



**ECONOMICS  
STANDARD LEVEL  
PAPER 1**

Monday 14 November 2005 (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 real-world examples where appropriate.

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

1. (a) Explain the importance of price in allocating scarce resources. [10 marks]  
(b) Evaluate the possible consequences of implementing maximum and minimum price controls. [15 marks]
  2. (a) Explain the costs of inflation **and** the costs of deflation. [10 marks]  
(b) Evaluate demand-side policies as a means of reducing inflation. [15 marks]
  3. (a) Explain **three** factors which might cause the value of a currency to appreciate. [10 marks]  
(b) Evaluate the possible effects of such an appreciation on an economy. [15 marks]
  4. (a) Explain **two** significant barriers to economic growth in LDCs. [10 marks]  
(b) Evaluate strategies that may be used to overcome the two barriers identified in (a). [15 marks]
-