



**ECONOMICS  
HIGHER LEVEL  
PAPER 1**

Tuesday 13 May 2008 (afternoon)

1 hour

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**INSTRUCTIONS TO CANDIDATES**

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

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

1. (a) Explain how a firm operating in an oligopolistic market might attempt to increase its market share. [10 marks]
  - (b) Evaluate the view that producers, and not consumers, are the main beneficiaries of oligopolistic market structures. [15 marks]
  2. (a) “The effect of a decrease in aggregate demand on output and the price level depends on the shape of the aggregate supply curve.” Explain this statement. [10 marks]
  - (b) Evaluate the likely effects of a falling rate of inflation on the performance of an economy. [15 marks]
  3. (a) Explain the principle of comparative advantage and the benefits which might arise from free trade. [10 marks]
  - (b) Evaluate the importance of membership of a trading bloc for the export performance of a country. [15 marks]
  4. (a) Explain how development might be measured. [10 marks]
  - (b) Evaluate the view that the most effective way that a government could improve the welfare of its citizens is through the pursuit of faster economic growth. [15 marks]
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