

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATION  
RESIT/SUPPLEMENTARY / SPECIAL EXAMINATIONS  
EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF ECONOMICS**

**ECON 441: INTERNATIONAL ECONOMICS I**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 02/11/2021**

**8.30 A.M - 10.30 A.M.**

**INSTRUCTIONS:**

- *Answer Question ONE and any other TWO questions*

**QUESTION ONE**

- Explain how the Mercantilists were able to achieve their objectives (10 marks)
- Suppose country A possesses absolute advantage in all lines of production over country B, can these countries still engage in trade? Discuss and illustrate using the modern concept of opportunity cost (10 marks)
- Discuss the main reasons for imposing a tariff on imports (10 marks)

**QUESTION TWO**

- Using a numerical example, show that David Ricardo's theory of comparative advantage was an improvement on Adam Smith's theory of absolute advantage (10 marks)
- Discuss the possible causes of a persistent current account deficit (10 marks)

**QUESTION THREE**

- Discuss the measures used to correct disequilibrium in balance of payment (10 marks)
- Discuss the distinguishing features between balance of trade and balance of payment (10 marks)

**QUESTION FOUR**

- Discuss at least two theories of exchange rate determination (10 marks)
- Discuss the main arguments for and against free trade (10 marks)

