



22095101



International Baccalaureate®  
Baccalauréat International  
Bachillerato Internacional

**ECONOMICS  
HIGHER LEVEL  
PAPER 1**

Monday 11 May 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) In the theory of the firm, a distinction is made between short-run cost curves and long-run cost curves. Using appropriate cost curve diagrams, explain this distinction. [10 marks]
- (b) Evaluate the view that greater economic efficiency will always be achieved in perfect competition as compared to monopoly. [15 marks]
2. (a) Explain the possible causes of a rise in the rate of inflation in an economy. [10 marks]
- (b) Evaluate the possible impact on economic performance that may result from a government decision to bring inflation under control. [15 marks]
3. (a) Explain the importance of price elasticity of demand in relation to a country's balance of payments on current account. [10 marks]
- (b) Evaluate the view that supply-side policies are more successful in correcting a country's current account deficit than demand-side policies. [15 marks]
4. (a) Institutional and political factors such as an ineffective taxation structure, political instability and an unequal distribution of income, as well as social and cultural factors such as gender issues and tradition, may all act as barriers to economic development.
- Explain how any **three** of these factors may act as barriers to economic development. [10 marks]
- (b) Evaluate the view that, in terms of achieving economic development in less developed countries, interventionist strategies, with a role for the government, are preferable to market-led strategies. [15 marks]
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