



**A2 ECONOMICS**

**UNIT 4**

**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. (a) Explain, using a diagram, how the price and output of a profit maximising monopoly would be determined in the short run. [10]
- (b) Evaluate the assumption that firms will always aim to maximise profits. [20]

**OR**

2. (a) With the aid of appropriate examples, explain the main features of oligopoly. [10]
- (b) Discuss the need for government intervention in UK energy markets. [20]

**SECTION B**

Answer **one** question from this section.

3. (a) Explain, using diagrams, the difference between demand-pull and cost-push inflation. [10]
- (b) Discuss the view that policies to reduce inflation will always lead to increasing levels of unemployment. [20]

**OR**

4. (a) Explain, using an appropriate diagram, why an increase in income tax might be associated with either a rise or fall in the budget deficit. [10]
- (b) “Cutting the national debt is more important than increasing government spending to promote economic growth”. Discuss [20]

**SECTION C**

*Answer **one** question in this section.*

5. (a) Explain the strengths of possible measures of economic development. [10]
- (b) To what extent does increasing levels of GDP in an LEDC guarantee increasing standards of living? [20]

**OR**

6. (a) Explain some of the ways in which a country can make its labour markets more flexible. [10]
- (b) To what extent is structural reform (free market policies) the best way of encouraging economic growth in LEDCs? [20]