



22135102



International Baccalaureate®  
Baccalauréat International  
Bachillerato Internacional

**ECONOMICS  
HIGHER LEVEL  
PAPER 1**

Thursday 2 May 2013 (afternoon)

1 hour 30 minutes

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**INSTRUCTIONS TO CANDIDATES**

- Do not open this examination paper until instructed to do so.
- You are not permitted access to any calculator for this paper.
- Section A: answer one question.
- Section B: answer one question.
- Use fully labelled diagrams and references to examples where appropriate.
- The maximum mark for this examination paper is *[50 marks]*.

**SECTION A**

Answer *one* question from this section.

**Microeconomics**

1. (a) Explain how welfare loss may result from monopoly power. *[10 marks]*  
(b) Discuss the effectiveness of government policies (legislation and regulation) to reduce monopoly power. *[15 marks]*
  
2. (a) Using diagrams, explain how the incidence of an indirect tax may be affected by the price elasticity of demand. *[10 marks]*  
(b) To what extent might the problems of negative externalities of consumption be resolved by the use of indirect taxation? *[15 marks]*

**SECTION B**

Answer *one* question from this section.

**Macroeconomics**

3. (a) Explain why the market system may not result in an equitable distribution of income. *[10 marks]*
- (b) Evaluate government policies to promote equity in terms of their effects on efficiency in the allocation of resources. *[15 marks]*
4. (a) Explain how labour market reforms may be used to promote economic growth. *[10 marks]*
- (b) “Market-oriented supply-side policies will always be more effective in promoting economic growth than demand-side policies.” To what extent do you agree with this statement? *[15 marks]*
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