

Economics
Higher level
Paper 1

Monday 4 May 2015 (afternoon)

1 hour 30 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- You are not permitted access to any calculator for this paper.
- Section A: answer one question.
- Section B: answer one question.
- Use fully labelled diagrams and references to examples where appropriate.
- The maximum mark for this examination paper is **[50 marks]**.

Section A

Answer **one** question from this section.

Microeconomics

1. (a) Explain how changes in price work to reallocate resources in a market. [10]
- (b) Discuss the view that the overuse of common access resources is best addressed by government. [15]

2. (a) Explain **two** possible government responses to the abuse of monopoly power. [10]
- (b) Evaluate the view that monopolies, despite their inefficiencies, may often be considered desirable. [15]

Section B

Answer **one** question from this section.

Macroeconomics

3. (a) Using the concept of the Keynesian multiplier, explain the possible impact of a rise in government spending on economic growth. [10]
- (b) To what extent might unemployment represent an economic and social problem? [15]
4. (a) Explain how business spending on research and development and government expenditure on infrastructure might shift the long-run aggregate supply curve. [10]
- (b) Evaluate the effectiveness of interventionist supply-side policies to achieve economic growth. [15]
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