

Candidate 1 evidence

1.	
a)	tax credits are is at the government receives
a)	Tax credit is the money that the government receives through taxation that it puts into public spending. Types of spending services that tax credits could be spent on is education, transport, defense etc. The UK govt. spends most on social security (welfare etc.).
b)	Supply side policy is a type of government policy that affects factors such as the supply of Labour

2. Higher wages in a country would improve ~~as~~ its government budget as this means the government would collect more in tax revenue as wages are higher hence so is income tax. ~~tax~~

Higher wages in an economy would also increase ^{consumer} spending in the economy as consumers have more disposable income. This will allow government to collect more in indirect taxes such as VAT, further increasing their ~~tax~~ revenue. More spending will also ~~also~~ cause the multiplier effect to kick in, ~~probably~~ further ~~increasing~~ stimulating growth.

All of this will increase government's revenue which will allow them to improve their budgetary position.

3. ~~This is a matter~~

It is favourable for the UK government to improve its budgetary position as it is important to cut down on the national debt. Last year UK's national debt was at ~~£~~£11.2 billion and continues to rise further. It is important to cut down on the national debt as ignoring it can cause future problems for the UK economy. This would leave a massive debt burden on the UK in years to come and hence cause even worse budgetary problems in the future.

4. Having to pay workers the national living wage will increase the total costs of firms. Businesses ~~will be under pressure to commit to~~ that do not commit to paying the living wage will face penalties if investigated by authorities set out by the government. An increase in total costs

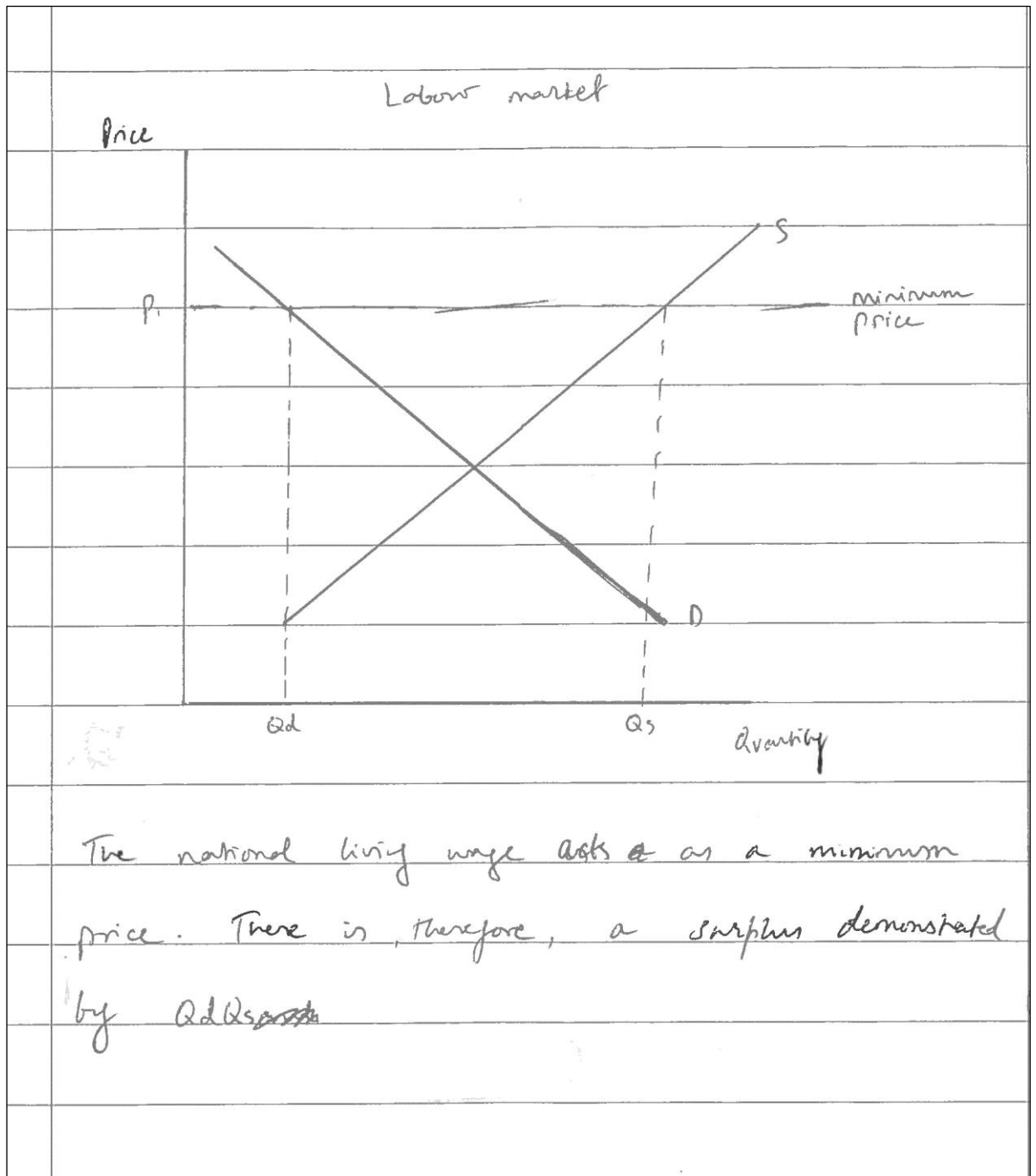
for businesses may force them to shed labour in order to avoid paying the high wage to ~~so~~ ^{as} many workers. ~~It may also result in decreased productivity for~~ This may cause these businesses to decrease production and cause a fall in productivity. ~~As~~

If people know that they will be receiving ~~a~~ higher wages ^{to work} ↑ they will have more incentive to work. So an imposition of a national living wage would result in an increase in ~~the~~ the supply of labour. This means firms will have more opportunities to employ ^{more} workers.

Workers who receive this pay boost will be more motivated to work more efficiently meaning a firm's productivity will increase.

5. A rise in the national living wage will result in an increased supply of workers as more people are willing to work.





6. Low productivity may be a cause of the low rate of inflation in the UK. The inflation rate in the UK is at a very low 0.3%. Such low inflation can be harmful to an economy. People may expect even more of a fall in inflation so they will postpone spending, this can cause economic stagnation.

7. As inflation is already very low at 0.3%, low productivity could reduce it further perhaps even into deflation. An ~~decrease~~ increase in the pounds value would then render imports cheaper for the UK; and UK exports ~~dearer~~ dearer. More firms will be able to export into the UK and increased importation may cause imported inflation.

8. Income inequality produces many problems such as worker pay strikes from workers who demand pay rises, this makes firms' productivity fall.

Rising income inequality also complicates income tax set by governments. Progressive taxation is when the ^{amount} ~~percentage~~ of tax paid rises as the income rise and regressive taxes are when those on lower incomes pay a greater percentage of their income as tax.