GCE A LEVEL

1520U40-1

S19-1520U40-1

ECONOMICS – A2 unit 4
Evaluating Economic Models and Policies

THURSDAY, 23 MAY 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 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.

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SECTION A

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

Either,

1. *(a)* Using a numerical example, explain how game theory can be used to illustrate price leadership in oligopolies. [10]

(b) "Oligopoly is the most desirable market structure." Discuss. [20]

Or,

2. *(a)* Explain, using diagrams, why firms in perfect competition are regarded as efficient. [10]

(b) Evaluate the view that competition authorities should ban firms from using price discrimination. [20]

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SECTION B

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

Either,

3. *(a)* Explain, using a diagram, the shape of the short run aggregate supply (SRAS) function and the factors which may cause it to shift. [10]

(b) "Recession can sometimes generate benefits for an economy." Discuss the extent to which governments should pursue contractionary fiscal policies. [20]

Or,

4. *(a)* Explain, using an AD/AS diagram, how quantitative easing should lead to an increase in both economic growth and inflation rates. [10]

(b) Evaluate the view that deflation is always undesirable for an economy. [20]

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SECTION C

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

Either,

5. *(a)* Explain possible causes of a current account deficit. [10]

(b) Evaluate the extent to which increasing integration of the world economy is beneficial to the UK. [20]

Or,

6. *(a)* Explain how international aid and debt relief can help to raise the level of development in an economy. [10]

(b) Discuss the extent to which governments in LEDCs should use protectionist policies to increase living standards. [20]

END OF PAPER

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