



GCE A LEVEL – NEW

A520U30-1



S17-A520U30-1



**ECONOMICS – A level component 3
Evaluating Economic Models and Policies**

MONDAY, 19 JUNE 2017 – 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 need for good English and orderly, clear presentation in your answers.

SECTION A

Answer one question from this section.

1. GOVERNMENT INTRODUCES NATIONAL LIVING WAGE

- (a) Explain the factors determining the elasticities of demand and supply of labour. [10]
- (b) With the aid of a diagram, evaluate the likely impacts of statutory minimum wages in labour markets. [20]

2. GOOGLE EXTENDS TESTING OF DRIVERLESS CARS. AMAZON CONTINUES DEVELOPING PRIME AIR

- (a) Explain why firms may not aim to maximise profit and instead pursue other objectives. [10]
- (b) Markets dominated by large firms, such as Google, Facebook, Apple and Amazon can deliver huge benefits to consumers. To what extent should economists be concerned by highly concentrated markets such as these? [20]

SECTION B

Answer one question from this section.

3. UK NATIONAL DEBT RISES BY £5000 PER SECOND. UNEMPLOYMENT LOWEST SINCE 2006 BUT STILL AROUND 1.7 MILLION

(a) Explain why recent UK governments have generally been concerned about high levels of public sector debt. [10]

(b) Evaluate the use of supply side reforms in reducing unemployment in the UK. [20]

4. BUDGET 2016: GROWTH FORECASTS CUT FOR NEXT 5 YEARS

(a) Explain some of the policies that could be used to try to increase investment in the UK economy at the present time. [10]

(b) Discuss whether an increase in investment is likely to be the most important factor in increasing economic growth in economies such as the UK. [20]

SECTION C

Answer one question from this section.

5. UK CURRENT ACCOUNT DEFICIT REACHES 5.2% OF GDP IN 2015

- (a) What are the possible causes of a current account deficit in the balance of payments? [10]
- (b) To what extent should a government be concerned by a large current account deficit? [20]

6. “TRADE IS BETTER THAN AID”

“If rich countries are really serious about increasing the level of economic development of the world’s poorest countries, they should open their borders to trade rather than pouring billions of pounds into ineffective aid projects.”

- (a) Explain, using numerical examples, the difference between comparative and absolute advantage in trade. [10]
- (b) “Trade is better than aid.” Discuss the extent to which this is true for less economically developed countries in terms of raising their level of economic development. [20]

END OF PAPER