

Commentary on candidate evidence

Candidate 3

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 **0 marks** (out of 1) for this question.

The candidate gave an incorrect 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 gave an incorrect description of national debt.

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 increased disposable income with working
- ◆ linking increased disposable income with increased demand
- ◆ developing increased demand with consumption of imports
- ◆ linking lower business taxes with increased exports
- ◆ developing increased exports with a positive balance of trade

The attempt to link increased consumer investment and increased demand is too weak to gain a mark.

The point about taxes, benefits and consumption is not necessarily true as government borrowing could have increased to maintain benefit levels and therefore would not gain a mark.

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 taxes will rise to repay debt thus reducing incomes and demand
- ◆ suggesting intergenerational unfairness in repaying debt
- ◆ suggesting the value of the £ would fall and discourage investors
- ◆ suggesting using modern monetary theory or QE in response to debt is inflationary

The point about taking out loans to repay debt does not gain a mark, as the national debt is already about borrowing.

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:

- ◆ suggesting higher tax revenue in Scotland available for reinvestment
- ◆ suggesting lower disposable income for middle class to reduce income inequality
- ◆ suggesting Scots might relocate to UK or abroad
- ◆ developing relocation with lower tax revenue in Scotland leading to lower demand

A further mark for suggesting higher taxes discourage skills development would have been awarded had the candidate not already reached full marks for this question.

Question 5

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

The answer was awarded **4 marks** (out of 6) for this question for:

- ◆ suggesting a policy of a wealth tax as low-income households would not be affected
- ◆ developing this with the problem of calculating the wealth on which to base the tax
- ◆ suggesting a policy of increased skills education to improve job opportunities for poorer households
- ◆ developing this with the problem on potentially low uptake

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:

- ◆ suggesting new skills would be brought to UK
- ◆ suggesting migrant workers would increase tax revenue, rather than claim benefits
- ◆ suggesting migrants bring different cultures to the UK
- ◆ suggesting young migrants decrease the dependency ratio
- ◆ suggesting an excess of labour would result in lower wages for all
- ◆ suggesting resulting overpopulation and pressure on housing

The point about inward migrant workers being ready to work is not necessarily true. In order to gain a mark, the candidate would have to expand the answer or give a suitable, specific example.

Question 7

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

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

- ◆ linking a housing shortage with geographical immobility
- ◆ linking high house prices with the inability to move

The candidate achieved a total of **25 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 **5 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
- ◆ linking abnormal profits with innovation and higher prices in the short run
- ◆ developing innovation with other firms following suit
- ◆ developing all firms doing the same with prices settling at an equilibrium to give normal profits

The point about low barriers to entry with firms joining the market and returning normal profits is a repeat.

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 monopolies do not produce at lowest cost, leading to higher prices for consumers
- ◆ giving not being allocatively efficient leading to higher prices for consumers
- ◆ giving the ability to price discriminate which is an advantage for some consumers
- ◆ developing price discrimination as a disadvantage to some consumers
- ◆ giving the ability of monopolies to reinvest profits to increase quality
- ◆ giving lack of consumer choice

The point about allocative inefficiency is repeated.

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 benefits to third parties
- ◆ giving MSB being higher than MPB
- ◆ giving the under-consumption of electric cars is a market failure

A further 3 marks would have been awarded had the candidate not already reached full marks for this question by giving reduction in pollution, reduction in environmental damage from petrol and reduction in noise pollution.

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 provide grants for home chargers to reduce costs to consumers
- ◆ giving charge taxes on production of petrol/diesel cars to increase prices
- ◆ giving continue with ban on the production of petrol/diesel cars to reduce supply
- ◆ giving create emission free zones in cities to discourage use of petrol/diesel cars
- ◆ giving subsidise electric car production to lower the prices
- ◆ giving provide information on the environmental effects of petrol/diesel cars

The candidate achieved a total of **24 marks** out of 25 for section 2 (question 8).