



GCE A LEVEL

A520U30-1



O20-A520U30-1



THURSDAY, 15 OCTOBER 2020 – AFTERNOON

ECONOMICS – A level component 3
Evaluating Economic Models and Policies

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.

Either

1. MAJORITY OF AMERICANS THINK THAT GOVERNMENT INTERVENES TOO MUCH

- (a) Using diagrams, explain the ways in which allocative and productive efficiency are efficient. [10]
- (b) The efficiency of resource allocation in an economy would be improved by a reduction in the amount of government intervention. Discuss. [20]

Or

2. DEBENHAMS WARNS ON PROFITS, AFTER PRICE CUT FAILS TO ATTRACT MORE SHOPPERS

- (a) Explain, with the aid of a diagram, why price elasticity of demand changes along a downward sloping straight-line demand curve. [10]
- (b) Evaluate the extent to which knowledge of price elasticity of demand is important for decision making by firms and governments. Use diagrams to illustrate your answer. [20]

SECTION B

Answer one question from this section.

Either

3. CENTRAL BANKS LOOKING TO REVERSE QE

- (a) Using the quantity theory of money, explain why an increase in the money supply might cause a rise in inflation. [10]
- (b) Discuss whether a reversal of QE is likely to be economically beneficial. [20]

Or

4. TRADE TENSIONS SEE IMF CUT UK GROWTH FORECAST

- (a) With the aid of diagrams, explain the difference between actual growth and potential growth. [10]
- (b) To what extent is economic growth beneficial to an economy? [20]

SECTION C

Answer one question from this section.

Either

5. CHINA IN AFRICA – INFRASTRUCTURE INVESTMENT HELPING TO OVERCOME THE RESOURCE CURSE

- (a) Explain why dependency on a narrow range of primary products may damage an economy's economic development. [10]
- (b) Discuss whether an increase in inward foreign direct investment is a good way to improve economic development for countries that are primary product dependent. [20]

Or

6. BULGARIA FORECAST TO BE NEXT EUROZONE MEMBER

- (a) Explain, using a diagram, how an EU member could stabilise its currency against the euro prior to joining the eurozone. [10]
- (b) Discuss the possible benefits and drawbacks to EU member countries of adopting the euro. [20]

END OF PAPER