



**ECONOMICS
STANDARD LEVEL
PAPER 1**

Wednesday 7 November 2007 (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 supply and demand analysis, explain why the price of agricultural goods tends to fluctuate more than the price of manufactured goods. [10 marks]
 - (b) Evaluate the possible role of price controls in agricultural markets. [15 marks]
 2. (a) Distinguish between cost push inflation and demand pull inflation. [10 marks]
 - (b) Evaluate the view that the consequences of inflation are more harmful to an economy than the consequences of unemployment. [15 marks]
 3. (a) Explain **three** types of protectionism that a government might adopt in the context of international trade. [10 marks]
 - (b) Evaluate the extent to which protectionism may be justified in international trade. [15 marks]
 4. (a) Explain **three** institutional factors that contribute to potential economic growth in developing countries. [10 marks]
 - (b) Evaluate the view that economic growth will lead to economic development. [15 marks]
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