



22135112



**ECONOMICS
STANDARD LEVEL
PAPER 1**

Thursday 2 May 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) Explain why a government might impose a price ceiling on the market for rented accommodation and a price floor on the market for agricultural products. *[10 marks]*
(b) Evaluate the possible consequences of price controls on the stakeholders in a market. *[15 marks]*

2. (a) Explain why common access resources, such as fishing grounds, might become depleted in the absence of a price mechanism. *[10 marks]*
(b) Evaluate the view that carbon taxes represent the most effective government response to the threat to sustainability posed by the use of fossil fuels. *[15 marks]*

SECTION B

Answer *one* question from this section.

Macroeconomics

3. (a) Explain the difficulties involved in measuring the level of unemployment. *[10 marks]*
- (b) Examine the reasons why the maintenance of a low level of unemployment is considered to be an important macroeconomic objective. *[15 marks]*
4. (a) Explain how labour market reforms may be used to promote economic growth. *[10 marks]*
- (b) “Market-oriented supply-side policies will always be more effective in promoting economic growth than demand-side policies.” To what extent do you agree with this statement? *[15 marks]*
-