

**Economics**  
**Higher level**  
**Paper 1**

Specimen paper

1 hour 15 minutes

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**Instructions to candidates**

- Do not turn over this examination paper until instructed to do so.
- You are not permitted access to a calculator for this paper.
- Answer one question.
- Use fully labelled diagrams where appropriate.
- The maximum mark for this examination paper is **[25 marks]**.

Answer **one** question.

1. (a) Explain **two** ways a government might respond to the existence of asymmetric information in a market. [10]  
(b) Using real-world examples, evaluate different approaches to managing common access resources. [15]
  2. (a) Explain **two** tools open to a central bank to conduct expansionary monetary policy. [10]  
(b) Using real-world examples, evaluate the effectiveness of monetary policy to achieve low unemployment. [15]
  3. (a) Explain how currency depreciation might affect a country's current account balance. [10]  
(b) Using real-world examples, discuss the possible implications of a persistent current account deficit. [15]
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