



22145103



International Baccalaureate®
Baccalauréat International
Bachillerato Internacional

**ECONOMICS
HIGHER LEVEL
PAPER 1**

Monday 5 May 2014 (afternoon)

1 hour 30 minutes

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) Analyse the private and external benefits associated with the consumption of university education. *[10 marks]*
(b) Evaluate the policies a government might use to increase the consumption of university education. *[15 marks]*

2. (a) Using a diagram, explain why firms in monopolistic competition are neither allocatively nor productively efficient. *[10 marks]*
(b) Examine the view that the market for food is more beneficial to consumers if dominated by a monopoly retailer (supermarket) rather than by a large number of small shops operating under monopolistic competition. *[15 marks]*

SECTION B

Answer **one** question from this section.

Macroeconomics

3. (a) Explain how the aggregate demand curve can be shifted by a reduction in interest rates. *[10 marks]*
- (b) Evaluate the effectiveness of monetary policy to increase aggregate demand during a recession. *[15 marks]*
4. (a) Explain **two** factors which might cause economic growth. *[10 marks]*
- (b) Evaluate the view that the benefits of economic growth will always outweigh the costs. *[15 marks]*
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