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Economics
Standard 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 governments might provide a subsidy for a good or service. [10]
 (b) Using real-world examples, discuss the view that the use of indirect taxes is the most effective way to correct the market failure caused by the consumption of demerit goods. [15]
 2. (a) Explain the causes of structural **and** cyclical unemployment. [10]
 (b) Using real-world examples, discuss the view that the main consequence of high unemployment is low inflation. [15]
 3. (a) Explain the benefits of international trade. [10]
 (b) Using real-world examples, discuss the consequences of inward foreign direct investment (FDI) in economically least developed countries (ELDCs). [15]
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