

# Economics

## Standard level

### Paper 1

14 May 2025

Zone A morning | Zone B morning | Zone C morning

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) Distinguish between public goods and merit goods. [10]
- (b) Using real-world examples, evaluate the view that price ceilings (maximum prices) are more effective than subsidies in raising the consumption of merit goods. [15]

2. (a) Explain why, according to the Keynesian model, a country may experience a persistent deflationary (recessionary) gap. [10]
- (b) Using real-world examples, discuss the usefulness of real gross domestic product (GDP) per capita as an indicator of economic well-being. [15]

3. (a) Explain why countries engage in international trade. [10]
- (b) Using real-world examples, discuss the effectiveness of interventionist supply-side policies in promoting economic growth **and** economic development. [15]
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