GCE A LEVEL

1520U40-1

S25-1520U40-1

THURSDAY, 5 JUNE 2025 – MORNING

ECONOMICS – A2 unit 4
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. Do not use gel pen or correction fluid.
You may use a pencil for graphs and diagrams only.
Answer **one** question from Section A.
Answer **one** question from Section B.
Answer **one** question from Section C.
Write your answers in the separate answer booklet provided, following the instructions on the front of the answer booklet.
Use both sides of the paper. Write only within the white areas of the booklet.
Write the question number in the two boxes in the left-hand margin at the start of each answer,
for example | 0 | 1 |.

Leave at least two line spaces between each answer.

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 necessity for good English and orderly, clear presentation in your answers.
You are reminded that this paper is synoptic and so will test understanding of the connections between the different elements of the subject.

SECTION A

Answer **one** question from this section.

Either,

0	1

a) Explain, using relevant diagrams, the difference between the shape of the average and marginal revenue curves for both perfect competition and monopolistic competition. [10]

b) With the use of an appropriate diagram(s), evaluate the view that perfectly competitive markets are the most desirable market structure. [20]

Or,

0	2

a) Using numerical examples relating to total and marginal product, explain the law of diminishing returns and how the law impacts on marginal costs. [10]

b) With the use of an appropriate diagram(s), discuss how a large firm in an oligopolistic market structure can increase both its market share and profits. [20]

SECTION B

Answer **one** question from this section.

Either,

0 3

a) Explain how both quantitative easing and quantitative tightening are expected to work in an economy. [10]

b) To what extent is inflation more harmful than deflation for an economy? [20]

Or,

0 4

a) Explain how both discretionary and automatic government fiscal policy can lead to budget (fiscal) deficits. [10]

b) Discuss the view that it is always appropriate to tighten fiscal policy during periods of economic downturn as a way of reducing a budget (fiscal) deficit. [20]

SECTION C

Answer **one** question from this section.

Either,

0 5

a) Other than the human development index (HDI), explain measures of economic development and why they might be suitable for indicating living standards. [10]

b) To what extent is poor governance (institutional weakness) the biggest obstacle facing LEDCs aiming to raise their level of economic development? [20]

Or,

0 6

a) Using an exchange rate diagram(s), explain how and why a country might manipulate its exchange rate as a form of protectionism. [10]

b) Moldova is one of the poorest countries in Europe. If a country such as this were to join the European Union (EU), assess the extent to which this will benefit existing EU members. [20]

END OF PAPER

