

**Economics**  
**Higher level**  
**Paper 1**

Monday 4 May 2015 (afternoon)

1 hour 30 minutes

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**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 why prices tend to be stable in oligopolistic markets. [10]  
(b) Oligopolists often possess too much monopoly power. Evaluate whether governments should intervene in oligopolistic markets. [15]

**Section B**

Answer **one** question from this section.

**Macroeconomics**

3. (a) Explain what is meant by the natural rate of unemployment. [10]
- (b) Discuss the view that there is no trade-off between inflation and unemployment. [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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