

**ECONOMICS
HIGHER LEVEL
PAPER 2**

Thursday 16 May 2002 (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. The price of tickets for a major tennis tournament is fixed by the organising body. At the set price, many more people wish to attend the tournament than there are seats available. Draw a diagram to illustrate this situation and use your diagram to examine the likely consequences.
 2. A bus company decides to reduce passenger fares. Explain the possible outcomes of this decision using economic concepts.
 3. Use an aggregate demand / aggregate supply diagram to analyse the likely effects of an increase in interest rates.
 4. Examine **two** reasons why a government might wish to control increases in its expenditure.
 5. Explain why the depreciation of a country's exchange rate might **not** improve its balance of payments?
 6. In what ways might a more equal distribution of income contribute to economic development.
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