GCE A LEVEL

1520U40-1

S18-1520U40-1

ECONOMICS – A2 unit 4
Evaluating Economic Models and Policies

TUESDAY, 12 JUNE 2018 – AFTERNOON

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 necessity for good English and orderly, clear presentation in your answers.

You are reminded that this paper is synoptic and so will test understanding of the connections between the different elements of the subject.

© WJEC CBAC Ltd.

SECTION A

Answer **one** *question from this section.*

Either,

1. *(a)* Explain what is meant by a contestable market and, using a diagram, explain why firms in a contestable market tend to earn only normal profit. [10]

(b) Discuss the view that firms in an oligopoly must always be heavily regulated in order to prevent collusion. [20]

Or,

2. *(a)* Explain what is meant by monopoly and, using a diagram, explain why a monopoly may have lower average costs of production than a firm in perfect competition. [10]

(b) "Concentrated markets are always better for the economy than non-concentrated markets." Discuss. [20]

© WJEC CBAC Ltd.

SECTION B

Answer **one** *question from this section.*

Either,

3. *(a)* Using an appropriate diagram, explain the process by which Neo-classical economists believe that the economy will always adjust to reach long-run equilibrium. [10]

(b) Discuss the likely effectiveness of policies, other than the use of interest rates, to reduce the rate of inflation in an economy. [20]

Or,

4. *(a)* Using an appropriate diagram, explain why Keynesian economists believe that government intervention is often essential for decreasing cyclical unemployment. [10]

(b) Assess the extent to which a fall in unemployment is always desirable. [20]

© WJEC CBAC Ltd.

SECTION C

Answer **one** *question from this section.*

Either,

5. *(a)* Explain the factors that may result in an improving terms of trade index. [10]

(b) Evaluate the view that running a current account surplus is always better than running a current account deficit for LEDCs. [20]

Or,

6. *(a)* Explain how and why a "resource curse" may develop in an economy. [10]

(b) Discuss the extent to which governments of all LEDCs should encourage inward foreign direct investment (FDI). [20]

END OF PAPER

© WJEC CBAC Ltd.