



**ECONOMICS
HIGHER LEVEL
PAPER 1**

Monday 14 November 2005 (afternoon)

1 hour

INSTRUCTIONS TO CANDIDATES

- Do not turn over this examination paper until instructed to do so.
- Answer one question.
- Use fully labelled diagrams and real-world examples where appropriate.

Answer **one** question. Each question is worth [25 marks].

1. (a) Explain the differences between monopolistic competition and oligopoly as market structures. [10 marks]
 - (b) Discuss the differences between a collusive and a non-collusive oligopoly. [15 marks]
 2. (a) Explain the relationship between the Lorenz Curve and the Gini Coefficient. [10 marks]
 - (b) Evaluate the effectiveness of the various methods that governments may use to redistribute income. [15 marks]
 3. (a) Explain the concepts of trade creation and trade diversion. [10 marks]
 - (b) Evaluate the advantages **and** disadvantages of joining a trading bloc. [15 marks]
 4. (a) Explain **two** significant barriers to economic growth in LDCs. [10 marks]
 - (b) Evaluate strategies that may be used to overcome the two barriers identified in (a). [15 marks]
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