

**ECONOMICS**

**Higher Level**

Monday 17 May 1999 (afternoon)

Paper 2

1 hour

This examination paper consists of 6 questions.

The maximum mark for each question is 10.

The maximum mark for this paper is 40.

**INSTRUCTIONS TO CANDIDATES**

Do NOT open this examination paper until instructed to do so.

Answer FOUR questions.

Use diagrams where appropriate.

**EXAMINATION MATERIALS**

Required:  
None

Allowed:

A simple translating dictionary for candidates not working in their own language

229-041

2 pages

1. The choice between military products and the provision of health care illustrates the problem of 'opportunity cost'. Explain the nature of this problem, using a production possibility frontier to help you.
  2. Using a suitable diagram, predict what is likely to happen to efficiency when a competitive industry is monopolised.
  3. Why might an increase in government expenditure have a greater multiplier effect than a corresponding reduction in direct taxes?
  4. Explain why a deterioration in the terms of trade could bring about an improvement in the balance of payments on current account.
  5. Outline the possible advantages of a country specialising in manufactured goods instead of primary products.
  6. What is structural unemployment, and what measures might governments take to combat it?
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