

**ECONOMICS
HIGHER LEVEL
PAPER 2**

Monday 4 November 2002 (afternoon)

1 hour

INSTRUCTIONS TO CANDIDATES

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

1. What is a positive externality? Give an example and illustrate your answer with a diagram.
 2. Why do some oligopolistic firms engage in non-price rather than price competition?
 3. Explain the effects of inflation on a country's international competitiveness.
 4. Use an aggregate demand / aggregate supply diagram to analyse the likely effects of an increase in income tax.
 5. What is a voluntary export restraint and who is likely to benefit from it?
 6. Why might a less developed country find difficulty in maintaining stable export revenues?
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