



Economics Higher level Paper 1

16 May 2024

Zone A morning | Zone B morning | Zone C morning

1 hour 15 minutes

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 why firms in monopolistic competition may make abnormal profit in the short-run but not in the long-run. [10]
(b) Using real-world examples, evaluate the view that the existence of significant market power is always undesirable. [15]
 2. (a) Explain how a decrease in interest rates is likely to affect the equilibrium level of national income. [10]
(b) Using real-world examples, evaluate the view that the most effective way to increase economic growth, reduce unemployment and maintain a low rate of inflation is by using supply-side policies. [15]
 3. (a) Explain the benefits of foreign aid for economically less developed countries. [10]
(b) Using real-world examples, discuss the benefits and costs of inward foreign direct investment (FDI) for economically less developed countries. [15]
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