



GCE A LEVEL

A520U30-1



MONDAY, 5 JUNE 2023 – MORNING

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. Government considers higher tax on cut-price alcohol

- (a) Using diagrams, explain how different values of price elasticity of demand (PED) might affect the incidence of an indirect tax on different products. [10]
- (b) Discuss, using economic theory, whether a cut in price by a firm is likely to increase its profitability. [20]

Or

2. CMA blocks Sainsbury/Asda merger but Google bid for Fitbit permitted

- (a) Explain, using examples, what is meant by horizontal, vertical and conglomerate mergers. [10]
- (b) Evaluate the costs and benefits of mergers to both firms and their customers. [20]

SECTION B

Answer **one** question from this section.

Either

3. Unemployment rises sharply across the world

- (a) Explain why some economies might have higher rates of unemployment than others. [10]
- (b) Discuss whether achieving low unemployment or low inflation should be the more important policy objective for a government. [20]

Or

4. Economic shocks threaten to scar the UK economy

- (a) Explain the factors that could cause (i) the short run and (ii) the long run aggregate supply curves to shift position. [10]
- (b) Assess the effectiveness of monetary policies for an economy in recession. [20]

SECTION C

Answer **one** question from this section.

Either

5. Sharp fall in the pound after political turmoil

- (a) Explain, using diagrams, why exchange rates can be volatile. [10]
- (b) Discuss whether a policy of keeping a country's exchange rate below its equilibrium level is likely to be economically beneficial for that country. [20]

Or

6. Norway and Iceland both part of the European Union's (EU's) single market

- (a) Explain why a non-EU member such as Norway might become part of the single market. [10]
- (b) Evaluate the effects of membership of the European Monetary Union (EMU) (the eurozone) on an EU member state. [20]

END OF PAPER