



**ECONOMICS  
STANDARD LEVEL  
PAPER 1**

Friday 6 November 2009 (afternoon)

1 hour

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**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** production possibility curve diagram, explain the concepts of scarcity, choice, opportunity cost and resource allocation. [10 marks]
  - (b) “The process of resource allocation is most efficiently carried out through the free interaction of demand and supply. This means the provision of merit goods, such as health care and education, should always be left to market forces.” Evaluate this statement. [15 marks]
  2. (a) Explain **two** possible demand-side factors that may cause an increase in the level of unemployment. [10 marks]
  - (b) Evaluate the view that demand-side policies are more effective than supply-side policies in reducing the level of unemployment. [15 marks]
  3. (a) Explain **two** factors that might negatively affect a country’s current account in its balance of payments. [10 marks]
  - (b) Evaluate the view that current account deficits are best corrected through the use of policies designed to reduce aggregate demand. [15 marks]
  4. (a) Explain how buffer stock schemes/commodity price agreements may be used to reduce wide fluctuations in primary commodity prices. [10 marks]
  - (b) Evaluate the view that, to achieve greater growth and development, developing countries must lessen their dependence on the production of primary commodities. [15 marks]
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