



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR THIRD YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS BSC. ECONOMICS, FINANCIAL ECONOMICS & ECONOMICS & STATISTICS

COURSE CODE: ECO 3104

COURSE TITLE: INTERNATIONAL ECONOMICS I

DATE: 31ST MARCH, 2022

TIME: 0830-1030

INSTRUCTIONS TO CANDIDATES

1. Answer Question one and any other **three** questions.

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

Question One

- a. Using appropriate equations and maths, prove the Stolper – Samuelson theorem. **(15 marks)**
- b. In a 3 x 3 Ricardian world, the constant labour costs of producing a unit of good j in country i are as follows

		<i>Country</i>		
	1 2 3			
<i>Good</i>	X	1/4	1	1
	Y	1	1/3	1/2
	Z	1	1/2	1/3

- i. Using the concept of Goods Triangle, clearly illustrate which country will specialise in which good. **(8 marks)**
- ii. Is this pattern of production an optimal assignment? Explain **(2 marks)**

Question Two

Using the chain of decreasing relative labour costs in a 2 countries n goods (Dornbusch, Fisher and Samuelson, 1977) Ricardian model, assuming that one country is the home country and the other is the foreign country, derive and diagrammatically explain the:

- i. Production Allocation Locus **(8 marks)**
- ii. Trade Balance Locus. **(7 marks)**

Question Three

'Depending on economic condition, the impact of a quota and tariff on a small country can differ. However, there are circumstances when they are the same.' Discuss. **(15 marks)**

Question Four

Write notes on the following topics:

- (a) Anti-Dumping and Countervailing Duties **(5 marks)**
- (b) Reciprocal Dumping Model of International Trade **(5 marks)**
- (c) Effective Rate of Protection **(5 marks)**

Question Five

The first step in understanding trade among countries is to understand how the economies look in the absence of international trade, a state referred to as autarky.

Clearly specify the characteristics of an economy while focusing on (1) the agents in the economy (2) the objective of each agent (3) the choices that each agent must make and (4) the constraints that each agent acts under. **(15 marks)**

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