

Question 4(a)

Candidate A

4)a) . The government could increase income tax. This would mean a higher percentage of income is taken from those on a higher income. This means there will be less of an income inequality gap as people on a higher income

will be left with less disposable income.

The revenue raised from an increase in income tax could be reinvested into those on a lower income through benefits. This means those on a lower income will have more disposable income.

• The Government could reduce indirect taxes such as VAT. This would mean ~~the~~ consumers could purchase goods without losing a large percentage on goods with high VAT. This would also be the reduction in a regressive tax which takes a higher percentage of income from those on a lower income than it does for those on a higher income.

• The Government could increase its ~~spending~~ capital spending e.g. build a new hospital. This would create many jobs which would mean unemployment

	could be reduced. This may lead to those who previously relied on JSA have increased income and so the income inequality gap is ^{reduced} lessened .	
	• The Government could	

Candidate B

A)	• Increase the progressive direct taxes	
	e.g. income tax for higher income earners, therefore lowering the disposable	

QUESTION	THIS MARKS
and reducing wage disparities.	
The Government may increase the National Minimum Wage, this increases the wealth of those earning the lowest in employment. Therefore, reducing income inequality.	
The UK Government can increase JSA job seekers allowance, this will raise the income of the lowest in society and improve their standard of living.	
② The Government may also increase capital spending projects e.g. build a new hospital, therefore the government will employ labour to build the hospital, increasing employment, and providing a greater income than what they were previously on with JSA.	
The Government can introduce a wage cap i.e. an individual can not earn	

QUESTION	MARKS
more than £200,000 p.a. Therefore,	
limiting the extent of wealth of the	
richest in society and so reducing the	
extreme wealth.	
Finally the Government may offer a	
subsidy to a firm encouraging them to	
employ more workers, increasing employment	
thereby increasing their disposable income	
and standards of living.	

Candidate C

40) ~~from~~ fiscal policies can be used to reduce the level of income inequality by ~~as~~ increasing income tax. This means ~~that~~ income tax is a progressive tax which means that it takes into account the ability of people to pay so it takes more ~~more~~ from the rich than the poor. This means that income will be distributed more fairly so everyone has a more equal chance of being able to buy goods and services.

Fiscal policies could also be used by increasing government spending. This means the government would be able to provide more merit goods such as education and healthcare which benefits individuals. This ~~means~~ would also create jobs which means unemployment will fall, this would reduce income inequality.

because it means more people will be employed and have money to spend in the economy. VAT could be lowered because this is a regressive tax which means it does not take into account the ability of people to pay so it takes proportionally more from the rich than the poor. This means the poor are not able to buy as many goods/services.

Question 4(b)(i)

Candidate A

b) GDP is the value of goods and services traded within the UK within a year whereas the GNP includes UK firms operating abroad. The GDP is more commonly used as an economic indicator than GNP.

Candidate B

QUESTION	THIS MARGIN
b)	
i)	<p>GDP is the total value of goods & services produced within the UK in a year, whereas GNP is the total value of goods & services produced by UK owned assets in a year, & so includes overseas UK assets & excludes foreign assets in the UK.</p>

Candidate C

(4b)	<p>Gross domestic product is the value of goods and services produced in an economic economy while Gross national product is the the value of goods and services produced in an economy take away the value of goods and services produced by multinationals in the the UK add</p>	
	<p>on the value of goods and services produced abroad.</p>	

Question 4(b)(ii)

Candidate A

i)	National income statistics do not reveal	
	the extent of regional inequalities in	
	a country and so do not give accurate	

QUESTION	ANSWER	MARKS
	results on places that need aid.	
	Some countries may calculate their national income differently, leading to misleading values between countries.	
	Inflation is not always accounted for in National Income statistics and so the real value is not shown.	
	There may be mistakes in the ^{currency} counting the statistics as these may have been converted ^{with} an old or date exchange rate, therefore inaccurate.	

Candidate B

ii) one limitation of using national income statistics to compare economies is that there may be

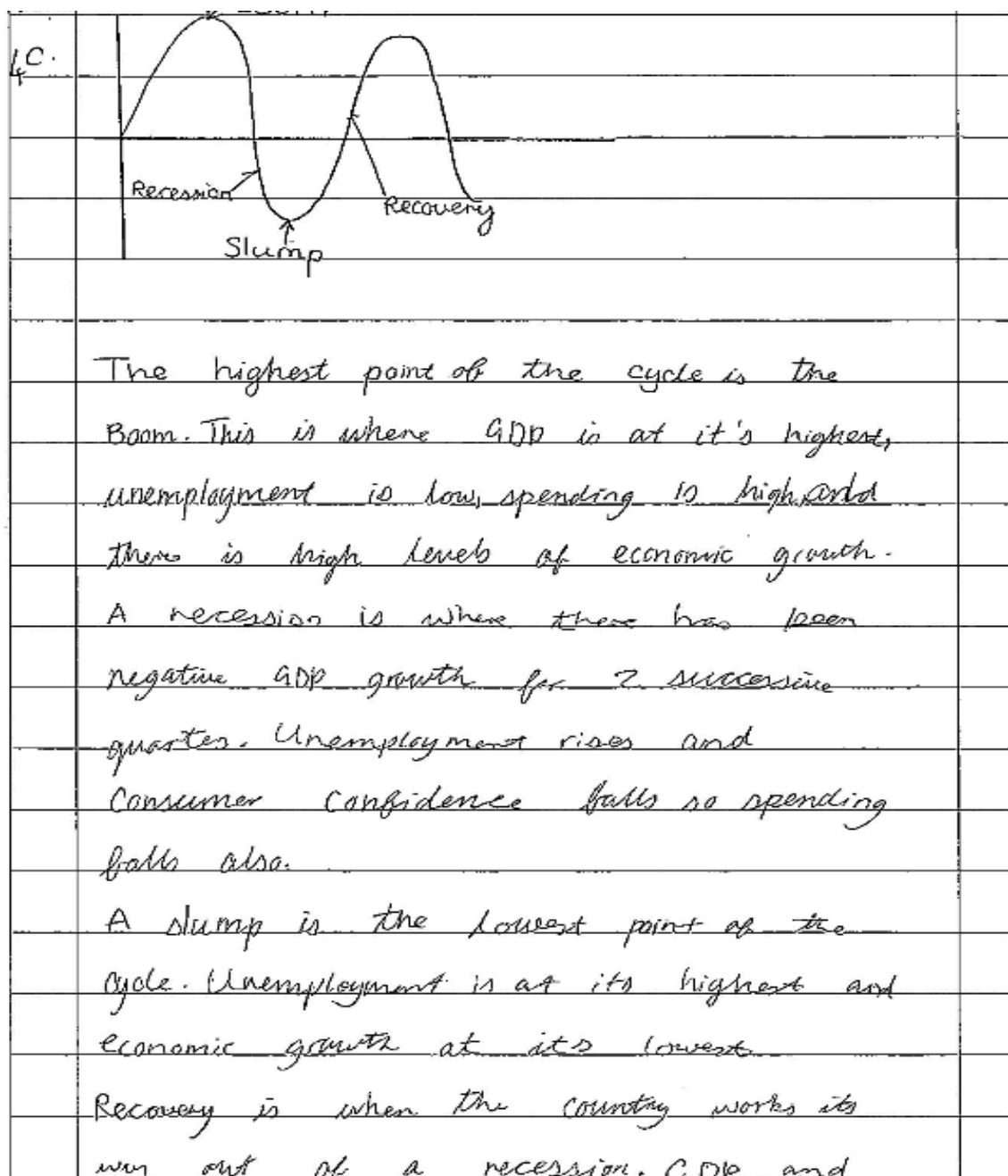
QUESTION	THIS MARGIN
<p>errors or omissions when they've been calculated. This may be because some countries don't have the sufficient infrastructure for or equipment to measure calculate them properly so statistics may not be accurate.</p>	
<p>National income statistics don't show the quality of goods and services produced or the working conditions they were produced in. They also don't show ^{the amount of} over time workers or the amount of leisure time people have which makes them less useful.</p>	
<p>National income statistics don't show changes in the population.</p>	
<p>They have to be calculated taking into account inflation i.e. real terms otherwise the statistics can't be properly compared.</p>	

Candidate C

ii)	One limitation would be that different populations
	not all countries may have the means to produce
	accurate statistics so can be less reliable.
	Another limitation would be that the statistics do not
	show what is being produced whether it be guns and
	butter or chairs.
	Another limitation would be some goods produced
	may not be recorded.
	Another limitation would be that populations are
	all different so incomes per capita per head may all
	be different.

Question 4(c)

Candidate A



4c economic growth begins to rise and eventually the economy turns again before the cycle repeats.

Candidate B

c)	<p>One stage of the business cycle is a recession. This is when demand is low, unemployment is high^{cyclical unemployment} and there is little to no economic growth. After a recession, the economy may start to recover and at this point there will be increasing employment (but at a slow rate) and firms may start to operate again. Eventually, the economy may reach its normal state again, with a steady rate of inflation and a relatively low rate of unemployment - no cyclical unemployment.</p> <p>At the top of the trade cycle, the economy then^{may then} reach 'peak' - this is when consumer spending is high and aggregate demand is high. There will be a lot of economic growth and full employment. However, this may cause the economy to overheat due to high rates of inflation.</p> <p>A slump is when the economy has experienced ongoing low AD and unemployment is increasing.</p>	
QUESTION	<p>but it hasn't quite hit a recession yet.</p>	THE MARGIN

Candidate C

