



**ECONOMICS  
HIGHER LEVEL  
PAPER 2**

Wednesday 19 May 2010 (afternoon)

1 hour

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**INSTRUCTIONS TO CANDIDATES**

- Do not turn over this examination paper until instructed to do so.
- Answer three questions.
- Use fully labelled diagrams and references to examples where appropriate.

Answer **three** questions. Each question is worth [10 marks].

1. With the aid of a diagram, explain the impact on producers and consumers of a subsidy on a good.
  2. With the aid of **at least one** diagram, explain **one** way a consumer might gain from the behaviour of a monopolist and **one** way a consumer might lose from the behaviour of a monopolist.
  3. Explain how inflation can be measured and explain **three** problems associated with the measurement of inflation.
  4. With the aid of a diagram, explain how an increase in transfer payments to the poorest households in a nation is likely to affect the Lorenz curve and the Gini coefficient of that nation.
  5. Explain the difference between a fixed exchange rate and a floating (flexible) exchange rate.
  6. Explain the difference between outward-oriented growth strategies and inward-oriented growth strategies.
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