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**ECONOMICS
HIGHER LEVEL
PAPER 2**

Monday 16 May 2011 (afternoon)

1 hour

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. Using **at least one** diagram, explain why governments may need to intervene to encourage participation in vaccination programmes during a threatened influenza epidemic.
 2. Using **at least one** diagram, explain why knowledge of price elasticity of demand is necessary for a government when they are considering increasing indirect taxes on certain products.
 3. A government decides to introduce a major increase in its spending programmes. Explain how this may lead to “crowding out” effects.
 4. Explain **two** policies that a government may use to attempt to lower levels of equilibrium unemployment.
 5. Using diagrams, explain **one** demand-side factor and **one** supply-side factor which may cause the exchange rate of a country to depreciate.
 6. Explain how the discovery of oil in a particular country could have a positive impact on its economic growth but could have a negative impact on its sustainable development.
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