

Economics Higher level Paper 1

14 May 2025

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 the price elasticity of demand (PED) for primary commodities is generally lower than the PED for manufactured products. [10]
- (b) Using real-world examples, discuss the importance of PED for the decision-making of firms **and** government. [15]

2. (a) Explain how interventionist supply-side policies can have both demand-side **and** supply-side effects on the economy. [10]
- (b) Using real-world examples, evaluate the effectiveness of market-based supply-side policies in reducing the level of unemployment in a country. [15]

3. (a) Explain the difference between a floating exchange rate system and a fixed exchange rate system. [10]
- (b) Using real-world examples, discuss the consequences for an economy of a depreciation of its exchange rate. [15]
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