



**ECONOMICS  
HIGHER LEVEL  
PAPER 2**

Wednesday 9 May 2001 (afternoon)

1 hour

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**INSTRUCTIONS TO CANDIDATES**

- Do not turn over this page until instructed to do so.
- Answer four questions.
- Use diagrams where appropriate.

1. Briefly explain what is meant by ‘consumer sovereignty’. For what reasons might it only partly exist in real world markets?
  2. Distinguish between the law of diminishing returns and decreasing returns to scale.
  3. What is demand pull inflation and what can governments do about it?
  4. Use demand and supply analysis to explain the possible effects of currency speculation on a country’s exchange rate.
  5. As countries reach an advanced stage of development, the tertiary sector tends to expand relatively faster than the primary and secondary sectors. Why is this the case?
  6. Poor people in less developed countries often derive little benefit from economic growth. Why might this be so?
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