



22095110



International Baccalaureate®
Baccalauréat International
Bachillerato Internacional

**ECONOMICS
STANDARD LEVEL
PAPER 1**

Monday 11 May 2009 (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 negative externalities are a type of market failure. [10 marks]
- (b) Evaluate the measures that a government might adopt to correct market failure arising from negative externalities. [15 marks]
2. (a) There are various types of unemployment. Explain how any **three** types of unemployment may cause a rise in the unemployment rate of an economy. [10 marks]
- (b) Evaluate the view that the unemployment rate can be most effectively reduced through the use of measures designed to increase aggregate demand in an economy. [15 marks]
3. (a) Explain **three** factors which may cause changes to occur in a country's exchange rate under a floating exchange rate system. [10 marks]
- (b) Evaluate the likely impact on a country's economic performance of a substantial depreciation of its exchange rate. [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]
-