



General Certificate of Education

Economics

ECON3

**Unit 3 Business Economics and the
Distribution of Income**

Mark Scheme

Specimen mark scheme for examinations in June 2010 onwards
This mark scheme uses the [new numbering system](#)

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Advanced Level Economics Unit 3

Specimen Mark Scheme

General Instructions

Marks awarded to candidates should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the candidate to score full marks in a variety of ways. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

Two approaches have been used in the construction of the mark scheme.

- (i) **An issue based approach.** The mark scheme for parts **01, 02, 04** and **05** of the data response questions and the first part of each essay question adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the candidate might include in the answer.
- (ii) **A levels approach.** This approach is used for parts **03** and **06** of the data response questions the second part of each essay question. The Levels Mark Scheme on the next page identifies five levels representing differences in the quality of work. A range of marks is allocated to each level. First decide the level into which an answer falls. The level chosen should be the one which **best fits** the answer provided by the candidate. It is **not** intended that the answer should satisfy every statement in the level description. Then think in terms of awarding the mid-point mark which has been identified for that level (e.g. 14 marks for Level 3). Move up or down from this notional mark by considering the extent to which the answer meets the level description overall. Strength in one skill can outweigh weakness in another. When using the Levels Mark Scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is given after the level descriptions. The question-specific mark scheme summarises the information which could be used to answer the question, but without attaching marks to particular issues.

THE LEVELS MARK SCHEME FOR A2

Level Descriptions

In parts **03** and **06** of the data response questions and the second part of each essay question, 40% of the marks are available to award to candidates who demonstrate that they can evaluate economic arguments and evidence, and make informed judgements. An answer showing no evidence of evaluation, however good the analysis, should be awarded a maximum of 15 marks (in Level 3). The quality of evaluation should be the sole distinction between a Level 4 and Level 5 answer. As indicated below, the **Quality of Written Communication** used should be taken into account when awarding marks.

Level 1: A very weak answer

Few, if any, relevant issues are recognised. Descriptions and explanations lack clarity. Economic concepts and principles are not adequately understood or applied to the question and its context. No satisfactory analysis or evaluation. Little, if any, appreciation of the inter-relatedness of economic issues, problems and institutions. There might be some evidence of organisation in the answer but generally it fails to answer the question. Spelling, punctuation and grammar may be poor. There is little use of specialist vocabulary.

0 to 6 marks

Mid-Point 4 marks

Level 2: A poor answer but some understanding is shown

A few issues are recognised but there is only limited evidence of the candidate's ability to apply relevant economic concepts. Descriptions and explanations are sometimes hard to follow. An attempt is made to answer the question but there is little satisfactory analysis or evaluation. There is some very limited appreciation of the inter-relatedness of economic issues, problems and institutions. There is some limited logic and coherence in the organisation of the answer. The candidate demonstrates some ability to spell commonly used words and to follow the standard conventions of punctuation and grammar. Some use of specialist vocabulary is made but this is not always applied appropriately.

7 to 11 marks

Mid-Point 9 marks

Level 3: An adequate answer with some correct analysis but very limited evaluation

A few issues are recognised. The candidate has attempted to apply relevant economic concepts and ideas to the question and its context. A reasonable understanding of some concepts and theories is demonstrated. However, the evaluation of the issues, arguments and evidence is limited or superficial. There is some understanding of the inter-relatedness of economic issues, problems and institutions. There is some logic and coherence in the organisation of the answer. The candidate is generally able to spell commonly used words and usually follows the standard conventions of punctuation and grammar. Some descriptions and explanations are easy to understand but the answer may not be expressed clearly throughout. There is some use of specialist vocabulary which is applied appropriately.

12 to 16 marks

Mid-Point 14 marks

Level 4: Good analysis but limited evaluation

Several relevant issues are identified. Good understanding of economic concepts and principles is demonstrated throughout. The candidate is able to apply these concepts and principles to the context to answer the question. A clear understanding of the inter-relatedness of economic issues, problems and institutions is demonstrated. The candidate shows the ability to think as an economist making effective use of the economist's 'tool kit' of concepts, theories and techniques. There is some appreciation of alternative points of view. Satisfactory use is made of evidence and/or theoretical analysis to evaluate the issues/arguments/models identified. The candidate demonstrates some ability to synthesise the arguments presented and come to some relevant conclusions although these might not always be based on evidence presented.

Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed. The answer is well organised. Descriptions and explanations are clearly expressed. A wide range of specialist vocabulary is used with facility.
17 to 21 marks

Mid-Point 19 marks

Level 5: Good analysis and evaluation

Several relevant issues are identified. Good understanding of economic concepts and principles is demonstrated throughout. The candidate is able to apply these concepts and principles to the context to answer the question. A clear understanding of the inter-relatedness of economic issues, problems and institutions is demonstrated. The candidate shows the ability to think as an economist making effective use of the economist's 'tool kit' of concepts, theories and techniques. There is an appreciation of alternative points of view. Good use is made of evidence and/or theoretical analysis to evaluate the issues/arguments/models identified. The candidate demonstrates the ability to synthesise the arguments presented and come to conclusions which are based on the evidence presented. A clear final judgement is made. Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed. The answer is well organised. Descriptions and explanations are clearly expressed. A wide range of specialist vocabulary is used with facility.

22 to 25 marks

Mid-Point 24 marks

THE KEY TO BE USED WHEN USING THE LEVELS MARK SCHEME

- D** Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.
- I** Where a relevant **ISSUE** is raised by the candidate.
- K** Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.
- Ap** Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.
- A** Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.
- E** Where the candidate **EVALUATES** and makes judgements about the significance of various issues and arguments.

Synoptic Assessment

All questions in this unit are synoptic. Therefore, candidates will need to demonstrate that they are able to think as an economist and to use effectively the economist's 'tool kit' of concepts, theories and techniques.

They should demonstrate that they:

- understand the inter-relatedness of many economic issues, problems and institutions;
- understand how certain economic concepts, theories and techniques may be relevant to a range of different contexts;
- can apply concepts, theories and techniques in analysing economic issues and problems and in evaluating arguments and evidence.

1 THE GLOBAL CONTEXT

Total for this question: 40 marks

- 01** Using **Extract A**, compare the contributions of energy emissions and non-energy emissions to total global greenhouse gas emissions in 2000. *(5 marks)*

Award one mark for each valid point made and one mark for the supporting reference to the data, up to a maximum of 5 marks. Points might include:

- Energy emissions accounted for 65% of total emissions
- Non-energy emissions accounted for 35% of total emissions
- Power energy emissions were the largest emissions group at 24%
- Land-use emissions were the largest of the non-energy emissions at 18%
- Energy emissions were mostly CO₂ emissions, whereas the data does not indicate whether CO₂ emissions are dominant in the non-energy emissions
- There are 5 categories of energy emissions, compared with 3 categories of non-energy emissions

A maximum of **2 marks** may be awarded if the candidate simply trawls through the data with no attempt at comparison.

A maximum of **3 marks** may be awarded if there is no use of statistics.

A maximum of **4 marks** may be awarded where there is evidence of an overview having been taken, even though parts of the answer give an impression of a trawl through the data.

MAXIMUM FOR PART (a) 5 MARKS

02 'Taxation and carbon trading can both be used to price carbon emissions'
(**Extract B**, lines 12).

Explain how a government can use taxation **and** carbon trading to price carbon emissions.

(10 marks)

For candidates who:

explain how a government can use taxation to price carbon emissions:

up to 3 marks per relevant point explained, up to a maximum of 6 marks

(Examples of points are: identifying the source(s) of the carbon emissions; placing a monetary value on the emission(s) generated by the source(s); imposing an indirect tax on the polluter to reflect the monetary value of the pollution; using a tax to raise the price of the good that generates the pollution to discourage consumption; taxing consumers directly, for example for driving cars.)

explain how a government can use carbon trading to price carbon emissions:

up to 3 marks per relevant point explained, up to a maximum of 6 marks

(Examples of points are: imposing a ceiling or maximum limit on carbon emissions generated by an economic activity, or by a particular firm; granting pollution permits or licences to pollute to firms; creating a market in which firms that comply with the maximum limit can sell spare pollution permits to firms that can't comply or are unwilling to comply.)

In addition, reward the use of diagrams:

**up to 2 marks per diagram
to a maximum of 3 marks**

Maximum of 7 marks if only taxation OR carbon trading is explained

MAXIMUM FOR PART 02: 10 MARKS

03 Using the data and your economic knowledge, discuss whether government policies that aim to reduce the rate at which climate change is occurring benefit or harm UK firms. (25 marks)

It is anticipated that candidates will draw upon their explanation of taxation and carbon trading (in their answers to part (b)), and also upon the prompts given about the effects of climate change, and of policies to try to reduce the rate at which climate change is occurring, to discuss whether the benefits for firms exceed the costs.

To achieve **Level 4**, at least **three** relevant issues should be presented.

To achieve **Level 5**, there should, in addition, be an attempt to provide a more general evaluation of the arguments referred to, in order that a concluding judgement can be made by the candidate.

Where there is no **explicit** reference to the data, award a maximum of **20 marks**.

There must be evidence of evaluation for candidates to score more than **15 marks**.

Evaluation could be in terms of: *identifying and then assessing the current and future costs firms incur from both climate change itself, in the absence of policies that attempt to slow down the rate at which it is taking place, and from the policies themselves; assessing the significance of the benefits that particular firms might enjoy from the new or growing markets created by the policies; arguing that different policies will have different effects for good or bad; overall assessment of the costs versus the benefits.*

The issues identified below are intended to provide an indication of some of the areas which might be discussed. Candidates can only be expected to consider a few of these and/or other issues in the time available.

Issues and areas for discussion include:

- tax policies;
- regulation;
- carbon trading policies;
- effective policies require international cooperation with other governments;
- costs incurred in the absence of the policies;
- costs created by the policies themselves;
- benefits experienced as a result of the policies;
- relevant discussion in relation to different firms and/or different types of firm;
- social versus private costs and benefits;
- government failure issues, e.g. excessively high carbon limits may encourage more carbon emissions.

Also give credit for:

- reference to the UK and other economies;
- diagrams;
- an overall judgement of the issues raised.

USE THE LEVELS MARK SCHEME

MAXIMUM FOR PART 03: 25 MARKS

Total for this question: 40 marks

2 THE EUROPEAN UNION CONTEXT

04 Using information in **Extract D**, comment on the structure of the UK cement market.
(5 marks)

Award one mark for each valid point made and one mark for the supporting reference to the data, up to a maximum of 5 marks. Points might include:

- The table shows total production of the members of the British Cement Association, but there may be cement producers who are not members of the CMA
- Calculating a concentration ratio for the UK cement industry e.g. a three firm concentration ratio of 93% (based of course on the assumption that the CMA represents the whole of the UK cement industry, though this assumption does not need to be stated)
- Stating that the leading firm produces just over half of CMA production
- Stating that the market is an oligopoly (the supporting reference might define an oligopoly)
- Stating the UK cement producers are largely foreign owned

A maximum of **2 marks** may be awarded if the candidate simply trawls through the data with no attempt at selective commentary.

A maximum of **3 marks** may be awarded if there is no use of statistics.

A maximum of **4 marks** may be awarded where there is evidence of an overview having been taken, even though parts of the answer give an impression of a trawl through the data.

MAXIMUM FOR PART 04: 5 MARKS

05 **Extract E** (lines 2-3) states that cement producers benefit from economies of scale.
With the help of a cost curve diagram, explain how **both** a firm **and** its consumers may be affected by economies of scale. (10 marks)

For candidates who:

draw an appropriate curve (probably a LRAC curve) on a diagram: **1 mark**

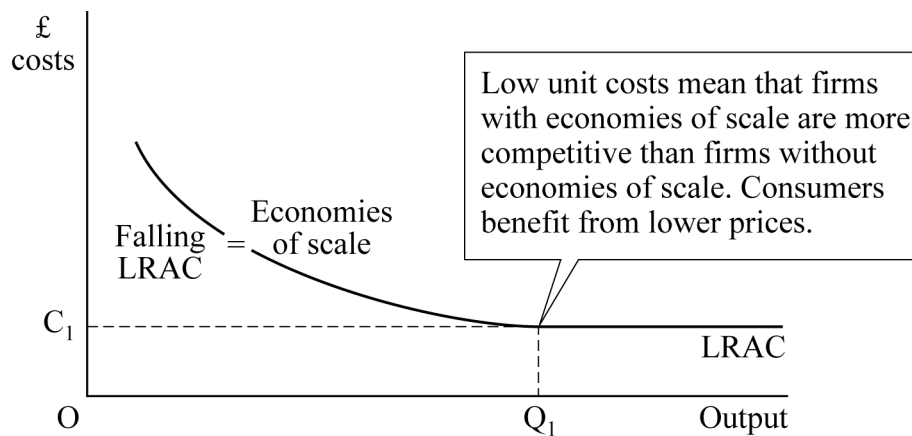
label both axes correctly: **1 mark**

label the curve correctly: **1 mark**

provide any additional relevant information on the graph: **1 mark**

maximum of 3 marks for diagram

Anticipated diagram for 2(b)



define economies of scale, e.g. as falling LRAC

1 mark

explain how a firm may be affected by economies of scale, e.g.

- increasing profit through widening the difference between average revenue and average cost
- creating an entry barrier that protects the firm
- increasing the firm's monopoly power
- altering market structure
- reducing the price charged to attract more consumers

up to 3 marks per point explained, up to a maximum of 6 marks

explain how a firm's consumers may be affected by economies of scale, e.g.

- benefiting from lower prices resulting from lower average costs of production
- suffering from the monopoly power firms are now able to exploit, e.g. through reduced choice
- benefiting from the gain in productive efficiency brought about by economies of scale

up to 3 marks per point explained, up to a maximum of 6 marks

Reward the use of a diagram additional to the diagram required by the question. **up to 2 marks**

Reward references to the UK or international economies.

Maximum of 7 marks if only firm(s) OR consumers is/are explained

MAXIMUM FOR PART 05: 10 MARKS

06 Extract F (line 24) asks ‘who would want to defend price-fixing and other forms of collusion?’

In the light of the information in the data and using your economic knowledge, assess the view that collusion by firms is always against the public interest. (25 marks)

It is anticipated that candidates will draw upon their knowledge of competitive and collusive oligopoly to answer the question. The information in the Extracts about cartels as examples of collusive oligopoly will be especially useful. The best answers will also consider other forms of collusion, such as joint product development and joint labour training schemes that are likely to be in the public interest.

To achieve **Level 4**, at least three relevant issues should be presented.

To achieve **Level 5**, there should, in addition, be an attempt to provide a more general evaluation of the arguments referred to, in order that a concluding judgement can be made by the candidate.

Where there is no **explicit** reference to the data, award a maximum of **20 marks**.

There must be evidence of evaluation for candidates to score more than **15 marks**.

Evaluation could be in terms of: *distinguishing the public interest from private interests; questioning whether it is possible to identify the public interest; noting the normative nature of the concept; assessing whether price-fixing cartel agreements can ever promote the public interest, e.g. rescuing firms in times of recession; assessing the benefits and costs of forms of collusion other than cartels.*

The issues identified below are intended to provide an indication of some of the areas which might be discussed. Candidates can only be expected to consider a few of these and/or other issues in the time available.

Issues and areas for discussion include:

- theoretical explanation of price-fixing;
- possible benefits of price-fixing;
- costs of collusion, e.g. promotion of productive and dynamic inefficiency;
- application of relevant theory, e.g.
 - game theory;
 - joint profit maximisation theory;
- recognition and explanation of other forms of collusion;
- distinguishing between the public interest and private interests;
- distinguishing between the long-term and the short-term effects of collusion.

Also give credit for:

- reference to the UK and the EU economies;
- diagrams;
- an overall judgement of the issues raised.

USE THE LEVELS MARK SCHEME

MAXIMUM FOR PART 06: 25 MARKS

07 With the use of examples, explain how technical progress may affect **both** costs of production **and** the demand for goods and services. *(15 marks)*

For candidates who:

define technical progress, costs of production, demand

up to 2 marks per definition to a maximum of 4 marks

explain how technical progress may affect costs of production, e.g.

- new methods of production may reduce average costs of production
- technical progress may allow different factor combinations to be employed
- technical progress may lead to completely new goods being produced, which may or may not have higher average costs of production
- technical progress may facilitate economies of scale and hence lower average costs
- technical progress may improve productive efficiency and reduce average costs
- technical progress may improve dynamic efficiency and reduce average costs
- effects on marginal costs

up to 4 marks per argument made

explain how technical progress may affect the demand for goods and services, e.g.

- through creating completely new products
- through improving the quality of existing products
- by reducing (or increasing) absolute prices
- by changing relative prices
- analysing their effect on conditions of demand and thence on shifts of demand

up to 4 marks per argument made

use relevant diagrams

up to 2 marks per diagram to a maximum of 4 marks

Maximum of 10 marks may be awarded if a candidate writes only of the effect on costs OR demand

MAXIMUM FOR PART 07: 15 MARKS

08 Do you agree that the main economic effect of technical progress is to make markets more competitive? Justify your answer. (25 marks)
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It is anticipated that candidates will divide between those who generally agree with the assertion in the question, and those who for the most part disagree. With regard to the former, some forms of technical progress, for example those associated with the internet, may generally serve to make markets more competitive, as do those that promote the development of new products that replace a previously established monopoly. By contrast, other forms of technical progress may create economies of scale and indivisibilities that promote concentration rather than competition.

To achieve **Level 4**, at least **three** relevant issues should be presented.

To achieve **Level 5**, there should, in addition, be an attempt to provide a more general evaluation of the arguments referred to, in order that a concluding judgement can be made by the candidate.

There must be evidence of evaluation for candidates to score more than **15 marks**.

Evaluation could be in terms of: *arguing that outcomes depend on circumstances, namely different forms of technical progress; debating the meaning of competition, for example price competition and quality competition; arguing that other effects are more significant than the effect on competitiveness.*

The issues identified below are intended to provide an indication of some of the areas which might be discussed. Candidates can only be expected to consider a few of these and/or other issues in the time available.

Issues and areas for discussion include:

- Different examples of technical progress;
- Different forms of competition;
- Application to different market structures;
- How technical progress can make markets more competitive;
- How technical progress can make markets less competitive;
- Effect on economies of scale;
- Technical progress and its effects on entry barriers.

Also give credit for:

- reference to the UK and/or other economies;
- diagrams;
- an overall judgement of the issues raised

USE THE LEVELS MARK SCHEME

MAXIMUM FOR PART 08: 25 MARKS

09 Explain how the level of employment is determined in a perfectly competitive labour market, **both** for the whole market **and** for one employer operating within the labour market. *(15 marks)*

For candidates who:

define a labour market **2 marks**

define a perfectly competitive labour market **2 marks**

explain how, for the whole labour market, the level of employment is determined by

- market demand conditions
- market supply conditions
- the interaction of market demand and supply

up to 4 marks per factor explained

explain how, for one employer within the labour market, the level of employment is determined by the

- marginal physical productivity of labour
- marginal revenue productivity of labour
- horizontal (and perfectly elastic) supply curve of labour facing the firm

up to 4 marks per factor explained

use relevant diagrams

**up to 2 marks per diagram
to a maximum of 4 marks**

(diagram for the whole labour market and a diagram for one firm within the labour market should be treated as two diagrams.)

Award a maximum of 10 marks if there is only reference to the whole labour market OR to one employer operating within the labour market.

MAXIMUM FOR PART 09: 15 MARKS

10 Discuss how a national minimum wage may affect employment in both perfectly competitive and imperfectly competitive labour markets. (25 marks)

It is anticipated that the best answers will adopt a theoretical approach, analysing the effect of imposing a national minimum wage above the free-market wage rate in a perfectly competitive labour market and in a monopsony labour market. The expected analysis is the same as that for examining the effect of a trade union forcing employers to pay a wage rate above the free-market wage rate. Other answers will avoid the use of diagrams and precise theory. For the most part, such answers will probably be much weaker.

To achieve **Level 4**, at least **three** relevant issues should be presented.

To achieve **Level 5**, there should, in addition, be an attempt to provide a more general evaluation of the arguments referred to, in order that a concluding judgement can be made by the candidate.

There must be evidence of evaluation for candidates to score more than **15 marks**.

Evaluation could be in terms of: *considering different effects dependent on different local conditions; considering different degrees of market imperfection; judging that the effects will differ depending on the extent to which the national minimum wage is above (or below) free-market wage rates; arguing that the effect will depend on the extent to which the national minimum wage is policed and enforced.*

The issues identified below are intended to provide an indication of some of the areas which might be discussed. Candidates can only be expected to consider a few of these and/or other issues in the time available.

Issues and areas for discussion include:

- The meaning of a national minimum wage;
- Appropriate analysis of a perfectly competitive labour market;
- Appropriate analysis of an imperfectly competitive labour market (e.g. monopsony);
- Consideration of the extent to which the NMW is above or below the free-market wage rate;
- Consideration of regional conditions;
- Policing and enforcement issues.

Also give credit for:

- reference to the UK and/or other economies;
- diagrams;
- an overall judgement of the issues raised.

USE THE LEVELS MARK SCHEME

MAXIMUM FOR PART 10: 25 MARKS

11 'Rather than simply providing a safety net against absolute poverty, government policy should focus mainly on reducing relative poverty. Tackling poverty also involves much more than the redistribution of income through the welfare benefits system.'

(a) Explain the causes of absolute **and** relative poverty in the UK. (15 marks)

For candidates who:

define absolute poverty, relative poverty

- Absolute poverty occurs when income is below a particular specified level.
- Relative poverty occurs when income is below a specified proportion of average income, e.g. less than a third of average income. **Up to 2 marks per definition**

explain the causes of absolute poverty, e.g.

- low level of overall output or GDP
- an unequal distribution of income within the UK
- the effect of disasters hitting an economy or region within the UK
- lack of opportunities.
- middle income groups tend to be the main beneficiaries of social benefits and services, even if these are primarily targeted at the poor.

up to 4 marks per cause explained

explain the causes of relative poverty, e.g.

- unemployment;
- old age and longevity;
- single parenthood;
- the decline of employment opportunities in traditional industries and skill fields;
- lack of education and training;
- the fall in the value of welfare and unemployment benefits relative to wages and salaries;
- higher incomes and tax cuts enjoyed by the better-off

up to 4 marks per cause explained

use relevant diagrams

**up to 2 marks per diagram
to a maximum of 4 marks**

Maximum of 10 marks may be awarded if a candidate writes only about absolute OR relative poverty

MAXIMUM FOR PART 11: 15 MARKS

12 Evaluate the view that the best way to reduce poverty is to redistribute income through the welfare benefits system. <p style="text-align: right;">(25 marks)</p>
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It is anticipated that candidates will explain how poverty may be reduced by redistributing income through the welfare benefits system, before assessing its advantages and disadvantages. The best answers will carry forward from their answers to part (a), the distinction between absolute and relative poverty. They will also discuss alternative policies that can be used as substitutes or complements to redistributive policies.

To achieve **Level 4**, at least **three** relevant issues should be presented.

To achieve **Level 5**, there should, in addition, be an attempt to provide a more general evaluation of the arguments referred to, in order that a concluding judgement can be made by the candidate.

There must be evidence of evaluation for candidates to score more than **15 marks**.

Evaluation could be in terms of: *discussing the relative merits of alternative policies; arguing that the policies most appropriate for reducing relative poverty are not necessarily the best for reducing absolute poverty; discussing conflicts and/or trade offs with other policy objectives.*

The issues identified below are intended to provide an indication of some of the areas which might be discussed. Candidates can only be expected to consider a few of these and/or other issues in the time available.

Issues and areas for discussion include:

- Redistributive policies are more appropriate for reducing relative rather than absolute poverty;
- Explaining how taxes can be used, particularly progressive income tax;
- Explaining how welfare benefits can be used e.g. pensions, unemployment benefits, income support;
- The monetary cost of administering the policy;
- Supply-side effects on personal incentives;
- Alternatives to redistributive policies, e.g. policies to increase personal incentives, policies that promote economic growth;
- Market and government failure arguments;
- Long-term versus short-term effects of policies.

Also give credit for:

- reference to the UK and/or other economies;
- diagrams;
- an overall judgement of the issues raised.

USE THE LEVELS MARK SCHEME

MAXIMUM FOR PART 12: 25 MARKS