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**Economics**  
**Standard level**  
**Paper 1**

Wednesday 15 May 2019 (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 **two** factors which could shift a firm's supply curve to the left. [10]  
(b) Discuss the view that the provision of subsidies by the government on goods such as agricultural products will always be beneficial to stakeholders. [15]
  
2. (a) Explain why public transport, such as buses and trains, might be under-provided in a market economy. [10]  
(b) Discuss the view that imposing an indirect tax on gasoline (petrol) is the most effective way of reducing the market failure caused by cars. [15]

**Section B**

Answer **one** question from this section.

**Macroeconomics**

3. (a) Explain how increased investment by the government in education and training can affect both aggregate demand and aggregate supply. [10]
- (b) Evaluate the view that inflationary pressures in an economy are best reduced using supply-side policies. [15]
4. (a) Explain the various phases of the business cycle. [10]
- (b) Discuss the view that economies will always return to the full employment level of output in the long run. [15]
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