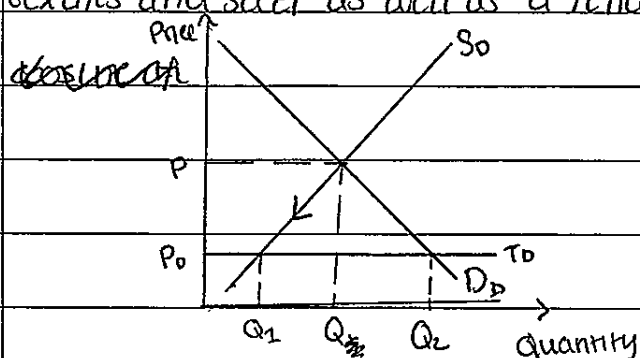


Candidate 4 evidence

(0a)	<p>Raising the highest rate of income tax could reduce inequality as income tax is a progressive system. The highest rate of income tax in Scotland is 48% 48% which is higher than the highest rate in England 45% and Scotland has has a lower GINI coefficient (0.31) than the rest of the UK (0.35) suggesting higher income tax could reduce inequality.</p> <p>Raising the highest rate of income tax could improve wealth distribution allowing the government to invest in the UK as the highest earners pay higher amounts of tax which is then reinvested by the government into improving the incomes and public services ^{investing in} and improving the lives of low income individuals.</p> <p>On the other hand Raising the highest rate of income tax could increase government's tax revenue and improve their budgetary position.</p> <p>On the other hand, increasing highest rates of income tax could result in a 'brain drain' as skilled workers and the highest earners leave the country to avoid this tax rise. This could result in a shortage of skilled workers in the economy.</p> <p>According to higher increasing the income tax ^{could} could drive down tax revenue in the long run due to incentivising tax avoidance and and migration.</p> <p>An increase in the highest rate of income tax could decrease productivity by providing a disincentive for workers to work hard and achieve a pay rise or bonus.</p>
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- b) ^A ~~one~~ reason for large economic disparities in the UK is globalisation. This is because as the world become increasingly ~~interconnected~~, - as trade increased Britain slowly lost its comparative advantage in many ~~areas~~ ~~vari~~ sectors which led to deindustrialisation, this disproportionately affected the North of England as their economy was heavily ~~based~~ ~~reliant~~ on the manufacturing industries such as textiles and steel as well as a reliance on coal mining. ~~They~~



The impacts of globalisation can be seen on the above diagram, with domestic production contracting from $Q \rightarrow Q_1$. This lead to ~~scaring~~ ~~scaring~~ unemployment rates in the North of England, affecting demand for local goods and services further ~~restra~~ increasing deprivation and leading to more unemployment and poverty. This ~~data~~ deindustrialisation did not affect the more diversified economies in the South East of England so lead to ~~reduced~~ ~~re~~ economic disparities.

Furthermore, increased FDI in the South East of England has further bolstered GDP, growth, productivity and employment but the North East ~~area~~ suffers from a lack of FDI furthering

these inequalities.

Productivity also contributes to regional economic disparities, this is because businesses can lower costs of production thus making more profit, reinvesting in R & D and generating dynamic efficiency and AD ⁱⁿ for the region, however with productivity in ~~the north being significantly higher in~~ the south east of England being significantly higher in the North (e.g. productivity in Reading is 60% higher than productivity in Doncaster), ^{regional} economic disparity is worsened. Furthermore ^{proportionally} underfunded public services in these regions such as low education spending have worsened economic disparity creating skills gaps and maintaining occupational immobility which in turn sustains high structural unemployment.

e) The UK government could invest in infrastructure projects in ~~areas~~ ^{depressed} regions (such as the North East of England) this would provide jobs for construction, improve geographical mobility, productivity and efficiency in the region perhaps stimulating growth and reducing regional disparities. However these infrastructure projects are very expensive and ~~can~~ have failed in the past, for example HSR once meant to go as far as ^{North} Newcastle now terminates in Birmingham doing little to help ~~the~~ economic disparity in the North East and instead boosting investment elsewhere

perhaps even worsening economic disparity between regions

Education could also be used to combat regional economic disparities. Investing in education ^{in deprived areas} (such as schools, training programmes, ~~and~~ ^{and} college programmes e.g. HNCs and apprenticeships) would increase the skills level of the labour force, allowing workers to be more productive and reducing occupational immobility, ~~thereby~~ thus aiding regional economic disparities, however the positive ~~work~~ ^{work} of these investments would take along time to come into effect and so they may not be that effective in immediately combatting disparities.

Enterprise zones could be set up to reduce regional economic disparities, these encourage business investment in areas lacking in it by providing superfast broadband, reduced business rates, ~~and~~ help with start up costs and relaxed planning regulations. These would boost investment and economic activity in disadvantaged areas, helping them towards economic parity with the rest of the country. However there are already 24 enterprise zones in England and regional economic disparity shows no sign of narrowing perhaps suggesting that the impact of this policy alone is not enough to narrow regional economic disparities.

d) On the one hand (rationalising key industries allows the government to regulate prices to maintain affordability, for example since the privatisation of the rail industry in the 1990s rail fares have risen 120% in the UK suggesting that privatisation does not lead to cheaper prices.

Government may also benefit from cheaper borrowing ^{costs} allowing them invest more into the industry and improve infrastructure.

Re-Nationalisation also allows ~~coordination~~ means that the profits these industries make flow directly to the government and not wealthy shareholders, improving their budgetary position and allowing them to reinvest these profits in ways to benefit the public.

Re-Nationalisation also means that ~~the government~~ market failures would be corrected with the government operating ^{firms} at socially optimum levels of output, taking externalities into account unlike markets.

However, on the other hand,

Re-Nationalisation would be very costly with the government having to ~~buy~~ buy back these industries, worsening an already concerning budget deficit and national debt.

Re-nationalising industry could lead to x-inefficiencies due to the lack of genuine competition.

Re-nationalising key industries could lead to a reduction

in the quality of service provide due to lack of competition in the market. For example in the 1970s and 80s the nationalised British rail was ~~not~~ notorious for providing poor service.

~~However~~, re-nationalising key industries may lead to a lack of dynamic efficiency with the government ^{being less likely} ~~having no~~ requirements to invest profits back into the industry or into research and development, than private firms.

Re-nationalising key industry may also lead to politics getting in the way of service, hindering the efficacy of key industries.