Strathmore
UNIVERSITY

STRATHMORE INSTITUTE
DIPLOMA IN INTERNATIONAL RELATIONS
END OF SEMESTER EXAMINATION
DIR 1106: ECONOMICS OF INTERNATIONAL RELATIONS

DATE: 17th December,2019 Time: 2 Hour

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

QUESTION ONE **(30 MARKS)**

a) Argue for and against international trade restrictions. (10 marks)
b) By use of a diagram, define the following terms:
   i. Perfectly elastic supply (3 marks)
   ii. Perfectly inelastic supply (3 marks)
c) State any four properties of indifference curves (4 marks)
d) By use of example, define the term opportunity cost (5 marks)

e) Enumerate any FIVE characteristics of perfect competition (5 marks)

QUESTION TWO **(15 MARKS)**

a) Suggest FIVE possible economic policies that could be adopted to reduce the balance of payments problems in developing countries. (10 marks
b) Outline FIVE the arguments against reliance on external donor funding for a country (5 marks)

QUESTION THREE **(15 MARKS)**

a) Developing countries experience a problem of persistent and rising external debt that leads to economic stagnation.
   i. State any FIVE causes of high external debt in developing countries. (5 marks)
   ii. Briefly explain any FIVE economic policies that can be implemented by developing countries to minimize the problem of high external debt. (5 marks)
b) Enumerate any FIVE major obstacles to effective economic integration in developing countries? (5 marks)

QUESTION FOUR **(15 MARKS)**

a) Discuss any SIX roles of the International Monetary Fund (IMF) and its impact on the economies of developing countries. (6 marks)

b) Outline FIVE disadvantages of a free market economic system. (5 marks)

c) Discuss any FOUR uses of national income statistics (4 marks)

QUESTION FIVE **(15 MARKS)**

a) Discuss the any SIX causes of unemployment (6 marks)

b) Suggest FIVE possible measures that you would implement to contain unemployment problems in your country (5 marks)

c) Suppose that demand is given by the equation QD=500 – 50P, where QD is quantity demanded, and P is the price of the good. Supply is described by the equation QS= 50 + 25P where QS is quantity supplied. What is the equilibrium price and quantity? (4 marks)