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Economics
Standard level
Paper 1

Wednesday 27 October 2021 (afternoon)

1 hour 30 minutes

Instructions to candidates

- Do not turn over 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 a decrease in income might affect the demand for normal goods **and** the demand for inferior goods. [10]
- (b) Discuss the significance of income elasticity of demand for producers of primary products **and** producers of manufactured goods when incomes are rising. [15]
2. (a) Explain the impact on consumers, producers and the government of a price floor being introduced in an agricultural market. [10]
- (b) Evaluate the view that a price ceiling is an ineffective policy to protect low-income consumers. [15]

Section B

Answer **one** question from this section.

Macroeconomics

3. (a) Explain how in the Keynesian AD/AS model an economy can be in equilibrium while producing below the full employment level of output. [10]
- (b) Evaluate the view that fiscal policy is the best way to reduce unemployment. [15]
4. (a) Explain how economic growth might reduce the level of absolute poverty in a country. [10]
- (b) Evaluate the view that progressive income tax is the best way to increase equity in an economy. [15]