

Commentary on candidate evidence

Candidate 1

The candidate evidence shows the following marks for each question.

Section 1

Question 1a

Describe what is meant by the following terms:

recession (line 8)

The answer was awarded **1 mark** (out of 1) for this question for:

- ◆ correct description of a recession

Question 1b

Describe what is meant by the following terms:

national debt (line 26).

The answer was awarded **0 marks** (out of 1) for this question.

The candidate confused national debt and government deficit.

Question 2

Explain why the UK government believed that cutting taxes would lead to economic growth.

The answer was awarded **5 marks** (out of 6) for this question for:

- ◆ linking cutting taxes with increased disposable income and spending
- ◆ developing increased consumer spending with economic growth
- ◆ linking decreased corporation tax with capital investment and productivity
- ◆ linking lower costs with increasing exports and export-led growth
- ◆ showing how the multiplier effect increases growth

Question 3

Analyse the implications of a rising level of national debt.

The answer was awarded **4 marks** (out of 4) for this question for:

- ◆ suggesting the need for future tax increases
- ◆ developing tax increases with lower disposable incomes and standards of living
- ◆ suggesting less spending on education would lead to lower skills, productivity and economic growth
- ◆ suggesting excessive debt deters foreign investors

A further mark for developing lower FDI leading to reduced skills transfer and thus productive potential would have been awarded had the candidate not already reached full marks for this question.

The point about not increasing taxes leading to falling wages of public sector workers would need to refer to 'real' wages to be mark worthy.

Question 4

Discuss the possible economic implications of diverging income tax rates between Scotland and the rest of the UK.

The answer was awarded **4 marks** (out of 4) for this question for:

- ◆ giving an increase in Scottish tax revenue for spending on public services
- ◆ developing the ability to spend more on the NHS, leading to an improved workforce and growth
- ◆ giving that people may move to England to avoid higher taxes
- ◆ developing the loss of skilled workers

A further mark for giving the ability to tackle inequality with a more progressive tax system would have been awarded had the candidate not already reached full marks for this question.

The point about a brain drain leading to lower tax revenue was a flip of the positive of extra spending being available for public services. On its own this point would have received a mark.

Question 5

Other than changes to income tax, evaluate 2 possible policies that a government could introduce to reduce inequality.

The answer was awarded **5 marks** (out of 6) for this question for:

Minimum wage

- ◆ describing a minimum wage diagram
- ◆ suggesting an increase in the minimum wage would have to be substantial to maintain living standards
- ◆ suggesting a minimum wage only helps those in work so does not tackle inequality for the jobless

Cost of living payments

- ◆ suggesting targeted support focusses on helping low income households

The point about not helping the middle classes was considered to be too off-topic to gain a mark.

Regional spending

- ◆ suggesting cutting corporation tax in disadvantaged areas would encourage inward investment increasing employment, skills and earnings
- ◆ suggesting this might only create screwdriver jobs rather than senior positions

Building infrastructure

- ◆ suggesting new transport infrastructure would allow people to find jobs in better paid locations
- ◆ giving HS2 as an example being expensive and overrunning

Increasing pensions

The answer was inaccurate in relation to the real value of pensions and therefore did not gain marks.

The candidate wrote about five policies, namely increasing the minimum wage; making cost of living payments; regional spending; building infrastructure; and increasing pensions. As the question specifically asked for two policies, the best two, namely minimum wage (3 marks) and regional spending (2 marks) were chosen to make up the mark awarded.

Question 6

Describe the economic advantages and disadvantages to the UK of inward migration.

The answer was awarded **6 marks** (out of 6) for this question for:

- ◆ giving an influx of skilled workers would increase output
- ◆ giving keeping wages costs down
- ◆ developing low wages into lowering costs of production
- ◆ giving new businesses being started to increase growth
- ◆ giving increasing working age migrants reduces the dependency ratio
- ◆ giving increasing the pressure on public services

A further 2 marks for giving increased pressure on house prices and decreased discretionary income caused by housing costs would have been awarded had the candidate not already reached full marks for this question.

The point about lower costs of production being passed onto consumers as lower prices was not developed sufficiently to be awarded a mark.

Question 7

Explain the reasons for the housing market being a potential barrier to labour mobility.

The answer was awarded **1 mark** (out of 2) for this question for:

- ◆ linking problems with relocating with houses being unaffordable in some areas
- The point about higher incomes was off topic and therefore were not awarded a mark.

The candidate achieved a total of **26 marks** out of 30 for section 1 (questions 1-7).

Section 2

Question 8a (i)

Explain, using a diagram(s), why firms in a perfectly competitive market are only able to make normal profits in the long run.

The answer was awarded **6 marks** (out of 6) for this question for:

- ◆ drawing a diagram showing correct curves (MC and AC)
- ◆ drawing a diagram showing MC cutting AC at lowest point
- ◆ drawing a diagram showing a shift of the supply curve to the right
- ◆ linking abnormal profits to firms moving into the market
- ◆ giving an increase in supply leads to a fall in price
- ◆ developing a fall in price with only making normal profits

The final points describing normal and abnormal profit are not answering the question and are therefore were not awarded marks.

Question 8a (ii)

Discuss the view that monopolies do not always benefit consumers.

The answer was awarded **6 marks** (out of 6) for this question for:

- ◆ giving higher prices for consumers
- ◆ giving a lower consumer surplus for consumers
- ◆ giving limited choice for consumers
- ◆ giving lower quality for consumers
- ◆ giving firms being inefficient
- ◆ giving productivity increases leading to lower per unit costs

The lower per unit costs point was repeated.

A further 4 marks would have been awarded had the candidate not already reached full marks for this question by giving the possibility of cross-subsidisation, including an example and the possibility of price discrimination, including an example.

Question 8b (i)

Using a fully labelled diagram, explain why electric cars may result in positive externalities in consumption.

The answer was awarded **7 marks** (out of 7) for this question for:

- ◆ drawing a correctly labelled diagram
- ◆ drawing a diagram showing MSB above MPB
- ◆ drawing a diagram showing original and new equilibrium points
- ◆ drawing a diagram showing net welfare gain

- ◆ giving reason for MSB is greater than MPB
- ◆ giving MPB as a benefit for a third party
- ◆ giving an example of an external benefit

A further 3 marks would have been awarded had the candidate not already reached full marks for this question by giving markets consume at a lower than socially optimal level which is where $MSB = MPB$ and that the market under-consumes electric cars.

Question 8b (ii)

Discuss possible ways a government might encourage the use of electric cars.

The answer was awarded **6 marks** (out of 6) for this question for:

- ◆ giving the introduction of low emission zones to disincentivise petrol/diesel cars
- ◆ giving the installation of more charging points to remove barriers to EV use
- ◆ developing the time taken for installation of charging points
- ◆ developing the cost for installation of charging points
- ◆ giving the introduction of subsidies for the car industry to lower the cost of production
- ◆ developing lowering the cost of production and therefore prices for consumers

A further 4 marks would have been awarded had the candidate not already reached full marks for this question by developing the argument for significant subsidies, the result of small subsidies, and the opportunity cost of subsidies, as well as disadvantage of keeping petrol/diesel cars.

The points about the way in which taxes on petrol/diesel cars work were off topic and therefore gained no marks.

The candidate achieved a total of **25 marks** out of 25 for section 2 (question 8).