

Demand, supply and market equilibrium

9 questions · 225 marks

Answer all questions. The marks available are shown against each part. Every question is taken unaltered from a past paper; the source is noted beneath it. Some questions are taken from higher level papers, where they examine the same standard level content.

Section A · Extended response

6 questions · 150 marks

Answer on lined paper. Draw every diagram asked for, fully labelled.

1.
 - (a) Explain **two** factors that would lead to an increase in the demand for a product. [10] 25 marks
 - (b) Discuss the view that competitive markets will always achieve allocative efficiency. [15]

— IB M18/3/ECONO/SP1/ENG/TZ1/XX Economics · May 2018 Paper 1 TZ1 SL, Question 2

2.
 - (a) Explain how a decrease in the price of travelling by train might affect the price and output of its substitutes **and** of its complements. [10] 25 marks
 - (b) Using real-world examples, evaluate the view that the government should never provide subsidies to firms. [15]

— IB 2224 – 5109 Economics · May 2024 Paper 1 TZ2 SL, Question 1

3.
 - (a) Explain why an increase in the demand for a good would normally lead to an increase in its price, while an increase in the price of a good would normally lead to less of it being demanded. [10] 25 marks
 - (b) Using real-world examples, evaluate the view that public goods should always be provided by the government. [15]

— IB 8824 – 5108 Economics · November 2024 Paper 1 TZ1 SL, Question 1

4.
 - (a) Explain how a decrease in income might affect the demand for normal goods **and** the demand for inferior goods. [10] 25 marks
 - (b) Discuss the significance of income elasticity of demand for producers of primary products **and** producers of manufactured goods when incomes are rising. [15]

— IB 8821 – 5110 Economics · November 2021 Paper 1 SL, Question 1

5.
 - (a) Explain how the price mechanism reallocates resources when there is a decrease in the supply of a good. [10] 25 marks
 - (b) Evaluate the view that the threat to sustainability, caused by economic activity requiring the use of fossil fuels, is best addressed through the use of carbon taxes. [15]

— IB 2221 – 5111 Economics · May 2021 Paper 1 TZ1 SL, Question 1

6.
 - (a) With reference to the concept of excess demand, explain how a decrease in supply of a good would lead to a new market equilibrium. [10] 25 marks
 - (b) A government decides to impose an indirect tax on unhealthy drinks. Discuss the consequences for the stakeholders in these markets. [15]

— IB M18/3/ECONO/HP1/ENG/TZ1/XX Economics · May 2018 Paper 1 TZ1 HL, Question 1

Higher level extension

3 questions · 75 marks

Higher level only. Standard level students can leave this section out. Answer on lined paper. Draw every diagram asked for, fully labelled.

7. (a) Explain why a monopoly is able to make abnormal profits in the long run while firms in monopolistic competition cannot. [10] 25 marks
- (b) Using real-world examples, evaluate the view that profit maximization is a firm's main objective. [15]

— IB 8824 – 5101 Economics · November 2024 Paper 1 TZ1 HL, Question 1

8. (a) Explain why some firms might choose the goal of profit maximization while others might choose to adopt satisficing behaviour. [10] 25 marks
- (b) Discuss whether price will always be lower and output will always be higher in perfect competition compared to monopoly. [15]

— IB M18/3/ECONO/HP1/ENG/TZ2/XX Economics · May 2018 Paper 1 TZ2 HL, Question 2

9. (a) Explain why in perfect competition abnormal profits are only made in the short run. [10] 25 marks
- (b) Using real-world examples, evaluate the view that firms will always seek to maximize their profits. [15]

— IB 2224 – 5101 Economics · May 2024 Paper 1 TZ1 HL, Question 1