



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2018/2019 ACADEMIC YEAR  
FOURTH YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS  
BACHELOR OF ARTS IN ECONOMICS**

**COURSE CODE: ECO 414**

**COURSE TITLE: INTERNATIONAL  
ECONOMICS I**

**DATE: 07<sup>TH</sup> DECEMBER 2018**

**TIME: 11:00 AM – 01:00PM**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **THREE** questions

*This paper consists of **TWO** printed pages. Please turn over.*

### **QUESTION ONE**

- (a) Discuss the measures which were put in place by the mercantilists to facilitate acquisition of specie **(8marks)**
- (b) International trade policy affects greatly the income distribution process within each country. Discuss **(8marks)**
- (c) Mercantilism ushered in a new culture and a new mode of productive forces that bred the seeds of system's own destruction. Discuss the forces that led to the emergence of free trade. **(9marks)**

### **QUESTION TWO**

- (a) Globalization in trade has implications on policy making powers of a country, sovereignty of countries, consumption patterns/tastes etc, all of which have negative and positive effects on society. Discuss the pros and cons of globalization as advanced by the World Trade Organization. **(8marks)**
- (b) What are the major contributions of mercantilists to the theory of international trade? **(7marks)**

### **QUESTION THREE**

- (a) How was Ricardo's theory of comparative advantage an improvement on Adam Smith's theory of absolute advantage? **(8marks)**
- (b) Using graphs show how the production possibilities frontier explains how resources combine to produce goods and services required in a country. **(7marks)**

### **QUESTION FOUR**

- (a) Use the concept of opportunity cost to explain in numeric terms the Ricardian model **(8marks)**
- (b) Use consumer tastes as a major factor in influencing trade patterns to show deficiencies in H-O theory **(7marks)**

### **QUESTION FIVE**

- (a) Discuss the pros and cons of Kenya's adoption of free trade. **(8marks)**
- (b) Between Import substitution and export promotion, as an economist, which policy would you advice Kenya to go for as an international trade policy? Explain your answer. **(7marks)**

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