Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2015

Economics

Assessment Unit AS 1

Markets and Prices

[AE111]

THURSDAY 11 JUNE, AFTERNOON

MARK SCHEME

General Marking Instructions

This mark scheme is intended to ensure that the AS examinations are marked consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidate responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses. The mark scheme should be read in conjunction with these general marking instructions which apply to all papers.

Quality of candidates' responses
In marking the examination papers, examiners will be looking for a quality of response reflecting the level of maturity which may reasonably be expected of 17-year-olds, which is the age at which the majority of candidates sit their AS examinations.

Flexibility in marking
The mark scheme is not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which the candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner for the paper concerned.

Positive marking
Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected for 17-year-old candidates. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect or inappropriate.

Types of mark schemes
Mark schemes for questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication. These questions are indicated on the cover of the examination paper. Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided. Some material may be included in the mark scheme for the benefit of teachers and pupils preparing for future examinations. Candidates are not expected to have provided this information. Such material is printed in the mark scheme in italics.

Levels of response
Questions requiring candidates to respond in extended writing are marked in terms of levels of response. In deciding which level of response to award, examiners should look for the "best fit" bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners.

Threshold performance: Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.

Intermediate performance: Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.

High performance: Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Marking calculations

In marking answers involving calculations, examiners should apply the “own figure rule” so that candidates are not penalised more than once for a computational error.

Quality of written communication
Quality of written communication is taken into account in assessing candidates’ responses to all questions that require them to respond in extended written form. These questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication. Where the quality of candidates’ economics is not matched by the quality of written communication, marks awarded will not exceed the maximum for Level 2 in questions which have three levels of response or the maximum for Level 3 in those which have four levels of response.

For conciseness, quality of written communication is distinguished within levels of response as follows:

Level 1: Quality of written communication is limited.
Level 2: Quality of written communication is satisfactory.
Level 3: Quality of written communication is of a high standard.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Limited): The candidate makes only a limited attempt to select and use an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a reasonable attempt to select and use an appropriate form and style of writing, supported with appropriate use of diagrams as required. Relevant material is organised with some clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning evident.

Level 3 (High Standard): The candidate successfully selects and uses an appropriate form and style of writing, supported with the effective use of diagrams where appropriate. Relevant material is organised with a high degree of clarity and coherence. There is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning clear.

1 Market failure in UK housing

AVAILABLE MARKS

(a)
- In 1995 average house prices were approximately 2.25 times greater than average earnings
- Ratio of average house price to average earnings rose rapidly (144%) between 1995 and 2007
- In 2007 average house prices were approximately 5.5 times greater than average earnings
- Ratio of average house price to average earnings fell rapidly between 2007 and 2009 from 5.5 to 4.2 (24%)
- Ratio of average house price to average earnings rose again between 2009 and 2010
- In 2011 average house prices were approximately 4.4 times greater than average earnings. This is almost double what it was in 1995.
- Average house prices have been above the prudent mortgage debt level of 3 times earnings every year since 2001
- Explanation of the meaning and significance of the ratio

Level 1 ([1]–[2])
Candidate provides no significant description of the relationship between UK house prices for first time buyers and average earnings between 1995 and 2011. Quality of written communication is limited.

Level 2 ([3]–[4])
Candidate provides a basic description of the relationship between UK house prices for first time buyers and average earnings between 1995 and 2011. A limited attempt will be made to manipulate data to show relative changes. Quality of written communication is satisfactory.

Level 3 ([5]–[6])
Candidate provides an extensive description of the relationship between UK house prices for first time buyers and average earnings between 1995 and 2011. Data will be manipulated to show changes in relative terms. Quality of written communication is of a high standard. [6]

(b) Market failure occurs whenever the market mechanism leads to an inefficient or unequal allocation of resources. Examples of market failure in the housing market include externalities associated with house building and the unequal distribution of housing wealth.

Government failure on the other hand occurs whenever governments intervene in a market but the intervention leads to a loss of economic welfare rather than a gain. In the UK, government intervention to prevent urban sprawl has reduced the supply of available building land and pushed house prices beyond the means of large numbers of families.

Level 1 ([1]–[2])
Candidate provides little explanation of the difference between market failure and government failure. There is likely to be seriously flawed definitions and little development through relevant examples, or technical language. Quality of written communication is limited.

Level 2 ([3]–[4])
Candidate provides some explanation of the difference between market

failure and government failure. There is likely to be credible definitions, though they may contain minor errors, and some development through relevant examples or technical language. Quality of written communication is satisfactory.

Level 3 ([5]–[6])
Candidate provides an extensive explanation of the difference between market failure and government failure. There are accurate definitions and extensive development through relevant examples, or technical language. Quality of written communication is of a high standard. [6]

(c) Economic rent is any payment to a factor of production over and above its transfer earnings – the minimum necessary to secure its services or what it would earn in its next most profitable use. In the UK, planning restrictions have reduced the availability of building land and so made the supply curve for building land very inelastic. This has in turn pushed the price of land zoned for building up to £1.87mn per hectare. This is way above the transfer earning of £20 000 per hectare – what land would earn if sold as agricultural land.

Issues for analysis and discussion include:
- Definition and explanation of economic rent
- Definition and explanation of transfer earnings
- Calculation of economic rent – £1.85mn
- Calculation of transfer earnings – £20 000
- Explanation of inelastic supply curve
- Explanation of impact of planning restrictions on supply of building land
- Appropriate diagram

Level 1 ([1]–[2])
Candidate provides little explanation of how the planning system allows the owners of land zoned for development to earn significant levels of economic rent. There is likely to be seriously flawed definitions and little development through relevant examples, diagrams or technical language. Quality of written communication is limited.

Level 2 ([3]–[5])
Candidate provides some explanation of how the planning system allows the owners of land zoned for development to earn significant levels of economic rent. There is likely to be credible definitions, though they may contain minor errors, and some development through relevant examples, diagrams or technical language. Quality of written communication is satisfactory.

Level 3 ([6]–[8])
Candidate provides an extensive explanation of how the planning system allows the owners of land zoned for development to earn significant levels of economic rent. There are accurate definitions and extensive development through relevant examples, diagrams and technical language. Quality of written communication is of a high standard. [8]

AVAILABLE MARKS

(d) A merit good is a good where need exceeds demand. Merit goods often confer positive externalities on society and so would be under consumed if left to the free market. Good quality housing has many positive externalities in the areas of improved health, lower crime, better educational attainment, and lower greenhouse gas emissions. These positive externalities mean that the social benefit of good quality housing is greater than the private benefit and as such good quality housing could be considered a merit good.

AVAILABLE MARKS

Issues for analysis and discussion include:

- Definition and explanation of merit good
- Definition and explanation of positive externalities
- Analysis of the external benefits associated with good quality housing – health benefits, lower crime rates, increased occupational mobility, improved educational attainment, lower greenhouse gas emissions
- Analysis based on information failure
- Appropriate diagram

Level 1 ([1]–[2])
Candidate provides little explanation of why good quality housing could be considered a merit good. There is likely to be seriously flawed definitions and little development through relevant examples, diagrams or technical language. Quality of written communication is limited.

Level 2 ([3]–[5])
Candidate provides some explanation of why good quality housing could be considered a merit good. There is likely to be credible definitions, though they may contain minor errors, and some development through relevant examples, diagrams or technical language. Quality of written communication is satisfactory.

Level 3 ([6]–[8])
Candidate provides an extensive explanation of why good quality housing could be considered a merit good. There are accurate definitions and extensive development through relevant examples, diagrams and technical language. Quality of written communication is of a high standard. [8]

(e) Those in favour of a massive programme of house building argue that there is a significant shortage of quality housing in the UK, particularly in the south east of England. This shortage of supply is putting upward pressure on prices and as a result homeownership is beyond the means of large numbers of people. They argue that the UK housing stock is of poor quality and is in need of modernisation. They argue that poor quality housing contributes to a range of problems in the area of health, education, crime and the environment. They argue that a massive building programme would stimulate economic growth and would have minimal impact on the environment since less than 10% of the UK landmass currently has any development.

However those opposed to the building programme argue that it will damage the environment by destroying important countryside, and creating pollution both during construction and afterwards. They argue that the UK has a large amount of unused or underutilised housing stock which should be used more efficiently.

Issues for analysis and discussion include:

- Impact of housing shortage on house prices
- Impact of poor quality housing on health, education, crime etc.
- Impact of house building on economic growth
- Impact of house prices on geographical mobility of labour
- Impact of house building on environment
- Reference to NIMBYism
- Reference to inefficiency of planning system
- Reference to volatile nature of UK housing market
- International comparisons
- Impact of housing shortages on rents and housing benefit bill
- Appropriate examples
- Appropriate diagrams

Level 1 ([1]–[3])
Candidate provides little critical examination of the case for and against a massive programme of house building in the UK. There is no significant evaluation of the issues and quality of written communication is limited.

Level 2 ([4]–[8])
Candidate provides some critical examination of the case for and against a massive programme of house building in the UK. There is a degree of evaluation and quality of written communication is satisfactory.

Level 3 ([9]–[12])
Candidate provides a clear and comprehensive critical examination of the case for and against a massive programme of house building in the UK. There is significant evaluation and judgement and quality of written communication is of a high standard. [12]

AVAILABLE MARKS

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2 Air pollution causes 20 000 deaths in the UK each year

AVAILABLE MARKS

(a) Economic resources are the assets that a country has available to produce goods and services to meet the needs of society. These resources are often referred to as the factors of production and include:

- Land – includes all the natural physical resources, e.g. oil and gas deposits
- Labour – refers to the stock of labour in an economy
- Capital – refers to fixed and working capital and infrastructure
- Enterprise – the skills of the entrepreneurs who use factors to produce goods and services

The term scarcity refers to the fact that there are not enough resources to satisfy the wants of the population and therefore choices must be made.

Economic efficiency is a situation where individuals and firms get maximum satisfaction or benefit from these scarce resources. Candidates may refer to one or more of the different types of efficiency which include:

- Allocative efficiency: which is achieved when the cost of producing a good is equal to the value consumers place on that good, which is reflected in the price they are willing to pay.
- Productive efficiency: this is achieved when production takes place at the lowest possible average cost.
- Pareto efficiency: which is achieved when, it is impossible to make someone better off without making someone else worse off.

Appropriate development

- Reference to factors of production
- Reference to scarcity
- Reference to efficiency and the different measures of efficiency
- Appropriate examples
- Relevant diagrams

Level 1 ([1]–[3])
Candidate provides little explanation of what is meant by the efficient use of scarce resources. Quality of written communication is limited.

Level 2 ([4]–[7])
Candidate provides some explanation of what is meant by the efficient use of scarce resources but this may be incomplete or contain errors. Quality of written communication is satisfactory.

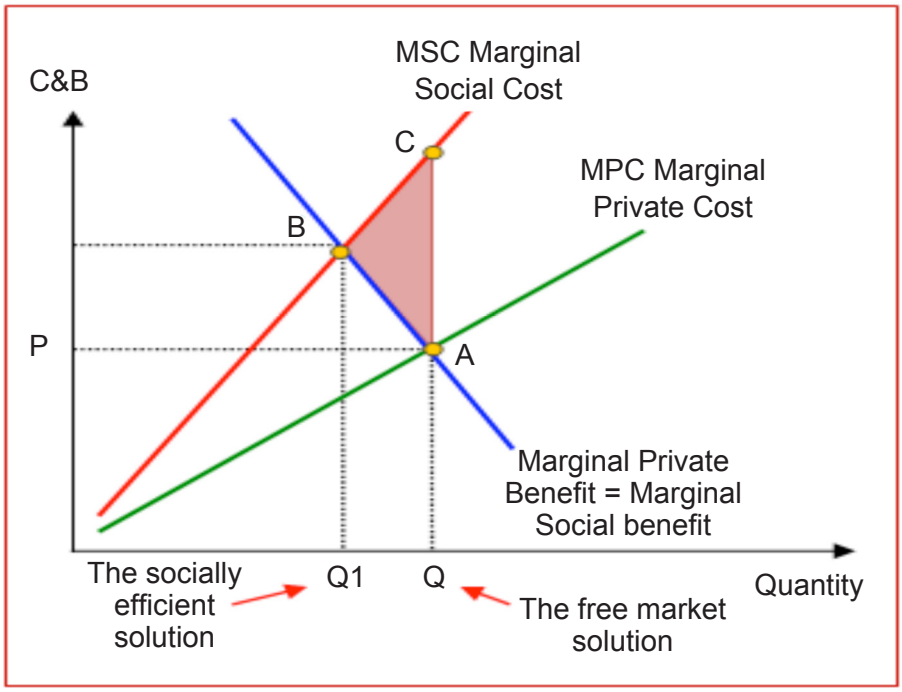
Level 3 ([8]–[10])
Candidate provides a detailed and comprehensive explanation of what is meant by the efficient use of scarce resources. Quality of written communication is of a high standard. [10]

(b) Air pollution is an example of what economists call a negative externality. A negative externality occurs whenever the activity of one economic agent has a negative effect on the well-being of a third party.

Whenever the production of a good or service creates negative externalities such as air pollution the marginal social cost of production is greater than the marginal private cost.

In free markets firms will only consider the private costs of production and therefore will produce at the point where demand is equal to marginal private cost. Point A on the diagram below.

However production at this level represents an inefficient allocation of resources since the price charged does not equal the full marginal social cost of production. The only point where price equals the full marginal social cost is point B.



Issues for analysis and discussion include:

- Definition explanation of negative externality
- Explanation of how air pollution can lead to a divergence between private and social costs
- Discussion to how free market leads to an inefficient allocation of resources
- Comparison of free market equilibrium with socially optimal equilibrium
- Relevant diagrams
- Appropriate examples

Level 1 ([1]–[5])
Candidate provides little explanation of why air pollution could represent an inefficient allocation of resources. There is no significant economic analysis and quality of written communication is limited.

Level 2 ([6]–[10])
Candidate provides some explanation of why air pollution could represent an inefficient allocation of resources. There is a degree of economic analysis and application and quality of written communication is satisfactory.

Level 3 ([11]–[15])
Candidate provides a comprehensive explanation of why air pollution could represent an inefficient allocation of resources. There is extensive and accurate economic analysis and quality of written communication is of a high standard. [15]

AVAILABLE MARKS

(c) There are a number of policies that the government could use to improve air quality in the UK. These include regulation with regard to emissions, the use of environmental taxation; the use of tradable pollution permits for carbon dioxide, carbon monoxide and other air pollutants; the extension of property rights to allow those impacted by air pollution to claim compensation for such pollution; and the subsidising of alternative non-polluting forms of energy or schemes to reduce air pollution, e.g. subsidising the purchase of electric cars.

Each of these policies has its strengths and weaknesses – however most economists would argue that the best policy is one which would internalise the externality and make the polluter pay the full social cost of production.

Issues for analysis and discussion include:

- Use of environmental taxes and subsidies
- Issues around tax avoidance
- The effectiveness of regulation and its cost
- Administration costs of tradable permits
- Difficulty in isolating polluting firms/individuals
- Appropriate diagrams
- Appropriate examples

Level 1 ([1]–[5])
Candidate provides very limited explanation of the policies governments could use to improve air quality in the UK. There is no significant evaluation of the issues and quality of written communication is limited.

Level 2 ([6]–[10])
Candidate provides some explanation of the policies governments could use to improve air quality in the UK. There is a degree of evaluation and quality of written communication is satisfactory.

Level 3 ([11]–[15])
Candidate provides a clear and comprehensive explanation of the policies governments could use to improve air quality in the UK. There is significant evaluation and judgement and quality of written communication is of a high standard. [15]

AVAILABLE MARKS

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3 Elasticity estimates are inaccurate and of little use to firms or government

AVAILABLE MARKS

(a) Cross price elasticity of demand (XED) measures how responsive the quantity demanded of one good is to a change in the price of another good. It is measured by the equation:

% change in the quantity demanded of good a / % change in price of good b

A positive figure for XED indicates that the goods are substitutes, whereas a negative value indicates that the goods are complementary.

Appropriate development
- Definition
- Calculation
- Relevance of numerical values
- Examples of goods in joint demand or competitive demand
- Appropriate diagrams

Level 1 ([1]–[3])
Candidate provides little or no explanation of the term cross price elasticity of demand. There is no significant development and quality of written communication is limited.

Level 2 ([4]–[7])
Candidate provides some explanation of the term cross price elasticity of demand. There is a degree of development and quality of written communication is satisfactory.

Level 3 ([8]–[10])
Candidate provides a clear explanation of the term cross price elasticity of demand. There is significant development and quality of written communication is of a high standard. [10]

(b) Estimates of cross price elasticity of demand can be used in a number of ways. Firms may use XED estimates when trying to calculate the likely impact on demand for their product of a change in price in some related product. For example firms such as Gillette who sell complementary products such as razors, blades and shaving foam will use XED estimates when considering changing the price of these products. They will also use XED when trying to estimate the impact on their sales of a change in the price of a rival's products.

Governments also routinely use estimates of XED in their decision making. For example when considering the imposition of an indirect tax on a product the government will not only consider the impact of the tax on the actual product but will also use XED to estimate the likely impact of the tax on substitute and complementary products. The government may also use XED estimates when trying to determine the degree to which a firm has monopoly power.

Issues for analysis and discussion include:
- Use of XED by firms in determining their reaction to a change in the price of a rival product
- Use of XED by firms when setting prices for complementary products –

e.g. razors and razor blades, cinema tickets and popcorn
- Reference to pricing strategies – loss leader
- Use of XED by government in setting indirect tax rates
- Use of XED in determining degree of monopoly power
- Relevance to expenditure switching policies to correct balance of payments deficit

Level 1 ([1]–[5])
Candidate provides little explanation of how estimates of XED might be useful. There is no significant economic analysis and quality of written communication is limited.

Level 2 ([6]–[10])
Candidate provides some explanation of how estimates of XED might be useful. There is a degree of economic analysis and application and quality of written communication is satisfactory.

Level 3 ([11]–[15])
Candidate provides a comprehensive explanation of why the existence of how estimates of XED might be useful. There is extensive and accurate economic analysis and quality of written communication is of a high standard. [15]

(c) We can see from the examples in part b that it is useful for firms to have knowledge of cross price elasticity of demand. However the usefulness of this concept and the other demand elasticities should not be overstated. There are a number of potential problems with the values calculated.

Often the estimated values for PED, XED and YED are calculated using past data. However just because a 10% increase in income brought about a 20% increase in quantity demanded in the past does not mean that a further 10% increase in income will bring about a further 20% increase in quantity demanded. It must always be remembered that past performance can be a very poor indicator of future performance.

In addition not all goods have a set price. Some goods, e.g. tea, sugar are sold to consumers at different prices from different outlets, therefore when measuring XED how do we measure the change in price? Do we take an average price? If so then this will surely affect the accuracy of the figure.

Finally when calculating elasticity values, we use an assumption known as "ceteris paribus", which means "*all other things remain unchanged*". Therefore if we calculate XED = –4 we make the claim that a 10% increase in price of good A brought about a 40% decrease in quantity demanded of good B.

However in reality the 40% decrease in quantity demanded of good B may have occurred for reasons other than the increase in the price of good A, e.g. bad publicity about the product, a decrease in income of consumers or a range of other factors.

As a result of these problems in calculating useful values that some people believe that attempting to calculate elasticity is a waste of time and money.

Despite these problems however, it is argued by others that if they are used with caution and in conjunction with a range of other data, estimates of elasticity can prove to be very useful to firms.

Issues for analysis and discussion include:

- Use of past data
- Ceteris paribus assumption
- Difficulty in determining average price/income
- Different methods of calculation – point, arc etc
- Impact of timeframe on elasticity figures
- Explanation of how other estimates of elasticity can be useful – PED, YED, PES

Level 1 ([1]–[5])
Candidate provides little critical explanation of the view that calculating elasticity is a waste of time and money. There is no significant evaluation of the issues and quality of written communication is limited.

Level 2 ([6]–[10])
Candidate provides some critical explanation of the view that calculating elasticity is a waste of time and money. There is a degree of evaluation and quality of written communication is satisfactory.

Level 3 ([11]–[15])
Candidate provides a clear and comprehensive critical explanation of the view that calculating elasticity is a waste of time and money. There is significant evaluation and judgement and quality of written communication is of a high standard. [15]

AVAILABLE MARKS

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4 Relative poverty on the rise in the UK

AVAILABLE MARKS

(a) When economists talk about income inequality they are normally referring to how a nation's total income is distributed unequally amongst its population. However it can also be used to describe the differences in income levels between countries. Wealth inequality, on the other hand, refers to the unequal distribution of assets among the residents of a country. Wealth includes the value of assets such as houses, personal valuables, businesses, savings and investments. In the UK the distribution of wealth is more unequal than the distribution of income. Many economists consider extreme inequality in the distribution of income and wealth to be a source of market failure.

There is a variety of approaches that candidates might take to answer this question, however good answers are likely to refer to some of the points listed below.

Appropriate development

- Explanation of how income is measured
- Distinction between income and wealth
- Reference to different measures of income distribution – Gini Coefficient, Lorenz Curve
- Reference to different definitions of poverty – absolute and relative
- Reference to market failure
- Reference to economic rent and transfer earnings
- Appropriate diagrams
- Appropriate examples

Level 1 ([1]–[3])
Candidate provides little explanation of what is meant by inequality in income and wealth. There is at best a seriously flawed definition and little development through relevant examples, diagrams or technical language. Quality of written communication is limited.

Level 2 ([4]–[7])
Candidate provides some explanation of what is meant by inequality in income and wealth. There is a credible definition, though this may contain minor errors, and some development through relevant examples, diagrams or technical language. Quality of written communication is satisfactory.

Level 3 ([8]–[10])
Candidate provides a comprehensive explanation of what is meant by inequality in income and wealth. There is an accurate definition and extensive development through relevant examples, diagrams or technical language. Quality of written communication is of a high standard. [10]

(b) There are a range of policies the UK government could use to reduce income inequality. These include:

1. Change the tax and benefit system

- Increase the higher rate of income tax. This will make the tax system more progressive and will reduce the income of the top earners. The money could then be redistributed to the poorest.
- Cut the lower rate of income tax and increase the level of the tax-

free allowance. This should reduce the poverty trap and encourage people to look for work.
- Reduce the availability of universal state benefits such as child allowance and switch towards more means tested benefits such as the EMA. This would save the government money and the money will go to those who need it most.
- Link benefits to average earnings instead of average prices.

2. Measures to reduce unemployment and economic inactivity.
- Unemployment is one of the major causes of poverty. Therefore decreasing unemployment will decrease poverty
- The government have used special employment measures such as the single work and the welfare to work programmes to improve the job prospects of the unemployed.
- Regional policy assistance. The government can focus attention on areas of high unemployment and encourage firms to locate there.

3. Measures to increase average pay of lowest paid
- Increasing the NMW will help to increase the incomes of the low paid and also improve the incentive for people to find work.
- Encourage firms to pay a living wage
- Legislate against unpaid internships and zero hours contracts
- Increase the pay of low-paid public sector workers

Level 1 ([1]–[5])
Candidate provides little analysis of the policies the UK government could use to reduce income inequality. There is little analysis and application to the UK. Quality of written communication is limited.

Level 2 ([6]–[10])
Candidate provides some analysis of the policies the UK government could use to reduce income inequality. There is a degree of analysis and application to UK economy. Quality of written communication is satisfactory.

Level 3 ([11]–[15])
Candidate provides extensive analysis of the policies the UK government could use to reduce income inequality. There is significant analysis and application through relevant examples. Quality of written communication is of a high standard. [15]

(c) Classical economists are opposed to the government taking action to redistribute household income. They argue that if the government takes no action the money will filter down to the poor naturally, through the working of the market economy. They argue that government action to redistribute income actually reduces the incentive to work for both the rich and the poor and is therefore counterproductive. They point to the very high tax rates imposed by the UK government in the 1960s and 70s, which created huge disincentives to work and led to a large number of tax exiles from the UK.

However, most economists would argue that some form of redistribution is necessary.

They argue that if society is too unequal it will lead to great social problems.

Evidence suggests that there is a strong correlation between inequality rates and social problems such as obesity, alcohol abuse and crime levels.

They also suggest that redistribution will increase total utility in an economy since the utility the poor receive from each extra pound is greater than the loss of utility the rich suffer from giving up an extra pound.

They also argue that redistribution actually benefits the whole of society and the economy, since the poor will spend all of their additional income, which will benefit the economy and create further jobs.

Obviously some balance is needed between a tax and benefit system, which is both fair and protects the poorest in society, and one which does not punish those who have worked hard to earn a good income, and rewards those who are reluctant to seek employment.

Issues for analysis and discussion include:

- Causes of inequality
- Reasons for intervention
- Link between inequality and social problems
- Disincentive effects of government intervention
- Comparison of the efficiency of market redistribution compared to government redistribution
- Impact of redistribution on economic welfare
- Impact of redistribution on economic growth
- Laffer curve effects
- International comparisons

Level 1 ([1]–[5])
Candidate provides little critical examination of the arguments for and against government intervention to reduce income inequality. There is no significant evaluation of the issues and quality of written communication is limited.

Level 2 ([6]–[10])
Candidate provides some critical examination of the arguments for and against government intervention to reduce income inequality. There is a degree of evaluation and quality of written communication is satisfactory.

Level 3 ([11]–[15])
Candidate provides a clear and comprehensive critical examination of the arguments for and against government intervention to reduce income inequality. There is significant evaluation and judgement and quality of written communication is of a high standard. [15]

AVAILABLE MARKS
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