

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF

ECON 441: INTERNATIONAL ECONOMICS I

STREAMS:

TIME: 2 HOURS

DAY/DATE: MONDAY 20/09/2021

2.30 P.M – 4.30 P.M

INSTRUCTIONS

Answer question ONE and any other TWO questions

QUESTION ONE (30 MARKS)

- (a) Distinguish the following terms as used in international economics. [10 marks]
- (i) Labour theory of value and reciprocal demand. [2 marks]
 - (ii) Factor abundance and factor intensity [2 marks]
 - (iii) Law of one price and purchasing power parity [2 marks]
 - (iv) Capital account and current account [2 marks]
 - (v) Autonomous and accommodating flow [2 marks]
- (b) Discuss the main beliefs and practices that constitutes the mercantilist trade theory and highlight clearly the mercantilist trade policies and practices that are still corner stones in Kenya's trade policies. [6 marks]
- (c) Write short notes on the following .
- (i) Factor price equalization theorem [2 marks]
 - (ii) Stolper Samuelson Theorem [2 marks]
 - (iii) Rybcznski theorem [2 marks]
 - (iv) Hecksher -Ohlin therorem [2 marks]
- (d) Dr. Leontief Wassily carried out a study to test the H.O theory using USA conditions and discovered a paradox. Discuss the findings and possible explanations of the outcome.

[6

marks]

QUESTION TWO

- (a) Discuss using an example, the challenges of mercantilist doctrines. [6 marks]
- (b) Trade between developed and developing countries is characterized by the former exporting manufactured products while the later exports primary products”. Discuss this statement to explain trade as an engine of growth. [6 marks]
- (c) Discuss the conceptual difference between balance of trade and balance of payment.

[8

marks]

QUESTION THREE

- (a) As an economist, discuss the reasons why you would not support a situation of autarky. [8 marks]
- (b) Discuss clearly the PPP theory and highlight some of its problems. [6 marks]
- (c) Discuss the effects of trade policies in the presence of externalities. [6 marks]

QUESTION FOUR

- (a) Clearly discuss the arguments for and against trade protectionism. [8 marks]
- (b) Discuss clearly how the following instruments can be used to correct disequilibrium in the balance of payment of a country, highlighting their merits and demerits.
 - (i) Tariffs [4 marks]
 - (ii) Devaluation of domestic currency [4 marks]
 - (iii) Quotas [4 marks]