

CHUKA



UNIVERSITY

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**UNIVERSITY EXAMINATIONS**

**RESIT/SPECIAL**

**EXAMINATIONS FOR THE AWARD OF DEGREE OF BACHELOR**

**ECON 441: INTERNATIONAL ECONOMICS 1**

**STREAMS:**

**TIME: 2 HOURS**

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

**8.30 A.M. – 10.30 A.M.**

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**INSTRUCTIONS: Answer Question ONE and any other TWO questions**

**QUESTION ONE**

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

**QUESTION TWO**

- a. 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)
- b. Discuss the possible causes of a persistent current account deficit (10 marks)

**QUESTION THREE**

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

**QUESTION FOUR**

## ECON 441

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