



## ECONOMICS HIGHER LEVEL PAPER 1

Monday 16 May 2011 (afternoon)

1 hour

## **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 an appropriate diagram, explain how a monopolist might be able to make supernormal (abnormal) profits in the short-run, and why these profits might continue to be earned in the long-run. [10 marks] (b) Evaluate the view that monopolistic competition is a more economically desirable market form than monopoly. [15 marks] 2. During the global financial crisis of 2008–2009, there was a fall in consumer spending in many countries. Explain the factors which might be responsible for causing consumer spending (a) to fall. [10 marks] (b) Evaluate the possible consequences of falling consumer spending for a country's macroeconomic performance. [15 marks] 3. (a) Using the theory of comparative advantage, explain how specialization and free trade might lead to welfare gains for developed countries. [10 marks] Evaluate the possible impact of globalization on the economies of (b) developed countries. [15 marks] Explain the main features of market-led strategies used to achieve economic 4. (a) development in less-developed countries (LDCs). [10 marks] (b) Evaluate the view that economic development in less-developed countries (LDCs) can best be achieved through market-led strategies rather than interventionist strategies. [15 marks]