

Economics
Standard level
Paper 1

Wednesday 2 November 2016 (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) Using a production possibilities curve (PPC) diagram, explain why choices have to be made in all economies. [10]
- (b) Discuss the view that governments should not intervene in housing markets. [15]

2. (a) Explain why changes in the price of goods and services may lead to changes in resource allocation. [10]
- (b) Examine the consequences of the lack of a pricing mechanism for common access resources. [15]

Section B

Answer **one** question from this section.

Macroeconomics

3. (a) Explain how the Lorenz curve and the Gini coefficient are used to measure income inequality. [10]
- (b) Discuss the view that the best way to achieve greater equity in the distribution of income in a country is to use a progressive tax system. [15]
4. (a) Explain what effect an increase in interest rates might have on unemployment. [10]
- (b) Evaluate the effectiveness of fiscal policy as a tool to reduce unemployment. [15]
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