

**Economics
Higher level
Paper 1**

Wednesday 26 October 2022 (afternoon)

1 hour 15 minutes

Instructions to candidates

- Do not turn over this examination paper until instructed to do so.
- You are not permitted access to a calculator for this paper.
- Answer one question.
- Use fully labelled diagrams where appropriate.
- The maximum mark for this examination paper is **[25 marks]**.



2 pages

8822–5101
© International Baccalaureate Organization 2022

Answer **one** question.

1. (a) Explain why the existence of positive externalities of consumption would lead to allocative inefficiency and thus a welfare loss. [10]
(b) Using real-world examples, evaluate the policies a government might adopt to respond to a market situation in which significant asymmetric information exists. [15]
 2. (a) Explain why a sustainable level of government (national) debt is an important macroeconomic objective. [10]
(b) Using real-world examples, discuss the potential trade-off between unemployment and inflation. [15]
 3. (a) Explain how a free trade area is different from a common market. [10]
(b) Using real-world examples, evaluate the decision of a country to remain a member of a trading bloc. [15]
-

