



22115111



**ECONOMICS
STANDARD LEVEL
PAPER 1**

Monday 16 May 2011 (afternoon)

1 hour

INSTRUCTIONS TO CANDIDATES

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

Answer **one** question. Each question is worth [25 marks].

1. (a) Explain the roles of market forces and government in allocating resources in a mixed economy. [10 marks]
 - (b) Evaluate the extent to which market forces should be used to lessen the problem of environmental pollution. [15 marks]
 2. (a) Using appropriate diagrams, explain how a reduction in income tax could affect both aggregate demand and aggregate supply in an economy. [10 marks]
 - (b) “The lower the level of both direct and indirect taxation, the better.” Evaluate this view. [15 marks]
 3. (a) Using a diagram, explain the factors which might cause a depreciation of a country’s exchange rate. [10 marks]
 - (b) “A depreciation of a country’s exchange rate will always have a beneficial effect on the performance of its economy.” Evaluate this view. [15 marks]
 4. (a) Explain the main features of market-led strategies used to achieve economic development in less-developed countries (LDCs). [10 marks]
 - (b) Evaluate the view that economic development in less-developed countries (LDCs) can best be achieved through market-led strategies rather than interventionist strategies. [15 marks]
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