



88125101



International Baccalaureate®
Baccalauréat International
Bachillerato Internacional

**ECONOMICS
HIGHER LEVEL
PAPER 1**

Tuesday 20 November 2012 (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.
- The maximum mark for this examination paper is *[25 marks]*.

Answer **one** question. Each question is worth [25 marks].

1. (a) Explain why a monopoly can earn supernormal (abnormal) profits in the long run. [10 marks]
 - (b) Evaluate the reasons why a government might allow a competitor into an industry that was previously a monopoly. [15 marks]
 2. (a) Explain how a government could bring about a more equal distribution of income. [10 marks]
 - (b) Evaluate the effectiveness of government policies designed to reduce inequalities in income. [15 marks]
 3. (a) Explain why a country might experience a deficit in the current account of the balance of payments. [10 marks]
 - (b) Evaluate the policies by which a deficit in the current account of the balance of payments might be corrected. [15 marks]
 4. (a) Explain why multinational corporations enter new markets in less developed countries. [10 marks]
 - (b) “Multinational corporations do not help economic development.” Evaluate this statement. [15 marks]
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