



# MAASAI MARA UNIVERSITY

## REGULAR UNIVERSITY EXAMINATIONS

**2018/2019 ACADEMIC YEAR  
FOURTH YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND  
ECONOMICS  
BACHELOR OF BUSINESS  
MANAGEMENT/EDUCATION**

**COURSE CODE: BBM 417**

**COURSE TITLE: INTERNATIONAL  
ECONOMICS**

**DATE: 18<sup>TH</sup> APRIL, 2019  
1300HRS**

**TIME: 1100 -**

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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) Explain why we should study international economics  
**(7marks)**
- b) Explain the beliefs and practices which collectively constituted the mercantilist doctrine  
**(10 marks)**
- c) Explain the factors that led to the collapse of the Bretton Woods' Adjustable Peg system  
**(8marks)**

### **Question Two**

- a) To what extent do you support protectionism as a trade policy?  
**(8 marks)**
- b) Explain mercantilist contributions to international trade theory?  
**(7marks)**

### **Question Three**

- a) "Nations continue to engage in trade despite some of them being heavy losers in international transactions". Discuss this statement in relation to Kenya's trade with developed countries  
**(8marks)**
- b) Explain the point of departure between David Ricardo and Adams Smiths' thoughts on international trade  
**(7 marks)**

### **Question Four**

- a) A Maasai Mara University student, in her research, found a positive relationship between interest rate and income. This is in contrast with the Keynesian theory on interest rate and income. Discuss the findings of this study in relation international economics **(8 marks)**
- b) Use the supply and demand model of the foreign exchange market to analyze the effects of a rise in the price level of the USA relative to that of Kenya under a fixed exchange rate regime **(7 marks)**

**Question Five**

- a) Mercantilists believed that trade was a **zero-sum game**. Discuss **(8 marks)**
- b) Using illustration, explain the the J-Curve Phenomenon **(7 marks)**

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