

**ECONOMICS
HIGHER LEVEL
PAPER 2**

Thursday 6 November 2003 (afternoon)

1 hour

INSTRUCTIONS TO CANDIDATES

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

Each question is worth [10 marks].

1. Why do the prices of agricultural goods tend to fluctuate (vary) more than those of manufactured goods?
 2. A government increases taxation on the sale of tobacco. Using a diagram, explain how this might affect consumers and producers of tobacco.
 3. Using a diagram, explain how allocative and productive efficiency will be achieved in long run equilibrium in perfect competition.
 4. Why might a country's current account balance worsen as it approaches full employment?
 5. Explain **two** benefits (gains) which might arise from international trade.
 6. Explain **two** ways in which multinational corporations might hinder the development of less developed countries.
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