEMINAR GUIDE HELD ON SAT. 6TH.OCT. 2018

SECTION A

1. (a) (i) **Define the term absolute monopoly.**
Absolute monopoly is a market situation where there is a single producer of a commodity with **no substitutes at all**.
- (ii) **Given any three reasons for the control of monopoly in Uganda.**
- ✓ To reduce consumer exploitation.
 - ✓ To avoid shortages caused by breakdown of monopoly firms.
 - ✓ To increase output /economic growth.
 - ✓ To promote innovations and inventions.
 - ✓ To improve quality of output.
 - ✓ To widen consumer choices /To promote production of a variety of commodities.
 - ✓ To promote resource utilization/To control excess capacity.
 - ✓ To reduce income inequality/To ensure fair distribution of income and wealth.
 - ✓ To reduce underemployment and unemployment of labour/To create more employment opportunities.
 - ✓ To reduce exploitation of workers.
- (b) (i) **Define the term liquidity preference.**
Liquidity preference is the desire by individuals to hold wealth / assets in cash form or near cash form.
- (ii) **Give any three factors that influence the level of liquidity preference in Uganda.**
- ✓ Level of income
 - ✓ Rate of inflation/General price level.
 - ✓ Level of transaction/Level of cash transactions.
 - ✓ Degree of uncertainty
 - ✓ Level of development of commercial banks and other financial institutions
 - ✓ Degree of knowledge of services provided by commercial banks
 - ✓ Nature of requirements for opening and operating bank accounts
 - ✓ Interest rate on financial assets.
 - ✓ Level of speculation
 - ✓ Level of literacy.
- (c) (i) **Distinguish between Horizontal merging of firms and vertical merging of firms.**
Horizontal merging is the union / combination of two or more firms in the same industry and at the same stage of production so as to enjoy economies of scale
e.g. Union of two or more tea processing firms in the tea industry.
While
Vertical merging is the union/combination of two or more firms in the same industry and at the different stage of production so as to enjoy economies of scale.
- (ii) **Give any three merits of horizontal merging of firms.**
- ✓ It reduces duplication of goods and services.
 - ✓ It encourages efficient utilization /exploitation of resource.
 - ✓ It encourages efficiency of firms.
 - ✓ It reduces the average cost of production e.g. cost of advertising.
 - ✓ It reduces competition for raw-materials among firms.

- ✓ It reduces / lowers prices due to low average costs of production.
- ✓ It helps to access better technology.
- ✓ It increases access to capital/loans.
- ✓ Research is made possible.
- ✓ Merging reduces stiff competition for the market.
- ✓ Sharing of risks is possible.

(d) (i) Distinguish between real income and money income.

Real income is the purchasing power of money/nominal income.

While

Money income is the income expressed in monetary/money terms.

(ii) Mention any three factors that limit the size of real income in Uganda.

- ✓ High general price level/high rate of inflation.
- ✓ High levels of taxation.
- ✓ Small size of the money/nominal income.

I (i) What is meant by 'tariff barriers'?

Tariff barriers (TBs). These are restrictions put to control international trade **through the use of taxes** e.g. import and export duties.

(ii) Give any three uses of 'tariff barriers' in Uganda.

- ✓ Used to raise government revenue
- ✓ Used to protect infant industries
- ✓ Used to discourage the importation of undesirable goods
- ✓ Used to improve on the balance of payment position.

(f) (i) Define the term trade liberalization.

Is the removal of unnecessary controls on trade hence giving people the liberty to engage in trade without undue government controls e.g. total ban, quotas, tariffs, administrative controls e.t.c to increase value, volume and benefits of trade.

(ii) Mention any three reasons why there is need for trade liberalization in Uganda.

- ✓ To generate more employment opportunities.
- ✓ To increase the level of output (to promote economic growth)
- ✓ To promote resource utilization.
- ✓ To control (structural) inflation.
- ✓ To improve quality of goods and services.
- ✓ To increase tax revenue to government.
- ✓ To encourage inventions and innovations (to promote technological transfer).
- ✓ To widen consumer choices.
- ✓ To encourage foreign investment (to encourage inflow of capital).
- ✓ To develop labour skills.
- ✓ To reduce income and wealth inequalities among people and regions.
- ✓ To promote development of entrepreneurial skills.
- ✓ To promote economic diversification.
- ✓ To promote development of infrastructure.

(g) (i) Define the term mobility of capital.

Mobility of capital is ease with which capital moves from one occupation or geographical area to another.

Or:

Is the ease with which capital moves either geographically or occupationally.

(ii) State any three causes of immobility of capital in Uganda

- ✓ Fixed nature of some capital e.g. land.
- ✓ Excessive weight which limits portability e.g. heavy machines are not easily moved from one place to another.
- ✓ High costs involved in transporting capital from one place to another.
- ✓ Unfavourable government policy on movement of some forms of capital to other places/areas.
- ✓ Low payments offered in alternative location /use.
- ✓ High degree of specificity of capital e.g. a concrete mixer cannot perform any other function apart from what it is meant to do.

(h) (i) Distinguish between balance of payment and terms of trade.

Balance of payment is the difference **between receipts from both** visible and invisible exports and payments for both visible and invisible imports of a country during a given period of time and it includes capital inflows and outflows.

Or:

Balance of payment is the difference between a country's income/receipts from abroad and expenditure/payments abroad during a given time.

While;

terms of trade is the ratio of price index of exports to price index of imports (in a given period of time)

Or **Terms of trade** is the rate at which the country's exports are exchanged for

imports.

(ii) State any three demerits of balance of payment deficit in Uganda.

- ✓ It leads to a reduction in the volume of imports due to foreign exchange shortage.
- ✓ It limits the level of employment opportunities due to low income and limited investments.
- ✓ It leads to inflation in an economy due to limited ability to import and supplement local production.
- ✓ It encourages currency depreciation due to limited foreign exchange earnings.
- ✓ It retards economic growth and development due to limited foreign exchange to expand production.
- ✓ It leads to increased external borrowing hence increased indebtedness.
- ✓ It leads to high taxation levels on people and business enterprises in order to raise funds for import expenditure.
- ✓ It leads to low standard of living due to limited availability of imported goods of good quality.
- ✓ It makes the government in power to become unpopular.
- ✓ It creates a shortage of foreign exchange reserves.

SECTION B

1. (a) Distinguish between economic growth and economic development.

Economic growth is the **persistent quantitative increase** in the volume of goods and services

produced in a country in a given period of **time**.

Or:

Economic growth is the persistent quantitative increase in the GNP/GDP of an economy over time.

While;

Economic development is the persistent increase in the quantity and quality of goods and services produced in a country in a given period of time.

Or;

Economic development is the persistent qualitative and quantitative increase in GDP over a long period of time.

(b) Discuss the causes of under development in Uganda.

Hint: In the explanation of the point, the aspect of underutilization of resources and low production of goods and services must be shown.

1. Limited strategic natural resources e.g. iron and coal.
2. Limited labour skills.
3. Low levels of Accountability / Corruption.
4. Poor land tenure system.
5. Limited capital.
6. Limited entrepreneurship skills.
7. Poor infrastructure e.g. poor roads.
8. Poor technology/low levels of technology.
9. Political instability.
10. Low income levels.
11. High inflation rates.
12. Limited market.
13. High population growth rate.
14. Limited investment incentives/unfavourable government policy on investment.
15. Dependence on Agriculture.
16. Dominance of the subsistence sector.
17. Conservatism/Cultural rigidities.
18. Unfavourable terms of trade.
19. High rates of capital and profit repatriation.
20. Unfortunate structural adjustment programmes (SAPS).

2. (a) Account for the poor terms of trade in Uganda.

Hint: The explanation of the points must show two elements i.e. **low export** prices and **high import prices**.

1. Falling prices of exports.
2. Importation of expensive manufactured capital and consumer goods.
3. Exportation of semi-processed agricultural and mineral products.
4. Increased substitution of Uganda's exports with synthetic products by the developed countries like nylon, silk etc.
5. Poor quality exports.
6. Adoption of raw material saving technology in export markets.
7. Protectionist policies of developed countries.
8. Weak bargaining power of Uganda on the world market.
9. Market flooding / over supplying of similar raw materials / agricultural products.
10. Low income elasticity of demand for exports.

(b) Suggest possible measures of improving terms of trade in Uganda.

1. Import substitution industries should be established.
2. Strengthening of commodity agreements should be done.
3. Negotiating for removal of trade barriers in export markets.

4. Diversification of exports should be done.
5. Diversification of export markets should be undertaken.
6. Manufacturing of products for export.
7. Primary products for export should be processed to add value.
8. Quality of exports should be improved.
9. Importation from cheaper sources should be encouraged.

3. (a) **Explain the role played by private enterprises in the economic development of Uganda .**

N.B: Begin with: They.....

1. Provide revenue to government.
2. Improve quality of goods and services.
3. Provide employment opportunities.
4. Widen consumer choices.
5. Promote exploitation/utilization of resources (facilitate increased use of resources).
5. Promote development of labour skills (increases skill of labour).
6. Facilitate development of infrastructure like roads.
7. Promote technological development (Promote innovations and inventions).
8. Promote efficiency due to competition.
9. Promote economic growth/GDP.
10. Improve Balance of Payment position.
11. Promote commercialization of the economy.
12. Promote industrialization.
13. Promote development of entrepreneurial skills.

(b) **Suggest measures that should be taken to promote private investment in Uganda.**

1. Infrastructure should be improved.
2. Political stability should be ensured.
3. Markets should be widened expanded.
4. Land reforms should be adopted.
5. Inflation should be reduced
6. Investment incentives should be provided to investors.
7. Further liberalization of the economy should be under taken.
8. Further privatization of the government enterprises should be carried out.
9. Intensify publicity of investment opportunities available in Uganda.
10. Establishment/continuous funding of specialized institutions should be under taken e.g. UIA (Uganda investment Authority).
11. Savings should be encouraged.
12. Population growth rate should be controlled.
13. Entrepreneurial skills should be improved
14. Proper accountability should be ensured.
15. Technology should be improved.

4. (a) **Distinguish between capital-saving techniques and labour-saving techniques of production.**

Capital-saving techniques of production is a production method which employs relatively more units of labour than other factors of production especially capital.

While;

Labour-saving techniques of production is a production method which employs relatively more units of capital than other factors of production especially labour.

(b) **Explain the arguments for and against adopting labour-saving techniques of production.**

Arguments for adopting capital Intensive techniques of production.

1. It leads to production of high quality output.
2. It saves time and it is less tiresome.
3. It increases output.

4. It improves the skills of workers.
5. It leads to technological development and transfer..
6. It minimizes the size of the wage bill paid to labour in the long run.
7. It facilitates better exploitation of resources.
8. It facilitates the development of infrastructure.
9. It creates employment opportunities in the long run.
10. It reduces labour strikes.
11. Standardization of output is possible.

Arguments against adopting capital Intensive Techniques of production

1. It leads to technological unemployment.
2. It worsens income inequality.
3. It causes social costs / pollution to the public.
4. It leads to over exploitation of natural resources which leads to resource exhaustion.
5. Leads to wastage of resources due to limited market.
6. Leads to profit repatriation.
7. It requires complex skills which may not be readily available.
8. Machines are not applicable in certain activities where human judgment is required.

5. (a) Why is development planning necessary in Uganda?

NB: This requires aims / objectives / reasons for / rationale for economic development planning – begin with To.....

1. To control inflation / To attain price stability.
2. To reduce income inequality.
3. To reduce the unemployment problem.
4. To solicit /request for foreign aid/To promote resource mobilisation.
5. To reduce dependence on other countries / To promote self-reliance/To promote self sufficiency.
6. To promote economic growth.
7. To improve resource utilization in the country.
8. To improve the balance of payment position.
9. To identify areas suitable for public & private investment.
10. To encourage public participation in the development process.
11. To relate current circumstances / activities to future trends & targets.
12. For proper allocation of scarce resources.
13. To correct the defects of price mechanism especially during times of rapid structural changes.
14. To ensure consistent use of resources.

(b) What measures should be taken to ensure effective implementation of economic development plans in Uganda?

1. Sufficient funds should be raised.
2. Proper data collection should be ensured.
3. Political interference in planning should be discouraged.
4. Skills to planners should be provided.
5. Political stability should be ensured.
6. Inflation should be controlled.
7. Dependence on nature should be minimized.
8. Proper accountability should be encouraged.
9. Infrastructure should be developed.
10. Dependence on foreign aid /external resources should be reduced.
11. Over-ambitious planning should be avoided.
12. Government commitment in planning should be ensured.
13. The private sector should be sensitized on its role in planning

6. (a) **What benefits arise from an increase in National income in Uganda.**

1. It increases government revenue from taxes.
2. It leads to development of infrastructure.
3. It improves balance of payment position.
4. It increases employment opportunities.
5. It improves technology / it promotes innovation and invention/technological transfer/research.
6. It improves skills of labour.
7. It promotes industrialization/diversifies the economy.
8. It widens consumer choices.
9. It monetizes the economy/promotes commercialization the economy.
10. It controls inflation.
11. It promotes development of entrepreneurial skills.
12. Reduces conservatism.
13. Reduces dependence on other countries.
14. Promotes utilization of idle natural resources.

(b) **Discuss the measures that have been taken to increase the level of National income in Uganda.**

Hint:

This question is in past tense therefore strictly use has /have both in point statement and in the explanation.

The focus in the explanation is to show how that measure has resulted into production of more goods and services.

1. Exploitation of natural resources has been done.
2. Labour has been equipped with appropriate skills.
3. Infrastructure has been developed/improved
4. Political stability has been ensured / maintained
5. Investment incentives have been provided to investors
6. Entrepreneurial skills have been improved.
7. Markets have been expanded/ widened.
8. Land reforms have been adopted.
9. Agriculture has been modernized.
10. There has been further privatization of public / Government enterprises.
11. There has been diversification of the economy.
12. Savings have been encouraged to provide funds for investment.
13. Inflation has been controlled.
14. Conservatism has been reduced (through sensitization)
15. Technology has been improved.
16. The economy has been further liberalised.
17. Population growth rate has been controlled.
18. Affordable capital / credit has been provided to investors.
19. Strict laws against corruption have been enacted.

7. (a) **What are the causes of involuntary unemployment in Uganda?**

N.B: This requires general causes of unemployment/youth unemployment/open urban unemployment.

1. Rural-urban migration.
2. Ignorance of people about available jobs.
3. Unfavourable climatic changes.

4. Technological progress / Advancement.
5. Physical and mental disabilities.
6. Discrimination in the labour market based on age, sex and religion, etc.
7. High population growth rate.
8. Poor / inappropriate education system.
9. Poor land tenure system.
10. Limited market / fall in demand for goods.
11. Limited capital / inadequate capital.
12. Political instability in some areas.
13. Poor infrastructure.
14. Unfavourable structural adjustment programmes e.g. retrenchment of workers (in order to reduce costs)
15. Poor manpower planning.

(b) Why is there need to control unemployment in Uganda?

Begin with: To.....

N.B: Here we generate reasons from the disadvantages / demerits of unemployment in the economy. These include;

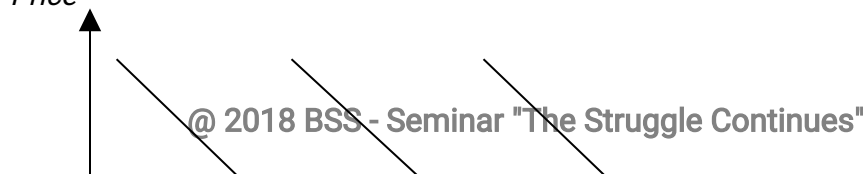
1. To reduce the dependence burden.
2. To reduce rural-urban migration and its associated evils.
3. To reduce social evils.
4. To generate government revenue.
5. To increase production / Gross Domestic Product / economic growth.
6. To reduce income inequality.
7. To control brain drain.
8. To reduce political tension / unrest.
9. To reduce government expenditure.
10. To encourage investment in education.
11. To increase aggregate demand for goods and services.
12. To improve level of acquired skills.
13. To reduce family instability.

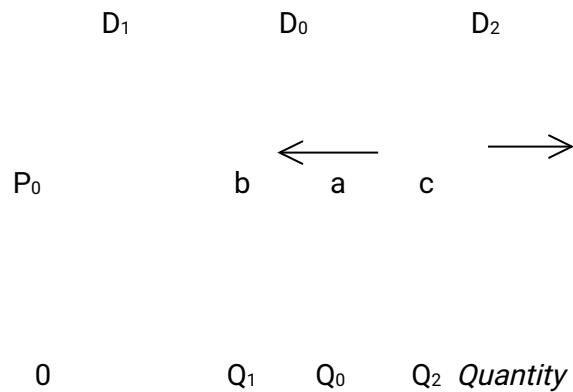
8. (a) Distinguish between a change in demand and a change in quantity demanded.

Change in demand. This is the increase or decrease in the amount/quantity demanded of a commodity due to changes in other factors affecting demand at a constant price.

Illustration of a change in demand.

Price





Where;

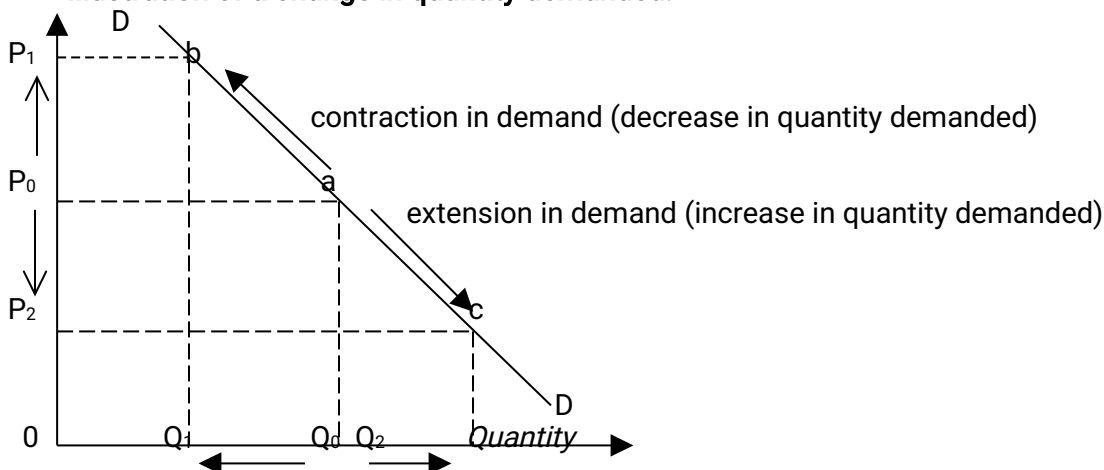
a to c = increase in demand.

a to b = decrease in demand.

While;

Change in quantity demanded. This refers to an increase or decrease in the quantity demanded of a commodity due to changes in the price of the commodity other factors affecting demand remaining constant.

Illustration of a change in quantity demanded.



(b) Account for instability in commodity demand.

1. Change in the income of the consumer.
2. Change in the level of advertisement.
3. Change in the size of market / population size.
4. Change in consumer's tastes and preference.
5. Change in level of taxation and subsidization.
6. Change in accessibility to credit facilities.
7. Change in future price expectation.
8. Change in the price of complementary goods.
9. Change in the price of substitute goods.
10. Change in seasons.
11. Change in income distribution among households.

9. (a) What are the underlying assumptions of a perfectly competitive market?

1. There are many buyers and many sellers in the industry.
2. There is production of homogeneous / identical products in the industry.
3. There is no persuasive advertisements in the industry.

4. All firms in the industry aim at profit maximization.
5. There is no government interference in price determination in the industry.
6. All firms in the industry do not incur transport costs.
7. There is freedom of entry and exit into the industry.
8. There is perfect knowledge about market conditions.
9. There is perfect mobility of factors of production especially labour and capital.
10. The demand curve is perfectly elastic.

(b) Examine the implications of a perfectly competitive market.

Positive implications of perfect competition

1. It reduces income inequality/Ensures equitable distribution of incomes and wealth.
2. It ensures stable and fair prices in the market
3. It ensures consumption of better quality output.
4. There is limited consumer exploitation in the market.
5. There is no resource wastage in the market.
6. It leads to creation of more employment opportunities.
7. It ensures increased output because of a large number of firms.
8. It leads to efficient allocation of resources in the long run.
9. It provides an efficient standards or convenient measuring rod for comparison of price determination in other markets.

Negative implications of perfect competition

1. It leads to unemployment in the long run.
2. There is limited choice of commodities for consumers.
3. It leads to duplication of economic activities
4. Limited expansion of firms in the industry/ lack of economies of scale.
5. Limited incentive to carry out research and innovations.
6. It assumes certain ideal market situations / conditions that do not exist in reality.
7. It cannot eliminate natural monopoly and business ownership of capital.

10. (a) Differentiate between capital accumulation and capital consumption.

Capital accumulation is the process of increasing the country's stock of capital goods which increases its capacity to produce more goods and services in a given period of time.

While;

Capital consumption is the tear and wear of capital equipment.

(b) What is the role of capital in the development process in developing countries?

Positive roles only:

1. Capital improves quality of the final output.
2. Promotes resource utilization / facilitates optimum use of resources.
3. Capital promotes technological transfer / development.
4. Promotes specialization in production.
5. Facilitates the development of infrastructures.
6. Capital leads to increased output, hence economic growth.
7. It increases efficiency/productivity of other factors of production.
8. It promotes trade and exchange / it monetizes the economy.
9. Capital facilitates research.
10. Capital facilitates further capital accumulation/capital increases the level of investment.
11. Capital promotes industrialization.

12. Capital is an engine of economic reforms.
13. Capital improves labour skills.
14. Capital creates employment opportunities.
15. Capital reduces economic dependence.

11. (a) Account for the balance of payment disequilibrium in developing countries.

This requires causes of balance of payment deficit / problem / unfavourable balance of payment.

Hint: Explanation must bring out the element of either low foreign exchange earnings or high foreign exchange expenditure.

1. Low volume of exports.
2. Exportation of poor / low quality output.
3. Exportation of mainly primary products such as agricultural raw materials with low value added.
4. Political instability leading to heavy expenditure on importation of military hardware.
5. Importation of highly priced products.
6. Trade restrictions in export markets.
7. Prices of exports are externally determined by the major buyers / low bargaining power of LDCs.
8. Heavy government expenditure abroad e.g. diplomatic missions.
9. Limited variety of exports.
10. High marginal propensity to import
11. High levels of profit and wage repatriation.
12. Market flooding / limited markets abroad due to production of similar products by different countries.

(b) Suggest possible measures to overcome the balance of payment disequilibrium in developing countries.

Hint: Explanation must bring out the element of increase in export earnings or reduction / decline in import expenditure.

1. Establish import substitution industries.
2. Use of trade restrictions to discourage imports e.g. imposing high import duties..
3. Creation of peaceful and conducive political climate.
4. Diversify export markets i.e. joining or forming regional integrations.
5. Undertake manpower training so as to reduce foreign exchange expenditure on expatriates / experts.
6. Restructure of foreign missions.
7. Strengthen commodity agreement.
8. Appeal for debt relief or debt conversion.
9. Diversification of exports.
10. Increase volume of exports.
11. Improve quality of exports.
12. Encourage depreciation of currency.
13. Negotiate for removal of trade restrictions on exports.

12. (a) Describe the structure of the manufacturing sector in Uganda.

N.B: use qualifiers e.g. mainly, mostly, dominated e.t.c.

1. Dominated by small scale industries (mainly operate on a small scale due to limited capital)
2. Mainly urban based.
3. Mainly produce poor quality goods.

4. Many industries are agro-based i.e. they use raw materials from the agricultural sector.
5. Mainly employ semi-skilled and unskilled labour.
6. Mainly produce consumer goods e.g. sugar, salt and bread e.t.c.
7. Mainly produce at excess capacity / mainly produce low quality of output.
8. Mainly employ or use simple labour intensive technology.
9. Most of the industries are privately owned.
10. Mainly comprise of processing industries
11. Mainly import substituting industries / mainly produce for the local/domestic market.
12. The sector has high imported raw material and intermediate product content.
13. Durable consumer goods industries are mainly assembling plants.

(b) Explain the problems facing the manufacturing sector in Uganda.

1. Limited capital.
2. Poor infrastructure.
3. Limited skilled manpower / limited skilled labour.
4. Limited entrepreneurial skills.
5. High tax levels/unfavourable government policy on investment/Limited investment incentives.
6. Corruption/low levels of accountability.
7. Political instability in some areas.
8. Poor land tenure system.
9. High rates of inflation.
10. Limited market.
11. Limited supply of raw materials.
12. Low levels of technology/poor technology.

13. (a) Explain the functions of Banking financial institutions/intermediaries in Uganda.

N.B: This simply requires **functions of commercial banks.**

A function is mandatory duty for which an organization / institution was established for.

1. Accepting deposits.
2. Advancing loans to customers.
3. Providing easy means of payment e.g. cheques, bank drafts.
4. Acting as custodians of customers' valuables e.g. land titles, contract documents e.t.c.
5. Providing advice to the investors e.g. making investment choices.
6. Exchanging of currencies of different countries.
7. Acting as trustees and executors of property and will of their customers.
8. Issuing letters of credit and act as referee to their clients i.e. to give information about the credit status of their customers.
9. Underwriting shares and debentures of companies as well as discounting bills of exchange.

(b) What are the problems faced by Commercial banks in Uganda.

1. Limited skilled manpower.
2. Poor distribution of Commercial Banks.
3. High liquidity preference among the public.
4. Corruption and embezzlement of funds among bank officials.
5. Poor infrastructure.
6. Limited collateral security to acquire loans.

7. Political instability in some areas.
8. Low savings due to massive poverty.
9. High rates of inflation.
10. Shortage of credit worthy borrowers.
11. Low levels of monetization (large subsistence sector).
12. Stiff competition in the banking sector.
13. Ignorance of the public about banking services.

14. (a) Distinguish between direct taxes and indirect taxes.

Direct taxes are taxes levied or imposed directly on incomes and property of individuals and enterprises such that the incidence of a tax rests on the tax payer concerned and cannot be shifted to another person.

While;

Indirect taxes are taxes imposed on goods and services and the person who pays the tax can shift it to another person in form of high prices.

(b) Assess the impact of taxation in Uganda.

Positive impacts:

1. It is a means of acquiring public revenue.
2. It reduces income inequality.
3. Protects domestic / infant industries.
4. Direct taxation helps in controlling inflation.
5. It improves the balance of payment position.
6. Discourages consumption and production of harmful goods e.g. alcohol.
7. It helps in controlling monopoly power.
8. It influences resource allocation.
9. It is a means of controlling dumping.
10. Influences the level of economic growth.

Negative impacts:

1. High taxation discourages investment.
2. It discourages effort and initiative.
3. It discourages savings.
4. It reduces welfare of the individuals due to reduced consumption.
5. It leads to resource misallocation.
6. It encourages trade mal-practices e.g. smuggling.
7. Indirect taxes tend to be inflationary.
8. It creates resentment of the public that may erode the popularity of the government and this may cause political re-groupings.
9. It reduces the volume and benefits of trade / it leads to retaliation in trade.
10. Regressive taxes widen/worsen income inequality.
11. It leads to inefficiency of domestic / infant industries because such firms are protected / shielded from external competition.
12. It increases production costs leading to closure of some firms hence leading to unemployment due to closure of loss making firms.

15. (a) What are the causes of a high population growth rate in Uganda?

1. High fertility rate.
2. Early marriages.
3. High rates of immigration.

4. High levels of polygamy.
5. Low cost of raising children.
6. Improvement in medical care / health care.
7. Ignorance about family planning.
8. Cultural/traditional tendencies that encourage large families.
9. Predominance of agriculture.
10. Low status of women.

(b) Suggest measures that should be taken to reduce the high population growth in Uganda.

1. Family planning should be encouraged.
2. Legally acceptable marriage age should be increased.
3. Better education policy for the girl child should be adopted.
4. Emigration should be encouraged.
5. Celibacy should be encouraged.
6. Woman emancipation should be strengthened to raise status of women.
7. Polygamy should be discouraged.
8. A restrictive fiscal policy regarding the number of children should be adopted.
9. Sex education should be promoted.
10. Length of the maternity period should be reduced.
11. Abortion should be encouraged selectively.

16. (a) Explain the causes of inflation in Uganda.

1. Excessive issuance of currency.
2. Unfavourable natural factors that reduce supply from agriculture sector (Natural hazards).
3. Speculative tendencies of the business community/speculation by businessmen/traders.
4. Greed (desire) for excessive profits by traders/producers.
5. Importation of goods from inflation – prone countries. (Importation from countries experiencing inflation)
6. Break-down of infrastructure.
7. Political instability/turmoil which disrupts (limits) production in some areas of the country.
8. Rising costs of production/Increase in production costs.
9. Excessive government expenditure.
10. Depreciation of the local currency/Declining value of the local currency relative to currencies.
11. Excessive inflow of incomes from abroad.
12. Excessive exportation of essential goods.
13. Excessive or uncontrolled credit creation.
14. Excessive borrowing by Government from the Central bank.

(b) What measures may be taken to control inflation in Uganda?

N.B: The stating of the points changes and the explanation must be in a suggestive form using can/may/should.

1. Direct taxes should be increased.
2. Government expenditure on provision of non-essential goods should be reduced.
3. Further Liberalization of the economy can be undertaken.
4. Incentives should be provided to investors to increase output.
5. Infrastructure should be improved.

6. A restrictive monetary policy should be implemented by Government through the Central Bank.
7. Government should control the issuance of currency.
8. Modernization of Agriculture should be undertaken to increase supply of food items in the country.
9. Further privatization of Public enterprises should be undertaken.
10. Importation of goods from cheaper sources should be encouraged to avoid imported inflation.
11. The political climate should be improved.
12. Government borrowing from the Central Bank should be reduced.
13. Indirect taxes on essential goods should be reduced.
14. Control the export of certain goods.
15. Establishment of import substitution industries should be encouraged.
16. Use of instruments of credit should be encouraged.

17. (a) Account for the unequal distribution of incomes existing among individuals in Uganda today.

1. Differences in level of education and training.
2. Differences in nature of jobs.
3. Differences in individual bargaining power / strength.
4. Differences in strength of trade unions.
5. Differences in talents and natural gifts.
6. Differences in the number of hours worked especially in case of time rate system.
7. Differences in amount of work done especially in case of piece rate system.
8. Differences in employer's ability and willingness to pay.
9. Discrimination in the labour market based on age, gender, religion etc.
10. Differences in elasticity of supply of labour.
11. Differences in experience, expertise or responsibilities.
12. Differences in access to developed infrastructure.
13. Differences in access to credit and contracts.
14. Differences in political climate.
15. Differences in family background.
16. Differences in natural resource distribution.
17. Differences in cost of living.

(b) Suggest measures that should be adopted to reduce income disparities in Uganda.

1. Education reforms should be adopted.
2. Land reforms should be adopted.
3. Infrastructure should be improved.
4. Political stability should be ensured.
5. Agriculture should be modernized.
6. Affordable credit should be provided to investors.
7. Population growth rate should be controlled.
8. Further liberalization of the economy should be undertaken.
9. Disadvantaged groups of people should be supported/ empowered.
10. Investment incentives should be provided.
11. The economy should be diversified.
12. Small scale industries should be set up / established.
13. Progressive taxation should be adopted.
14. The low income earners should be subsidized.
15. Decentralized planning should be undertaken.

18. (a) Why do developing countries protect their industries from foreign competition?

This requires objectives / reasons for protectionism

1. To protect infant / local industries / firms from foreign competition.
2. To discourage dumping.
3. To improve the balance of payment position.
4. To reduce external dependence. To promote self reliance.
5. To increase government revenue.
6. To discourage the importation of undesirable / harmful goods.
7. To check imported inflation.
8. To create employment opportunities at home.
9. To encourage the use of local resources.
10. To reduce political dominance by trading partners.

(b) Discuss the challenges that arise out of engaging in foreign trade in Uganda.

This requires disadvantages / negative effects of protectionism

1. It subjects nationals of a country to consumption of highly priced goods..
2. It forces nationals of a country to consumer poor quality products.
3. It encourages inefficiency in the protected firms.
4. It encourages monopoly tendencies.
5. It limits variety of goods in the domestic market.
6. It is expensive to implement / it increases government expenditure.
7. It encourages retaliation / beggar – my neighbor policy hence reducing gains from trade.
8. It reduces the foreign exchange earnings / it frustrates resource inflow.
9. It encourages trade malpractices e.g. smuggling and black marketing.
10. Protected firms tend to remain infant.
11. It discourages specialization and its advantages.
12. It reduces volume of goods traded and consumed.

19. (a) Under what circumstances may a country adopt an export promotion strategy of industrial development.

1. When there is need to improve the balance of payment position
2. When there is need to widen the tax base
3. When there is need to expand market for goods and services
4. When there is need to diversify the economy
5. When there is need to increase employment opportunities
6. When there is need to promote the utilization of available resources
7. When there is need to increase economic growth
8. When there is need to promote specialization and its advantages.
9. When there is need to promote development of infrastructure.
10. When there is need to promote growth of industrial sector.
11. When there is need to promote entrepreneurial skills.
12. When there is need to promote technological development.
13. When there is need to develop labour skills.
14. When government wants to improve the relationships with other countries.
15. When there is need to encourage production of better/high quality output.

N.B: Do not state as when it creates employment opportunities, when it widens tax base.

(b) Discuss the limitations of adopting export promotion industrial strategy in LDC's .

1. Limited capital.

2. Limited skilled labour.
3. Limited entrepreneurship skills.
4. Poor infrastructure.
5. Poor technology.
6. Political instability.
7. Limited market.
8. Low levels of accountability/corruption.
9. Poor land tenure system.
10. Limited supply of raw materials.
11. High rates of inflation.
12. Unfavourable government policy on investments/limited investment incentives.
13. Conservatism.

20. (a) Explain the causes of the instabilities in prices of agricultural products in Uganda.

N.B: The explanation of the points is two-sided and must capture two elements of increase in

prices and decrease in prices.

1. Long gestation period of agricultural products.
2. Bulkiness of agricultural products thus transport problems.
3. Changes in costs of production.
4. Heavy dependence on nature / Natural factors / Climatic factors.
5. Weak bargaining power of Ugandan farmers on the world market.
6. Poor surplus disposal system / Poor infrastructure.
7. High competition from synthetic or artificial fibres.
8. Perishability of Agricultural products / Storage problems.
9. Divergence between planned and actual output levels.
10. Existence of many producers which makes planning difficult.
11. Low price elasticity of demand / inelastic demand for agricultural products.
12. Low income elasticity of demand for agricultural products
13. Agricultural products forming minor inputs in the industrial sector.
14. Adoption of raw material saving technology by major **buyers**.
15. Lack of co-operation among producers of agricultural products.

(b) Discuss the negative consequences of agricultural price fluctuations in Uganda.

N.B: These are got from the fall/decrease in prices of agricultural products.

1. Leads to a fall in a country's export earnings.
2. Leads to a fall in the government revenue from taxation.
3. Leads to low incomes of farmers.
4. Leads to unfavourable terms of trade.
5. Worsens Balance of Payment position
6. It worsens income inequality.
7. It leads to unemployment especially seasonal unemployment.
8. It leads to rural-urban migration and its associated negative effects.
9. Planning based on agricultural earnings is made difficult.
10. Leads to a fall in value of local currency relative to foreign currencies.
11. Discourages investment in agriculture.
12. Underutilization of land as a resource.

21. (a) Why is there need to increase exploitation of resources in Uganda.

1. To improve balance of payment position.
2. To promote self reliance.
3. To generate government revenue/to widen tax base.
4. To create more employment opportunities.
5. To increase economic growth/GDP.

6. To develop local labour skills.
7. To promote development of infrastructure.
8. To control inflation.
9. To encourage development of local technology/ To promote innovations and inventions.
10. To promote local entrepreneurship.
11. To promote growth of industrial sector.
12. To encourage foreign investment / To promote capital inflow.
13. To reduce regional imbalances in development.
14. To reduce rural urban migration and its associated problems.

(b) Discuss the challenges being faced during the exploitation of resources in Uganda.

1. Limited capital.
2. Limited skilled labour / limited labour skills.
3. Limited entrepreneurship skills.
4. Poor infrastructure.
5. Poor technology.
6. Political instability.
7. Limited market.
8. Low levels of accountability / Corruption.
9. Poor land tenure system.
10. High rates of inflation.
11. High levels of taxation.
12. High levels of conservatism.

22. (a) Distinguish between a minimum wage and a subsistence wage.

A subsistence/living wage is a reward for labour that is just enough to enable him meet the basic human needs and nothing more.

While;

A minimum wage is a wage set by the government above the equilibrium wage and it becomes illegal for employers to pay workers below it.

(b) Explain the factors that influence the level of wages in Uganda.

1. Level of education and training.
2. Nature of jobs.
3. Individual bargaining power / strength.
4. Strength of trade unions.
5. Talents and natural gifts.
6. Number of hours worked especially in case of time rate system.
7. Amount of work done especially in case of piece rate system.
8. Employer's ability and willingness to pay.
9. Level of discrimination in the labour market based on age, gender etc.
10. Elasticity of supply of labour.
11. Level of experience, expertise or responsibility.
12. Demand and supply of labour.
13. Government policy on wages.

23. (a) What are the causes of cost push inflation in Uganda?

Causes of cost-push inflation.

1. Rising costs of raw materials.
2. Rising wages and salaries.

3. Rising tax levels.
4. Rising costs of rent.
5. Rising costs of advertisement.
6. Rising transport costs/Rising costs (prices) of fuel/power/energy.
7. Increasing costs of borrowing/interest rates.
8. Rising costs of rent/storage facilities.
9. Depreciation of the local currency relative to foreign currencies.

N.B: As the costs of production increase, producers also react by increasing prices of commodities in order to recover the heavy expenses incurred during production which causes inflation.

(b) Explain the demerits of inflation in Uganda.

N.B: These negative effects are generated by considering **only hyper inflation**.

1. It discourages savings due to rapid loss of money value.
2. There is loss of confidence in the local currency.
3. The fixed income earners suffer greatly as real income reduces.
4. Lending is discouraged since the lenders (creditors) stand to lose.
5. There is unemployment as some firms close down.
6. It makes planning difficult.
7. It discourages local and foreign investors.
8. It causes uneven distribution of income / It worsens income inequalities.
9. It encourages illegal activities such as corruption, bribery and smuggling.
10. People are strained in an attempt to cope with the rising cost of living.
11. Government becomes unpopular.
12. It leads to industrial unrest due to constant demand for wages.
13. It leads to production and consumption of poor quality goods.
14. It results into brain drain.
15. It worsens the B.O.P position/ It encourages capital outflow.
16. It promotes speculation.
17. It reduces economic growth.

24. (a) What are the salient features of Uganda's informal sector?

1. Mainly operate on a small scale.
2. Mainly produce poor quality output.
3. Mainly use labour intensive techniques of production / poor technology.
4. Dominated by semi-skilled and unskilled labour.
5. Mainly produce for local / domestic market.
6. Mainly produce consumer goods.
7. Mainly use local resources/raw materials/inputs.
8. Mainly semi or sub-urban based.
9. Dominated by one man business (mainly run by sole proprietor).
10. Limited government control of the firms.
11. Limited or no formal book keeping and record maintenance.
12. Low productivity in general.

(b) Explain the problems that arise out of the growing informal sector in Uganda.

1. It causes government revenue instabilities.
2. It leads to production of poor quality output. .
3. It is associated with high administrative costs.

4. It encourages duplication of economic activities.
5. It causes pollution of the environment.
6. It gives rise to disguised unemployment and underemployment.
7. It creates congestion in urban and sub-urban areas.
8. Promotes unbalanced regional development.

25. (a) Account for the existence of labour unions in Uganda.

Requires objectives / Aims of Trade Unions.

Begin with: To.....

1. To demand for better working conditions.
2. To bargain for higher wages.
3. To improve the skills of their workers.
4. To promote unity among workers.
5. To advocate for human rights of workers.
6. To protect workers from unfair dismissal.
7. To advise the government on issues regarding man power planning.

(b) Explain the methods used by labour associations to settle industrial disputes in Uganda.

Methods / Tools used by trade unions to achieve their objectives / demand for higher wages.

1. Collective bargaining/Round table discussions.
2. Go on strike / violent strike.
3. Sit down strike.
4. Demonstrations.
5. Court action.
6. Mediation (industrial arbitration).
7. Go slow method.
8. Media wars / sabotage / boycott/Decampaigning.
9. Abduction of key members of management.
10. Picketing.

Remember, for @ question to be answered in Section B follow.

Madam CATE:

C – Content – Make an outline of your points first.

A – Approach the question correctly by reading it as many times as possible.

T – Tense should be adhered to.

E – Explain your points.

Summary of Tenses

Suggest measures that should be taken to increase the level of national income in Uganda.	What measures are being taken to increase the level of national income in Uganda. <u>HINT:</u> Use is/are/does/.....ing	What measures have been taken to increase the level of national income in Uganda? <u>HINT:</u> Use has/have
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<u>HINT:</u> Use should/can/may		
Infrastructure should be improved. This can be through construction of roads which can promote transportation of finished goods to markets. This can promote investment and production of more goods and services which can increase the level of NY.	Infrastructure is being improved. This is through construction of roads which promotes transportation of finished goods to markets. This promotes investment and production of more goods and services which increases the level of NY.	Infrastructure has been improved. This has been through construction of roads which has promoted transportation of finished goods to markets. This has promoted investment and production of more goods and services which has increased the level of NY.

END