

Question 1(a)

Candidate A evidence

1) a) Tariffs is a charge set to goods being imported into countries. This means that it will be more costly for a country to export their goods to another. It can be used as retaliation as it is between China and the US.

Candidate B evidence

1a) A tariff is a tax imposed on exports making them more expensive and making exports induce in demand when imposed. 'New tariffs imposed by the USA will also affect UK exporters, making steel and aluminium exports from the UK less attractive to customers in the United States.'

Candidate C evidence

1)a)	A tariff is a tax on a specific import, this is to promote demand for domestic firms via the substitution effect. e.g. there may be a 25% tariff on cars produced outside the UK to make the UK car industry more competitive.	
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Question 1(b)

Candidate A evidence

1)b)	Free Trade to the UK economy would mean the stimulation and growth of UK businesses. They would be able to export their goods to more countries therefore making more profit. This would be beneficial for the employment rate as businesses would grow and possibly expand more people would be hired. Economic growth would be affected in a positive way. All of this would stimulate economic growth and the increased revenue gained could then be invested	
	in the UK which again would help the UK economy achieve its goals.	

Candidate B evidence

1) b) • "Free Trade" widens consumers choice of products and services. This means firms face more competition. Firms will be focused on improving the quality of their products to attract consumers. Competition may also result in lower prices.

• Free Trade may encourage Foreign Direct Investment (FDI). This will ^{have a positive impact} ~~improve~~ on the UK's balance of payments. FDI may also create more jobs within the UK which will reduce unemployment.

Lower unemployment may lead to increased standards of living depending on the distribution of income

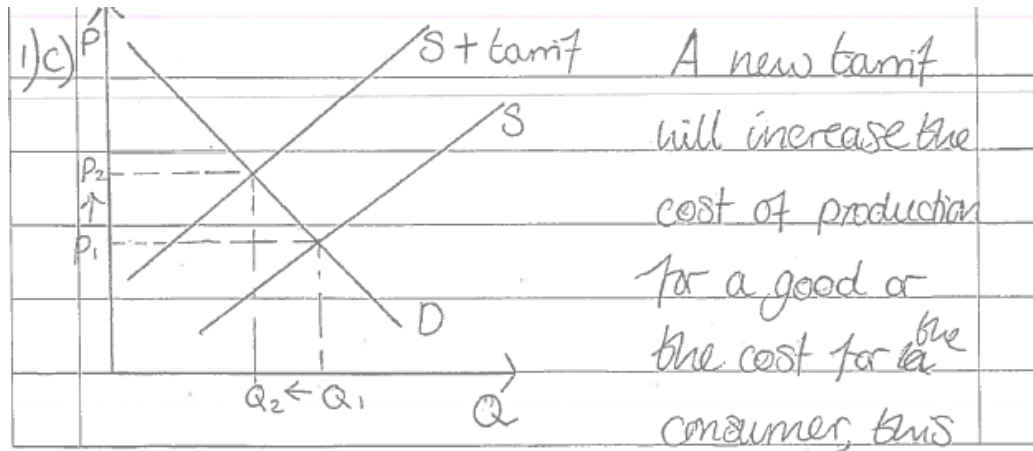
• Free trade may lead to increased output within the UK due to access to new markets. Firms will have the opportunity to export their goods/ services to new markets & increase sales which may lead to an increase in GDP.

Candidate C evidence

b) • UK firms can sell to a larger market, therefore they may have a higher demand and so make more profit. This also means the UK government will receive more corporation tax revenues, therefore improving the balance of payments by lowering national debt. This will allow the government to invest more in capital projects e.g. building a new school/hospital. Therefore, creating jobs and increasing employment.	
• The increased competition from foreign firms may stimulate UK firms to become more efficient to compete, therefore	
improving the UK economy's productivity.	

Question 1(c)

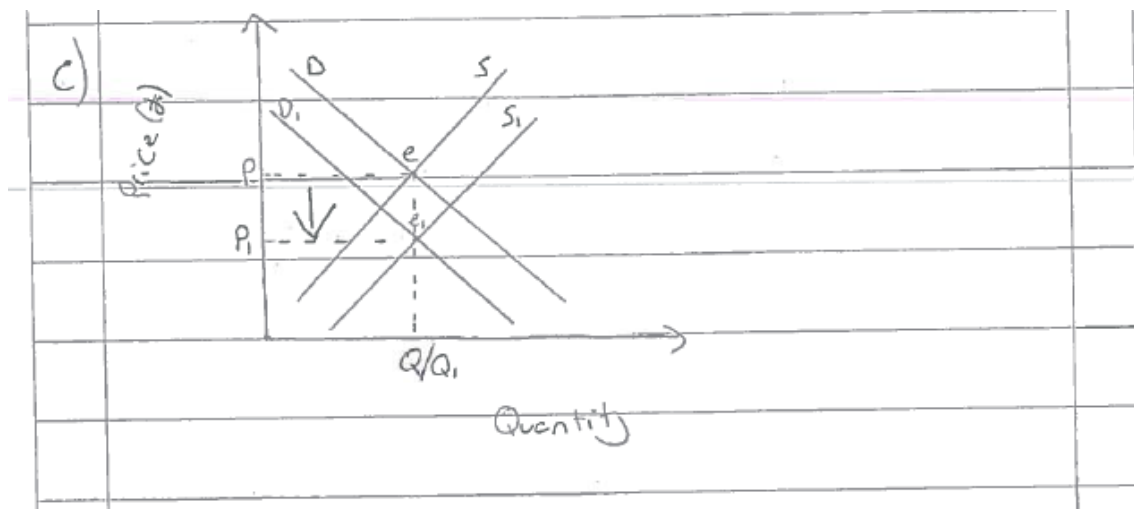
Candidate A evidence



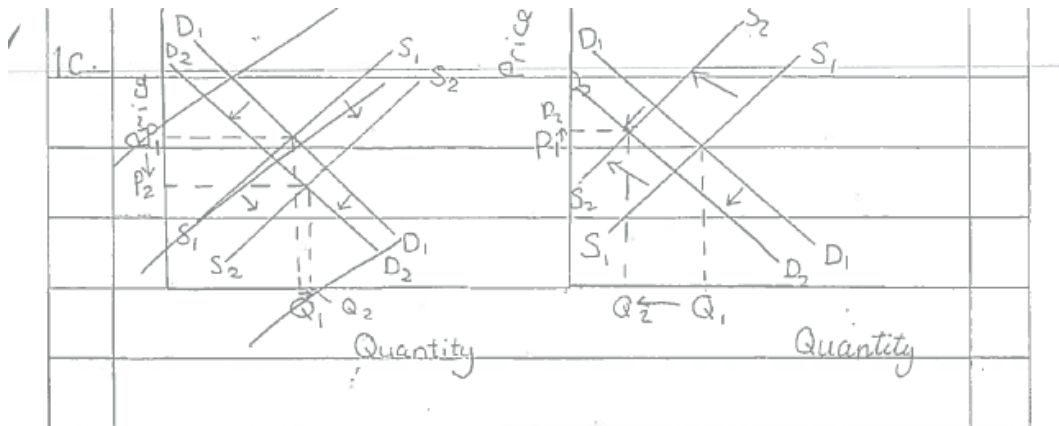
depends on PED.

A tariff will cause the equilibrium price to rise.

Candidate B evidence



Candidate C evidence



Question 1(d)

Candidate A evidence

d) The government wants to have sustained economic growth. It wants this because economic growth is an increase in the total value of goods & services that can be produced, giving consumers a better standard of living as they have access to more goods.

Economic growth also means that firms can make more profits, & so are more likely to expand, employing new people & reducing unemployment. This would increase the government's revenue from income tax & decrease its spending on Job Seekers Allowance.

Spill over effects of economic growth can be new technical innovations to help to preserve the environment.

Candidate B

1d.	<p>Economic growth will attract foreign direct investment (FDI) which means multinational multinationals will invest in the UK increasing government revenue thus making it an objective.</p> <p>Economic growth will result in new jobs being created which means unemployment will fall. This makes it a government objective because they will get more tax revenue.</p>	THIS MARGIN
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Candidate C

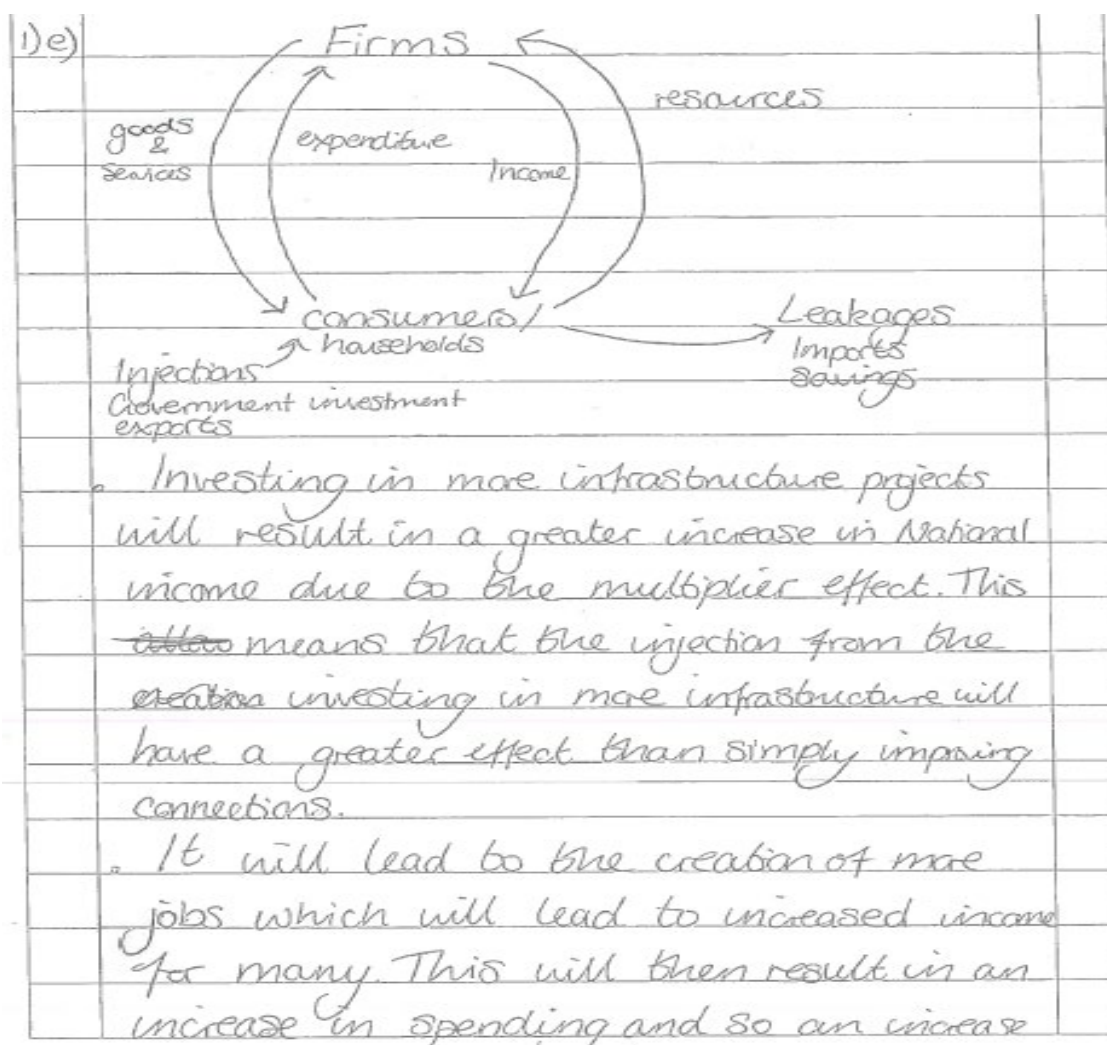
d)	<p>Economic growth is a government objective as it means that unemployment is reduced so increased tax revenue from income tax can be gained to spend on public services such as the NHS, education.</p> <p>Economic growth is also an objective as firms can use the revenue gained from consumer confidence and increased employment to invest so government doesn't have to offer as many grants or subsidies to help struggling firms at times of low economic growth, increasing National income.</p>	THIS MARGIN
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Question 1(e)

Candidate A

<p>c) Investing in infrastructure increases the geographical mobility of labour. Therefore, can with improved infrastructure, commuting and relocating for work is easier. Therefore increasing employment as people can travel further for work. The increased employment increases disposable income for the newly employed this can trigger a positive multiplier effect, causing a growth in National Income.</p> <p>• Further more improved infrastructure can improve domestic firms communication and transport. This therefore, improves the productivity of the economy, this can lead to a rise in output. The output will ^{may} then generate more profits for the firm, allowing them to expand their to operation and employ more labour, increasing employment.</p>	MARGIN
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Candidate B



in aggregate demand. This will lead to larger firms increasing output to meet demand.

- The effect of the multiplier will increase until the equilibrium is met where ~~agg~~ injections equal leakages.
- The impact of the multiplier will depend on marginal propensity to consume (MPC) and marginal propensity to save (MPS)

$$\text{multiplier} = \frac{1}{1 - \text{MPC}} \quad \text{or} \quad \frac{1}{\text{MPS}}$$

Candidate C

e)	It will reduce costs for firms & so increase their profits, encouraging them to expand, increasing employment & National Income.
	The investment is an injection into the Circular flow of income, & so the multiplier will mean that there is a more than proportionate rise in National income.
	The infrastructure projects will provide jobs for many people, increasing their disposable income & so increasing demand for goods & services, making firms more profit, etc.
	The employment provided by this investment will mean that the government earns more in income tax, & has to pay less in Job Seekers Allowance. This means that it will have more money to invest in other areas to try & increase National Income, e.g. Spending more on education