



GCE A LEVEL

A520U30-1



S19-A520U30-1



ECONOMICS – A level component 3
Evaluating Economic Models and Policies

TUESDAY, 4 JUNE 2019 – 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. MANY UK MARKETS NOW MORE CONTESTABLE

- (a) Distinguish, using examples, between structural and behavioural barriers to entry. [10]
- (b) Evaluate the extent to which competition and contestability are desirable in product markets. [20]

2. \$92BN PER YEAR NEEDED TO IMPROVE SUB-SAHARAN AFRICA'S ROAD AND BRIDGE INFRASTRUCTURE

- (a) Explain why public goods are an example of market failure. [10]
- (b) Discuss whether government attempts to correct market failure do more harm than good. [20]

SECTION B

Answer one question from this section.

3. NEW REGULATORY FRAMEWORK FOR FINANCIAL SECTOR

- (a) Explain why economies such as the UK need a legal framework of regulation for the financial sector. [10]
- (b) Evaluate the extent to which the UK's financial sector is beneficial to the UK economy. [20]

4. 10 YEARS ON FROM THE CRISIS; GREEK UNEMPLOYMENT STILL OVER 20%

- (a) Explain the process by which neo-classical economists argue that the economy can adjust to long-run equilibrium following a negative demand side shock. Use a diagram to support your answer. [10]
- (b) Discuss the extent to which economies are likely to recover quickly from negative demand side shocks in reality. [20]

SECTION C

Answer one question from this section.

5. POSITIVE SIGNS OF INCREASED ECONOMIC DEVELOPMENT IN SOUTH ASIA

(a) Explain some of the possible measures/indicators of economic development in an LEDC. [10]

(b) Evaluate the possible approaches to raising the level of economic development in LEDCs. [20]

6. NIGERIAN CENTRAL BANK SELLS \$4BN ON FOREIGN EXCHANGE MARKETS TO SUPPORT EXCHANGE RATE

(a) Using a diagram(s), explain how the exchange rate will be determined in a free-floating exchange rate system. [10]

(b) Discuss the extent to which it is desirable for a central bank to use foreign currency reserves to support its exchange rate. [20]

END OF PAPER