



GCE A LEVEL



A520U30-1

MONDAY, 5 JUNE 2023 – MORNING

ECONOMICS – A level component 3

Evaluating Economic Models and Policies

2 hours 30 minutes plus your additional time allowance

ADDITIONAL MATERIALS

A WJEC pink 16-page answer booklet.

INSTRUCTIONS TO CANDIDATES

Use black ink, black ball-point pen or your usual method.

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.

(Turn over)

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 marks]
 - (b) Discuss, using economic theory, whether a cut in price by a firm is likely to increase its profitability.**

[20 marks]

(Turn over)

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 marks]**
- (b) Evaluate the costs and benefits of mergers to both firms and their customers. [20 marks]**

(Turn over)

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 marks]**
- (b) Discuss whether achieving low unemployment or low inflation should be the more important policy objective for a government. [20 marks]**

(Turn over)

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 marks]**
- (b) Assess the effectiveness of monetary policies for an economy in recession. [20 marks]**

(Turn over)

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 marks]

(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 marks]

(Turn over)

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 marks]

(b) Evaluate the effects of membership of the European Monetary Union (EMU) (the eurozone) on an EU member state. [20 marks]

END OF PAPER