

Candidate Name

Candidate Number

Centre Name

Centre Number

Paper 1: Economics

Exam Series: May/June 2024

(1 hour 30 minutes)

It is necessary to respond to the questions set out in the paper. Responses must be provided in the lined sections under each question.

INSTRUCTIONS:

- You must write your name, candidate number, centre name and centre number in the section above.
- Attempt all the questions using a dark blue or black pen.
- It is important to follow the instructions provided in this document.
- Do not use correction fluid.
- Avoid writing on any bar codes.

INFORMATION:

The total number of marks for this paper is **60**. The number of marks assigned for every question or its parts is indicated within brackets [].

Section A: Scenario

The government of a small island nation has decided to implement a minimum wage policy to address concerns about income inequality and poverty. The minimum wage is set at \$10 per hour, which is significantly higher than the prevailing wage rate in many sectors of the economy. As a result, businesses are facing increased labour costs, leading to debates over the policy's effectiveness and potential consequences for the economy.

(Q1a) Explain possible effects of the minimum wage policy on the labour market in the short term.

(2 marks)

(Q2a) Discuss factors that could influence the extent to which businesses adjust to the minimum wage policy.

(4 marks)

(Q3a) Describe an unintended consequence of the minimum wage policy on the island nation's economy.

(2 marks)

(Q4a) Analyse how the minimum wage policy could impact income distribution and poverty levels in the long-term.

(4 marks)

(Q5a) Evaluate alternative government intervention that could achieve similar objectives as the minimum wage policy **whilst** minimising potential negative effects on businesses.

(4 marks)

(Q6a) State methods that businesses might use to cope with the increased labour costs resulting from the minimum wage policy.

(2 marks)

[illegible]

(4 marks)

(Q8a) Compare and contrast the effects of the minimum wage policy on the island nation's GDP growth rate.

(4 marks)

(Q9a) Explain how the minimum wage policy could affect the competitiveness of the island nation's exports in the global market.

(4 marks)

(Q10a) Discuss potential factors that could limit the effectiveness of the minimum wage policy in reducing income inequality on the island nation.

(4 marks)

(Q11a) Analyse potential challenges that small businesses might face in complying with the minimum wage policy.

(6 marks)

Section B

(Q1b) Explain the concept of price elasticity of demand.

(4 marks)

[illegible]

(6 marks)

[illegible]

(10 marks)