



A LEVEL ECONOMICS

COMPONENT 3

Evaluating Economic Models and Policies

SPECIMEN PAPER

2 hours 30 minutes



ADDITIONAL MATERIALS

In addition to this examination paper, you will need a 20-page answer booklet.

INSTRUCTIONS TO CANDIDATES

Use black ink or black-ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

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.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

SECTION A

Answer **one** question from this section.

1. Income inequality at highest level since the 1930s

- (a) Using appropriate diagrams and examples, explain why some UK workers earn higher wages than others. [10]
- (b) Evaluate the most appropriate policies that the government could implement when trying to reduce income inequality in the UK. [20]

2. Monopoly water market in the UK to be opened up to competition

- (a) Explain, using examples, why some markets may be harder to enter than others. [10]
- (b) Discuss the extent to which monopoly markets are economically desirable in developed economies. [20]

SECTION B

Answer **one** question from this section.

3. Unemployed under-25s pose huge problems for the economy

- (a) Explain why high levels of unemployment might be considered undesirable within an economy. [10]
- (b) Evaluate the most appropriate policies the government could use to reduce unemployment significantly in the UK at the present time. [20]

4. UK falls from eighth place in 2012 to tenth in 2013 in the Global Competitiveness Index

- (a) Explain factors which might have caused the decrease in the international competitiveness of UK businesses. [10]
- (b) Evaluate strategies which may be used by the government to improve the competitiveness of UK businesses. [20]

SECTION C

Answer **one** question from this section.

5. Oil in Nigeria: More of a curse than a blessing?

- (a) Explain, with examples, why having significant amounts of natural resources can damage the economic development of a country. [10]
- (b) To what extent is encouraging inward foreign direct investment (FDI) the most appropriate policy for countries aiming to increase their level of economic development? [20]

6. US current account deficit drops to \$98.9 billion (2nd quarter 2013)

- (a) Using diagrams, explain measures a country such as the US could introduce to reduce its current account deficit. [10]
- (b) Discuss whether a country should always try to reduce a deficit on the current account of its balance of payments. [20]