**Question 1** (Answer: **D**)

- The fundamental economic problem is scarcity of resources.
- A government cannot build everything it wants because resources are limited.
- So the constraint is a shortage of the resources needed, not a lack of demand for the hospital.



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| 4(a) | **Identify <u>two</u> non-wage factors that may influence a worker's job choice.**<br><br>Two from:<br><br>• job security<br>• fringe benefits<br>• recognition at work<br>• company car<br>• holidays<br>• working hours<br>• flexibility / ability to work from home<br>• location of workplace<br>• available transport<br>• nearness to family |

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| 4(b) | **Explain how unemployment can lead to poverty.**<br><br>Logical explanation which might include:<br><br>• unemployment may lead to a loss of a source of income (1) unable to afford basic necessities (1) leading to absolute poverty (1) may reduce ability to provide a good standard of living for family (1) poor education (1) health problems (1) child poverty (1)<br>• long term unemployment (1) loss of skills (1) cannot re-enter the job market (1) unable to earn a living (1)<br>• the unemployed may claim unemployment benefits (1) with lower income than those working (1) leading to relative poverty (1).<br>• unemployment will lead reduced (income) tax revenue (1) less available to spend on public services that reduce poverty (1). |

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| 4(c) | **Analyse the influences on the mobility of labour.**<br><br>Coherent analysis which might include:<br><br>• labour could be occupationally mobile (1) influenced by skills / qualification / knowledge (1) if they are transferable (1) then labour is more occupationally mobile (1)<br>• labour could be geographically mobile (1) influenced by government regulations (1) e.g. visa requirements (1) cost of living in another area / country (1) access to transport (1) access to public transport / proximity to railway / ports (1) family ties may make workers immobile (1) access to working online / ability to work from home (1)<br>• house prices in different areas / access to housing in different areas (1) low house prices make it easier to move for work (1)<br>• incomes / tax systems in other countries (1) proficiency in another language (1) influencing workers to move abroad (1). |

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| 4(d) | **Discuss whether or not low taxes are beneficial for an economy.**<br><br>In assessing each answer, use the table opposite.<br><br>Why they might be:<br><br>• low income taxes increase disposable income, increasing total (aggregate) demand<br>• low corporate income (corporation) taxes increase profits after tax<br>• low indirect taxes, e.g. VAT, reduce prices of goods and services<br>• low taxes on imports reduce prices of imports<br>• low taxes on firms encourage competition<br>• low taxes on demerit goods increase external costs<br>• low income taxes prevent a 'brain drain' / attract foreign workers<br>• low corporate taxes attract overseas companies e.g. MNCs. |

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| 4(d) | Why they might not be:<br><br>• government revenue will be low – budget deficit / debt<br>• not enough revenue to provide for public / merit goods e.g. education / healthcare<br>• higher inequality if progressive taxes are low<br>• higher inflation if direct taxes are low<br>• low taxes on merit goods improve external benefits. |



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| 4(a) | **Define *primary income.***<br><br>Component of the current account of the balance of payments (1).<br><br>Example of an item: profit / interest / dividends / wages earned abroad (1). |

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| 4(b) | **Explain <u>two</u> influences on the shape of a country's population pyramid.**<br><br>Logical explanation which might include:<br><br>• birth rate / fertility rate (1) a high birth rate / fertility rate will result in a wide base for the pyramid (1)<br>• life expectancy / death rate / aging population (1) high death rate / low life expectancy will result in a narrow top for the pyramid (1)<br>• migration (1) high immigration of people of working age would result in a wide middle in the pyramid (1)<br>• gender balance (1) example of imbalance in overall shape of pyramid (1). |

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| 4(c) | **Analyse the causes of poverty.**<br><br>Coherent analysis which might include the following.<br><br>• Low quantity / quality of education (1) can reduce job opportunities (1) low skilled jobs (1) low paid jobs (1).<br>• Unemployment (1) lower income (1) reliant on welfare benefits (1).<br>• Illness / disability (1) poor healthcare (1) reduce ability to earn an income (1).<br>• Old age (1) may have low or no state benefits (1) absolute poverty (1).<br>• Uneven distribution of income / wealth (1) resulting in relative poverty (1).<br>• Corruption (1) reducing tax revenue available to spend on reducing poverty (1).<br>• Large families (1) many children (1) trapped in / child poverty (1).<br>• Single parent families (1) parent unable to work (1) reliant on state benefits (1).<br>• Poor housing (1) harms health (1) limited access to employment (1) high cost of living (1).<br>• Natural disaster / conflict (1) causes loss of ability to work / earn income (1).<br>• Geographical immobility (1) prevents access to paid jobs (1).<br>• Work in agriculture (1) where wages are low / not regular income (1).<br>• High inflation (1) cannot afford to buy basic necessities (1). |

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| 4(d) | **Discuss whether or not imposing import quotas will reduce a trade in goods deficit.**<br><br>In assessing each answer, use the table opposite.<br><br>Why it might:<br>• restrict imports<br>• lower supply may drive up price<br>• consumers and firms may switch to domestic goods<br>• could reduce gap between import expenditure and export revenue.<br>• consumers and firms may switch to domestic substitutes<br>• could reduce gap between import expenditure and export revenue.<br><br>Why it might not:<br>• import quotas may be higher than demand<br>• depends on the breadth of goods affected – fewer goods, less effective<br>• may not be domestic substitutes<br>• may be retaliation which could reduce export revenue<br>• smuggling may occur<br>• reduction in import spending may appreciate currency value, reducing exports. |

| 4(d) | |
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**Question 21** (Answer: **D**)

- At full employment there is no spare capacity.
- So extra demand cannot raise output – it bids up prices instead.
- The result is demand-pull inflation.

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| 2(a) | **Define *population pyramid.***<br><br>age (1) gender (1) |
| 2(b) | **Explain <u>two</u> reasons why income may become more unevenly distributed.**<br><br>Logical explanation which might include:<br><br>**A rise in:**<br>• Unemployment (1) those who lose their jobs are likely to experience a fall in their income (1).<br>• Illness (1) the sick may not be able to earn an income (1).<br>• Profits (1) benefitting entrepreneurs (1).<br>• Interest rates (1) benefitting those with a high value of savings (1).<br>• Wealth (1) with rich people gaining more interest/profit (1).<br>• Regressive taxation (1) reducing the income of the poor/placing greater burden on poor (1).<br>• Discrimination of workers (1) example e.g. reducing income of women<br>• Education provision / attainment (1) but only for some (1).<br><br>**A fall in:**<br>• National minimum wage (1) the low-paid experience a fall in income (1).<br>• Progressive taxation (1) increases the income of the rich (1).<br>• Welfare / state benefits (1) reduce the income of the poor (1). |

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| 2(b) | **Growth:**<br>• Economic growth (1) benefits go more to skilled than to unskilled workers (1).<br>• Changes in growth rate of different industries (1). workers in expanding industries may earn more in wages than workers in declining industries (1).<br>• Changes in growth rate of different regions (1) workers in high growth areas may earn higher wages than in low growth / declining regions (1).<br>• Changes in growth rate of private and public sector (1) private sector earn higher increase in wages (1). |

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| 2(c) | **Analyse the influences on whether demand for shoes is elastic or inelastic.**<br><br>Coherent analysis which might include:<br><br>• Shoes have substitutes in the form of sandals and boots (1) may make demand (price) elastic (1) as a change in price will cause consumers to switch between different forms of footwear (1) especially if the types are close substitutes / close in price (1).<br>• PED of particular brands of shoes will be more elastic than demand for shoes as a whole (1)<br>• Proportion of income spent on the shoes (1) the lower the proportion, the more inelastic the demand (1) as a change in price will not have such a significant impact on demand (1).<br>• Whether shoes are considered to be a necessity or a luxury (1) shoes are likely to be considered a necessity (1) and therefore inelastic (1).<br>• It may not be possible to delay the purchase of shoes (1) making demand inelastic (1).<br>• Durability of shoes (1) the more durable the more inelastic (1).<br>• Demand for some shoe may be addictive (1) making demand inelastic (1). |

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| 2(d) | **Discuss whether or not a mixed economic system will benefit the people who live in that economy.**<br><br>In assessing each answer, use the table opposite.<br><br>Why it might:<br>• public goods may be provided<br>• production of demerit goods may be discouraged<br>• production of merit goods may be encouraged<br>• state benefits may be provided<br>• income may be redistributed to help the poor<br>• unemployment may be kept low by government policies<br>• private sector benefits e.g. generate high incomes / lower prices<br><br>Why it might not:<br>• may be market failure in the private sector<br>• rich may lose if there is high progressive taxation<br>• high taxation may discourage enterprise<br>• state-owned enterprises may be inefficient<br>• may be less choice in the public sector. |

| 2(d) | |
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**Question 25** (Answer: **B**)

- Relative poverty means having much less than the average in that society.
- It persists in rich countries wherever some incomes lag far behind the rest.
- Low pay, unemployment or weak benefits all cause it – generous pensions would reduce it.

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**Question 24** (Answer: **C**)

- The distribution is more equal when the poorest fifth receives a larger share.
- So compare the percentage going to the lowest 20% in each country.
- The country with the biggest gap between top and bottom shares is the least equal.