



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

SCHOOL OF BUSINESS & ECONOMICS

MASTER OF SCIENCE IN ECONOMICS

MASTER OF ECONOMICS & STATISTICS

COURSE CODE: ECO 8202

COURSE TITLE: INTERNATIONAL ECONOMICS

&

POLICY MANAGEMENT

DATE: 6/2/2024

TIME: 1430-1730 HRS

INSTRUCTIONS TO CANDIDATES

1. Answer **ALL** questions

QUESTION ONE

- (a) Suppose the labor endowment in hours is used to produce a unit of Y and Z in two countries. What is the full employment condition for the constrained production in country i ($i=1, 2$). **2 marks**
- (b) State the assumptions underlying your answer in (a) above. **3 marks**
- (c) Discuss the argument that two countries can gain from trade even if one country had absolute advantage in both goods. **4 marks**
- (d) Can the differences in the two countries continue to exist after trade is allowed? **3 marks**
- (e) Suppose each country is on its PPF, does it follow that the world is on the world PPF? **3 marks**

QUESTION TWO

- (a) Demonstrate the relationship between endowment changes and output changes resulting from trade. **7 marks**
- (b) Discuss the factor price equalization theorem. **8 marks**

QUESTION THREE

- (a) Explain the effects of ad valorem tariff for a small country in the traditional neo-classical model. **5 marks**
- (b) Discuss the effect of creating a customs union on trade creation and trade diversion. **10 marks**

QUESTION FOUR

- (a) Explain the growth implications of varying the import tariff, rather than simply comparing free trade autarky. **5 marks**
- (b) Discuss the principles of the trading system under WTO. **6 marks**
- (c) Explain the benefits of WTO. **4 marks**

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