

Economics Higher level Paper 1

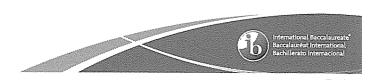
Wednesday 26 October 2022 (afternoon)

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].





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]