

# Revision Dojo IB Economics Prediction Papers

May 2025 IB Economics  
Paper 1 SL

Duration: 1 hour 15 minutes

## Instructions for students:

- You are not permitted access to a calculator for this paper.
- Answer one question only.
- Answer in a separate sheet of paper, with your full name written on it.
- Use fully labelled diagrams where appropriate.
- The maximum mark for this examination paper is [25 marks].

Answer only **one question**.

1. (a) Explain how the overconsumption of common pool resources leads to externalities. [10 marks]  
  
(b) Using real-world examples, evaluate the effectiveness of taxes in correcting the market failure caused by negative consumption externalities. [15 marks]
  
  2. (a) Explain the business cycle. [10 marks]  
  
(b) Using real-world examples, evaluate the effectiveness of monetary policy in closing a recessionary gap. [15 marks]
  
  3. (a) Explain how the exchange rate is determined in a floating exchange rate system. [10 marks]  
  
(b) Using real-world examples, evaluate the effectiveness of export subsidies in promoting economic growth. [10 marks]
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