



GCE A level

376/01

ECONOMICS – EC6

A.M. FRIDAY, 13 June 2008

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. Discuss the argument that if all markets were perfectly competitive the efficiency of the economy would be maximised. [20]
2. External costs and benefits may arise from both consumption and production of goods and services. To what extent should governments intervene to correct market failure caused by external costs and external benefits? [20]
3. “If the Government wishes to maximise economic growth it should cut taxes substantially.” Discuss. [20]
4. Evaluate the view that policies designed to reduce unemployment will inevitably increase inflation. [20]
5. Discuss the view that the abolition of all international trade barriers would lead to higher standards of living in the UK. [20]
6. “Developing countries face disadvantages when competing with more advanced developed countries.” Discuss the best policies that developing countries can implement to overcome these disadvantages. [20]