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Economics

Higher level

Paper 1

13 May 2026

Zone A morning | **Zone B** morning | **Zone C** morning

1 hour 15 minutes

Instructions to students

- 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 monopolies can make abnormal profits in the short run **and** in the long run. [10]
 (b) Using real-world examples, discuss the view that monopoly is always a less desirable form of market structure than perfect competition. [15]
 2. (a) Explain the likely economic problems associated with deflation. [10]
 (b) Using real-world examples, evaluate the effectiveness of monetary policy in closing a deflationary (recessionary) gap. [15]
 3. (a) Explain how government indebtedness **and** the existence of a poverty cycle may be barriers to economic growth. [10]
 (b) Using real-world examples, evaluate the effectiveness of market-based policies in promoting economic growth **and** economic development. [15]
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