



22115103



**ECONOMICS
HIGHER LEVEL
PAPER 1**

Monday 16 May 2011 (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 references to examples where appropriate.

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

1. (a) Using **at least one** diagram, explain why a firm in perfect competition might only be able to make supernormal (abnormal) profits in the short-run and not in the long-run. *[10 marks]*

(b) Evaluate the view that perfect competition is a more desirable market form than oligopoly. *[15 marks]*

 2. (a) Explain **two** policies a government might use to redistribute income. *[10 marks]*

(b) “Measures to promote greater income equality should be a key feature of government economic policy.” Evaluate this proposition. *[15 marks]*

 3. (a) Using the theory of comparative advantage, explain how countries might benefit from free trade and specialization. *[10 marks]*

(b) Evaluate the arguments in favour of barriers to international trade. *[15 marks]*

 4. (a) Explain the main features of export-led growth strategies used to achieve economic development. *[10 marks]*

(b) Evaluate the view that economic development in less-developed countries (LDCs) can best be achieved through export-led growth strategies rather than import substitution. *[15 marks]*
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