

376/01

ECONOMICS – EC6

P.M. MONDAY, 26 June 2006

(2 hours)

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a 12 page answer book.

INSTRUCTIONS TO CANDIDATES

Answer **any three** questions.

INFORMATION FOR CANDIDATES

Each question carries 20 marks.

You are reminded of the necessity for good written communication and orderly presentation in your answers.

Candidates are reminded that this paper is synoptic and will test candidates' understanding of the connections between the different elements of the subject.

*Answer any **three** questions.*

1. “The Government should substantially increase taxes on air travel in order to reduce the external costs that it creates.” Discuss. [20]
2. “UK competition policy is based upon the assumption that monopoly power is not automatically bad as long as it is regulated.” How far can this approach be justified? [20]
3. “The Government’s first priority should always be to control inflation in order to achieve its other macroeconomic objectives.” Discuss. [20]
4. To what extent are high rates of UK economic growth desirable in the long-term? [20]
5. Discuss the view that the Government is harming the UK economy by refusing to adopt the single European currency. [20]
6. How far is it true to say that free market policies are the best way for developing countries to increase their standard of living? [20]