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International Baccalaureate®
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**ECONOMICS
HIGHER LEVEL
PAPER 1**

Monday 4 November 2013 (afternoon)

1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- You are not permitted access to any calculator for this paper.
- Section A: answer one question.
- Section B: answer one question.
- Use fully labelled diagrams and references to examples where appropriate.
- The maximum mark for this examination paper is *[50 marks]*.

SECTION A

Answer **one** question from this section.

Microeconomics

1. (a) Using a price ceiling diagram, analyse the impact a maximum price might have on the market for food. *[10 marks]*
(b) Discuss the policies a government might use to make food more affordable to low income groups. *[15 marks]*

2. (a) Explain why governments impose indirect taxes. *[10 marks]*
(b) Discuss **two** possible government responses to threats to sustainability. *[15 marks]*

SECTION B

Answer **one** question from this section.

Macroeconomics

3. (a) Explain how changes in the size of the circular flow depend on the relative size of injections and leakages. *[10 marks]*
- (b) Evaluate the use of national income statistics for making comparisons of the standard of living over time. *[15 marks]*
4. (a) Explain why measuring the rate of inflation using a consumer price index (CPI) may not be accurate. *[10 marks]*
- (b) Evaluate **two** government policies to reduce inflation. *[15 marks]*
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