



**STRATHMORE INSTITUTE
DIPLOMA IN INTERNATIONAL RELATIONS
END OF SEMESTER EXAMINATION
DIR 1304: ECONOMICS AND INTERNATIONAL RELATIONS**

DATE: 7th December 2018

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE

- a) The data below relate to commodity X.

Price (Sh.)	Demand (units)
10	400
9	500
8	600
7	700
6	800
5	900
4	1000
3	1100

Required:

- i.** If the price of commodity X reduces from Sh.9 to Sh.8 determine the arc price elasticity of demand. Interpret your result.
(4 marks)
 - ii.** The point elasticity of demand as the price changes from Sh.6 to Sh.7.
(4 marks)
- b) Explain four economic policy options that are available to a government that wishes to promote economic growth in the country. (8 marks)
- c) Analyze three positive and three negative effects of a monopoly market structure in an economy. (6 marks)
- d) Briefly explain four characteristics of a free market system. (8 marks)

QUESTION TWO

- a) Explain eight contribution of agriculture in the economic development of developing countries. (8 marks)
- b) Highlight the reasons why national debt management is a salient policy issue in developing countries. (7 marks)

QUESTION THREE

- a) Explain any five determinants of Price Elasticity of Supply (10 marks)
- b) Outline FIVE arguments against reliance on external donor funding for a country. (5 marks)

QUESTION FOUR

Developing countries have experienced persistent and rising inflation.

- a) Enumerate any Five causes of inflation (5 marks)
- b) Suggest economic policies that may be used to reduce the magnitude of these problems. (10 marks)

QUESTION FIVE

- a) Why is it important to estimate National Income of a Country (6 marks)
- b) Discuss fully the three main stages associated with the law (10 marks)