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International Baccalaureate®
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**ECONOMICS
HIGHER LEVEL
PAPER 2**

Friday 6 November 2009 (afternoon)

1 hour

INSTRUCTIONS TO CANDIDATES

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

Answer **three** questions. Each question is worth [10 marks].

1. Explain how the measurement of economic growth differs from the measurement of economic development.
 2. Using appropriate diagrams, explain why the relative burden (incidence) of an indirect tax on the producer and on the consumer varies, depending on the price elasticity of demand for the good (product).
 3. Explain the nature of competition in a non-collusive oligopoly.
 4. With reference to the concept of the multiplier, explain how the level of national income might be affected by a new government spending project worth \$100 million.
 5. Using an appropriate diagram, explain how a government decision to decrease income tax rates could lead to a movement along the short-run Phillips curve.
 6. Explain the differences between free trade areas (FTAs), customs unions and common markets as types of international economic integration.
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