



GCE A LEVEL

A520U30-1



ECONOMICS – A level component 3
Evaluating Economic Models and Policies

FRIDAY, 15 JUNE 2018 – MORNING

2 hours 30 minutes

ADDITIONAL MATERIALS

A WJEC pink 16-page answer booklet.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Answer **one** question from Section A.

Answer **one** question from Section B.

Answer **one** question from Section C.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the need for good English and orderly, clear presentation in your answers.

SECTION A

Answer one question from this section.

1. CHANGES IN PRICE AND DEMAND AFFECT MARKETS IN DIFFERENT WAYS

- (a) Explain why demand curves slope downwards from left to right and supply curves slope upwards from left to right. [10]
- (b) “A rise in price always leads to a fall in quantity demanded but a rise in demand always leads to a rise in price and a rise in quantity.” With the aid of diagrams evaluate this statement. [20]

2. SHORTAGES OF CHEFS CAUSING CRISIS FOR UK CURRY RESTAURANTS

- (a) Explain, using diagrams, the reasons that profit maximising firms in monopolistic competition might decide to increase their prices. [10]
- (b) To what extent is monopolistic competition a more desirable market structure than perfect competition? [20]

SECTION B

Answer one question from this section.

3. DEFLATIONARY PRESSURES REMAIN IN THE EU AND JAPAN

- (a) Outline two measures of inflation in the UK and explain how they are calculated. [10]
- (b) “Deflation is more of a concern than inflation.” Discuss. [20]

4. UNEMPLOYMENT IN EUROZONE REMAINS HIGH

- (a) Explain why unemployment creates social and economic costs. [10]
- (b) “It is possible to reduce the natural rate of unemployment/NAIRU but not possible to reduce unemployment below the natural rate/NAIRU.” Evaluate this statement. [20]

SECTION C

Answer one question from this section.

5. FALLING POUND WORSENS TERMS OF TRADE AND FAILS TO REDUCE THE TRADE DEFICIT

(a) Explain the factors that might cause a country's exchange rate to depreciate. [10]

(b) To what extent would an improvement in the terms of trade improve the balance of trade? [20]

6. SOUTH AMERICA: MARKET-BASED REFORMS HAVE PRODUCED MIXED RESULTS

(a) Explain the main ways in which countries can protect their domestic industries from foreign competition. [10]

(b) How effective are moves towards more free-market based systems involving internal and external liberalisation likely to be in raising living standards in LEDCs? [20]

END OF PAPER