

CHUKA



UNIVERSITY

SUPPLEMENTARY/ SPECIAL EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF SCIENCE IN ECONOMICS AND STATISTICS AND BACHELOR OF
ARTS ECONOMIC AND SOCIOLOGY**

ECON 447: INTERNATIONAL ECONOMICS 2

STREAMS: BSC (ECON STAT) BA (ECON SOCI)

TIME: 2 HOURS

DAY/DATE: THURSDAY 04/02/2021

2.30 PM – 4.30 PM

INSTRUCTIONS:

- **ANSWER QUESTION ONE AND ANY OTHER TWO**
- **DO NOT WRITE ANYTHING IN THIS PAPER**

QUESTION ONE

- a) What do you understand by trade cycle? Explain trade cycle theory of Schumpeter.
(10 marks)
- b) Examine the Marshall-Lerner conditions for the success of devaluation giving relevant examples to Kenyan economy.
(10 marks)
- c) Describe the contribution of international trade to the economic development of a country.
(10 marks)

QUESTION TWO

- i. Describe the causes of adverse balance of payments. How can it be corrected?
(10 marks)
- ii. Using a well-illustrated example discuss the Dutch disease as a factor influencing international capital flows.
(10 marks)

QUESTION THREE

- a) Distinguish between spot and forward exchange rates as the major regulators of international trade policies. (6 marks)
- b) International capital movement is the key scope in international economics. Discuss its types. (10 marks)
- c) Using suitable examples, explain the double entry transaction. (4 marks)

QUESTION FOUR

- i. Critically evaluate the comparative cost theory of international trade. (10 marks)
- ii. Using a well labeled diagram discuss the implication of a tax cut/ policy in a small economy. (10 marks)

QUESTION FIVE

- a) Define regional cooperation. What are its various types? Explain briefly. (10 marks)
 - b) Write short notes on international labor migration in the modern world economies. (10 marks)
-