**Question 14** (Answer: **D**)

- A minimum price is set *above* equilibrium, so it raises the price received.
- That protects producers' incomes and can discourage consumption of a demerit good.
- It cannot help poorer consumers, since it makes the product dearer for them.

**Question 15** (Answer: **C**)

- Consumer surplus is the area under the demand curve and above the price paid.
- An indirect tax raises the price, so that area shrinks from the top.
- The change is therefore the region between the old and new prices, up to the demand curve.

A-Level Economics: **w25 12**

**Question 14** (Answer: **B**)

- A *higher* Gini coefficient means income is distributed less equally.
- So something has widened the gap between rich and poor.
- Subsidies and progressive taxes would lower it; regressive taxes or falling benefits would raise it.

**Question 24** (Answer: **B**)

- A progressive tax takes a larger *percentage* of a higher income.
- That reduces the gap between disposable incomes.
- So its purpose is redistribution, not discouraging consumption of any particular good.

A-Level Economics: **w25 13**

**Question 4** (Answer: **A**)

- A market economy allocates through price and profit, with less state direction.
- So removing price controls, privatising and opening up to competition all fit.
- Introducing a minimum price *guarantee* moves the other way, towards planning.

**Question 12** (Answer: **A**)

- A maximum price only has an effect if it is set *below* the equilibrium.
- The further below equilibrium it is, the larger the shortage it creates.
- So the lowest maximum price produces the biggest excess demand.

A-Level Economics: **w25 14**

**Question 12** (Answer: **C**)

- The incidence of a tax is how the burden is split between consumer and producer.
- Where demand is inelastic, consumers keep buying, so most of the tax is passed on in the price.
- But not *all* of it – producers bear the rest, unless demand is perfectly inelastic.





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| **2** | • Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies.<br>• The response addresses the general theme of the question and the relevant economic issues, with limited development.<br>• Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained.<br>• Responses are generally logical and coherent but are sometimes lacking in focus or organisation. |
| **1** | • A small number of relevant knowledge points are included and the response is limited by significant errors or omissions.<br>• The response has little relevance to the question.<br>• Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely.<br>• Responses show limited organisation of economic ideas. |
| **0** | No creditable response. |

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| **2** | • Provides a justified conclusion or judgement that addresses the specific requirements of the question.<br>• Makes developed, reasoned and well-supported evaluative comment(s). |
| **1** | • Provides a vague or general conclusion or judgement in relation to the question.<br>• Makes simple evaluative comment(s) with no development and little supporting evidence. |
| **0** | No creditable response. |





| Question | Answer |
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| 1(d) | **Assess whether the costs of inflation are always likely to be greater than the benefits of inflation for the US.**<br><br>**Up to 4 marks MAX for analysis of both benefits and costs**<br>**Up to 3 marks for analysis of** the possible benefits of inflation, e.g., it may be a sign of economic growth and may encourage businesses to produce more and therefore reduce levels of unemployment etc. if the inflation rate is low and stable. Also, borrowers may gain.<br><br>**Up to 3 marks for analysis of** the possible costs of inflation, e.g., menu and shoe leather costs, lenders may lose, fiscal drag, reduced international competitiveness etc., if the inflation rate is high or becomes prolonged. This may result in reduced investment due to uncertainty.<br><br>**Up to 2 marks for evaluation of positive and negative effects**, e.g., it will depend on the level of inflation and whether it is likely to be prolonged. It also may depend on the rate of inflation in other countries. **Reserve 1 mark for a justified conclusion.**<br><br>**Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less due to rising costs of production. Any valid evaluation must reflect this. |
| 1(e) | **Assess the extent to which maintaining interest rates at a high level will be the best policy for the US to control inflation.**<br><br>**Up to 4 marks MAX for analysis of both advantages and disadvantages**<br>**Up to 3 marks for analysis of** the possible advantages of maintaining interest rates at a high level, e.g., it is a contractionary demand policy that will reduce AD by reducing consumer expenditure and investment. This should lower inflationary pressure and keep inflation rates lower.<br><br>**Up to 3 marks for analysis** of the possible disadvantages, e.g., it may reduce economic growth and increase unemployment if the policy is maintained for a long period of time. It may reduce international competitiveness if it leads to an increase in exchange rates. It may also not be appropriate if the cause of inflation is due to cost push factors,<br><br>**Up to 2 marks for evaluation of the** advantages and disadvantages of maintaining interest rates at a high level to control inflation in the US. This may also include an assessment (although this is not essential) of other policies such as supply-side policy may be less damaging and fiscal policy. It also depends on the timescale. **Reserve 1 mark for a justified conclusion.**<br><br>**Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less rising costs of production. Any valid evaluation must reflect this. |

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| 2(a) | **Explain what is meant by the incidence of an indirect tax <u>and</u> consider the extent to which it is possible for the incidence to pass from a producer of a good to a consumer of that good.**<br><br>Follow the point-based marking guidance at the top of this mark scheme and award:<br>up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis<br>up to 2 marks for AO3 Evaluation.<br><br>**AO1 Knowledge and Understanding (max 3 marks)**<br><br>Of the meaning of an indirect tax and the incidence of an indirect tax. **Note:** a diagram is NOT essential but can be used, **with a separate explanation**, to show what is meant by an indirect tax and/or the incidence.<br><br>• The incidence of tax refers to the extent of the burden/ proportion of tax borne by the producer and/ or consumer. **(1)**<br>• An indirect tax is a tax placed on goods or services. **(1)**<br>• It can be specific, i.e., a fixed amount per purchase or ad valorem, i.e., a % of the price charged by the retailer. **(1)**<br>• Allow references to the fact that it is seen as regressive if explained, OR accurate examples OR that it can be used to reduce consumption of demerit goods or raise revenue for governments. **(1)**<br><br>**Award a maximum of two marks if no explanation of incidence.**<br><br>**AO2 Analysis (max 3 marks)**<br><br>Of the possibility of passing the incidence from a producer to a consumer depending on PED. **Note:** a diagram is NOT essential but can be used, to assist an explanation in words, the possibility of passing the incidence from a producer to a consumer depending on PED.<br><br>• The indirect tax has the effect of raising the price of the product or service by shifting the supply curve to the left. **(1)**<br>• Analysis of the impact on the incidence if the PED is elastic. **(1)**<br>• Analysis of the impact on the incidence if the PED is inelastic. **(1)**<br><br>**AO3 Evaluation (max 2 marks)**<br>The extent to which it is possible to pass the incidence of tax onto the consumer depends upon the PED.<br>For explained assessment that it is more possible to pass on the incidence of tax to the consumer if the PED is inelastic. **Note: the second mark is reserved for a justified conclusion.** |





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| 2(a) | AO1 Knowledge and understanding |
| | AO2 Analysis |
| | AO3 Evaluation |

A-Level Economics: **w25 24**

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| 2(b) | **Assess the extent to which a government should subsidise the production of merit goods to increase the consumption of these goods.**<br><br>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.<br><br>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.<br><br>**Indicative content**<br><br>Responses may include:<br><br>**AO1 Knowledge and understanding and AO2 Analysis**<br><br>• An understanding of what is meant by a merit good and a subsidy and how this might increase the consumption of merit goods.<br>• An analysis of the advantages and disadvantages (effectiveness) of using a subsidy (including the limitations, e.g., imperfect information.)<br>• Advantages include the fact that subsidies lead to lower costs for producers which should lead to lower prices for consumers and therefore increased consumption **whereas:**<br>• Disadvantages include the cost to the government and imperfect information which may mean that consumption does not increase despite lower prices<br>• An analysis of the advantages and disadvantages of at least **one** alternative policy that may be used, e.g., information provision, direct provision, (together with their limitations.)<br><br>**Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or or mainly lacking in relevance to the question.<br><br>**Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question.<br><br>**Level 3 responses** will consider alternative policies/concepts, etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.<br><br>**AO3 Evaluation**<br><br>That considers the extent to which a government should subsidise the production of merit goods to increase their consumption and arrives at a reasoned and justified conclusion.<br><br>**A one-sided response cannot gain any marks for evaluation.**<br><br>Accept all valid responses. |
| | AO1 Knowledge and understanding and AO2 Analysis |
| | AO3 Evaluation |



A-Level Economics: **s25 11**

**Question 13** (Answer: **A**)

- A maximum price below equilibrium keeps price too low, so demand exceeds supply – a shortage.
- A minimum price above equilibrium keeps price too high, so supply exceeds demand – a surplus.
- The key is that only a price *below* equilibrium binds as a maximum, and only one *above* it binds as a minimum.

A-Level Economics: **Specimen 1**

**Question 14** (Answer: **D**)

- Total tax revenue is the tax per unit multiplied by the quantity actually traded *after* the tax.
- The tax per unit is the vertical gap between the two supply curves.
- So the revenue is the rectangle whose height is that gap and whose width is the new quantity.