



**ECONOMICS
HIGHER LEVEL
PAPER 2**

Wednesday 10 May 2000 (afternoon)

1 hour

INSTRUCTIONS TO CANDIDATES

- Do not turn over this page until instructed to do so.
- Answer four questions.
- Use diagrams where appropriate.

1. What is meant by ‘market failure’? Explain why pollution may cause market failure.
 2. Explain why the price elasticities of **both** demand and supply of primary commodities tend to be relatively low in the short run.
 3. In what ways might a company operating within an oligopolistic market structure attempt to increase its share of the market?
 4. Why might an increase in a country’s budget deficit be followed by an increase in its external trade deficit?
 5. For what reasons might a country’s exchange rate rise?
 6. The government of a less developed country decides to reduce the extent of income **and** wealth inequality. What methods could the government use to achieve its goal?
-