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

Tuesday 15 May 2012 (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.
- The maximum mark for this examination paper is *[30 marks]*.

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

1. Explain the differences between economies of scale and the law of diminishing returns.
 2. With the aid of **at least one** diagram, explain how cyclical/demand deficient unemployment may arise in an economy.
 3. Explain why demand curves may not always slope downward from left to right.
 4. With the aid of a diagram, explain the potential trade gains and trade losses arising from the formation of a customs union.
 5. Explain how a depreciation or devaluation of a country's currency could lead to an improvement in the current account of the balance of payments.
 6. Explain **two** negative economic consequences of growth which may arise in a developing country.
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