



GCE A LEVEL

A520U30-1



THURSDAY, 14 OCTOBER 2021 – AFTERNOON

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. ASOS (THE ONLINE FASHION AND COSMETICS RETAILER) PROFITS FALL BY TWO THIRDS AS EXPANSION COSTS PUSH UP DEBT

- (a) Using examples, explain how internal and external economies of scale are both able to reduce a firm's unit costs. [10]
- (b) Using diagrams, discuss whether an increase in scale for firms in oligopolistic markets is more likely to increase or to reduce their profitability levels. [20]

Or

2. UK IMMIGRATION CONTINUES TO RISE

- (a) Using diagrams explain, in each case, how changes in population and agricultural productivity may affect an economy's production possibility frontier. [10]
- (b) Evaluate the impacts of an increase in immigration on labour markets. [20]

SECTION B

Answer one question from this section.

Either

3. PHILLIPS CURVE MAY BE BROKEN FOR GOOD – THE ECONOMIST

- (a) Explain, using a diagram or diagrams, why some economists argue that the long run Phillips curve is vertical but that the short run Phillips curve is not. [10]
- (b) Evaluate the policies that a government could use to shift the long run Phillips curve to the left. [20]

Or

4. ECONOMIC UNCERTAINTY HITS UK INVESTMENT

- (a) Explain the factors which may affect the level of investment in an economy. [10]
- (b) Evaluate the view that high levels of investment by firms and government are always beneficial for the economy. [20]

SECTION C

Answer one question from this section.

Either

5. DEBT IN DEVELOPING COUNTRIES HITS ALL-TIME HIGH

- (a) Explain how high levels of government debt might damage the economic growth of a less economically developed country (LEDC). [10]
- (b) Discuss the extent to which rapid economic growth in a less economically developed country (LEDC) is likely to lead to an increase in its economic development. [20]

Or

6. RISE IN PROTECTIONISM THREATENS GROWTH IN WORLD TRADE

- (a) Using diagrams and the concept of comparative advantage, explain how international trade should allow a country to consume outside its production possibility frontier. [10]
- (b) Discuss the costs and benefits of globalisation. [20]

END OF PAPER