Candidate 2 evidence

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1		
a	~~recession is when two quarters~~	
	a recession happens when there is	
	two consecutive quarters of negative growth	
	in the economy. We saw this in the	
	UK during the covid pandemic outbreak.	
b	National debt is the amount the UK	
	~~th~~ government has borrowed to cover the	
	balance of expenses incurred over time. The	
	current UK national debt is 99.2% of	
	GDP.	
2	The UK government believed cutting taxes	
	would increase spending in the economy as	
	~~tax band~~ income taxes were lowered from 45% to 40%	
	and 20% to 19%. This meant that ~~more~~ ~~people~~ consumers	
	had more disposable income to spend on	
	UK goods and services which would bolster	
	businesses and increase government revenue	
	due to increase in VAT receipts. The UK	
	Government further believed this would lead	
	to more entrepreneurial activity as businesses	
	would see increase revenue to due to the	

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increase in spenditure cause of tax cuts. So ~~the~~ more businesses setting up would've ~~led~~ created more employment opportunity and so reducing unemployment in the UK (currently at 3.7%) and so lower government spending on things such as VAT. Furthermore, more business set ups due to tax cuts would mean the UK is more productive and internationally competitive ~~due~~ as firms have more profits and revenue to invest in R&D and become more efficient. This would mean that UK's balance of payments may improve due to the increase in productivity and so Government have more revenue to invest back into the economy, such as increase investment in education, stimulating economic growth. Furthermore, migrants would appeal more to working in the UK due to a decrease in taxes and so they get to keep more of their income. This would mean a possible increase in F~~D~~oreign direct investment (FDI) into the UK economy as a bigger supply of labour to chose from and ~~due to the~~ ~~U~~ This would be crucial for the UK as it would help in the improvement of infrastructure

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	boosting economic growth.	
3	One implication of a rising national debt is opportunity cost, as the UK now has to pay back more in debt, it cannot invest in other crucial things such as education and the NHS if it has a high national debt. Another implication of national debt is the UK's credit rating could fall. The UK currently has an AA credit rating. This would mean the UK would have to pay more in interest as they are less trusted due to the high national debt and so more revenue might be required to pay it off. Furthermore it could result in 'crowding out' in which high government spending on the national debt would lead to less borrowing and investment ~~for~~ for capital by ~~the~~ the private sector, leading to a decline in economic growth and productivity. Final implication of a rising level of national debt is the UK may have to introduce Austerity again. This was used during the David Cameron era in the 2010's by the	

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Conservative government to reduce government spending. This led to public sector wages being 'Frozen' and a reduction in benefits which decreased the standard of living for many in the UK.

4. One economic implication is that the rest of the UK might see better employment than Scotland as more people are incentivised to join the work force and work for more wages as the top rate for income tax in Scotland is 47% compared to 45% ~~to~~ for the rest of the UK. Another economic implication is the rest of the UK might see higher income inequality due to less progressive taxation and so Scotland might have less poverty and homelessness problems than the rest of the UK as more of the income is redistributed back into the economy. Another economic implication is Scotland might see a reduction in business investment due to people having less disposable income as of higher income tax bands compared to the rest of the UK. So ~~Businesses~~ consumers in Scotland have less income to spend on business

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which means overall less revenue and so would move ~~down~~ else-where in the UK, resulting in a ~~decrease~~ increase in unemployment and decrease in government revenue for Scotland, with the rest of the UK seeing the opposite of this as they would have positive multiplier effect. However, the higher income tax may mean the Scottish government have more revenue to spend on the economy compared to the likes of England and so Scotland may have better infrastructure or education standards due to more investment, showing the economic implications

5. One policy the government could introduce is increasing the national minimum wage, current NMW is £10.42 an hour in the UK, so this would gain people greater incomes and entice more people to join the labour market. Many trade unions have called for an increase in NMW to £15 an hour as it would lift a lot of people out of poverty especially in the cost of living crisis. Furthermore, it was also help workers in the 'gig' economy on zero hour contracts

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~~and~~ so as they don't get other benefits such as sick leave. It would ~~increase~~ decrease unemployment as more people would be willing to join the labour force due to higher wages and so reducing income inequalities as people previously on benefits and universal credit will now be employed on a higher wage. Another possible policy to reduce income tax would be increase investment of social capital such as education ~~and~~ as more people would be able to earn higher wages if they have better knowledge and qualifications, reducing income inequalities. An example of this would be to implement Scotland's free tuition at university all across the UK. This would mean more people would have degree's they could gain employment from and it would further reduce unemployment and government spending on universal credit and JSA. This policy would reduce income inequality all over the UK.

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6.	One economic advantage of inward migration is that they could fill the 600,000 job vacancies in the UK currently and so would increase productivity and would lessen the effect of things such as cost push inflation currently effecting the UK. One economic disadvantage is that inward migration leads to increase price of houses and makes them less affordable to buy for UK citizens. The ONS states how immigration in the last 25 years has caused a 25% increase in house prices. This means more UK people would have to opt for renting instead of buying. Another economic advantage is that ~~the~~ the increase in migration could lead to an increase in investment of FDI to the UK economy due to higher pools of labour being available, such as the Nissan factory in Sunderland. This would mean higher revenue for government through corporation tax and more internationally competitive, showing the economic advantage. Another economic disadvantage is that an increase in migration would put increase pressure	

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	on social services such as schools and the NHS, and so more government spending would be required for this due to the population rise, and so cannot spend it on other areas such as defence. A further economic advantage is migrants tend to pay more in taxes than they get back in welfare, and so government would see boosted revenue and less ~~~~ spending on welfare and so this extra revenue can be spent improving infrastructure. A further economic disadvantage is that many migrants have "screw driver" jobs and so could cause a lack of skilled workers in the UK also known as a "brain drain". Furthermore could see more worker displacement	
7.	One reason is it could reduce geographical mobility as many may not be able to move to places such as south of England ~~down south~~ to get a job as house prices are too expensive and so would have to remain in the same area. Another reason may be due to the lack of social housing and so many	

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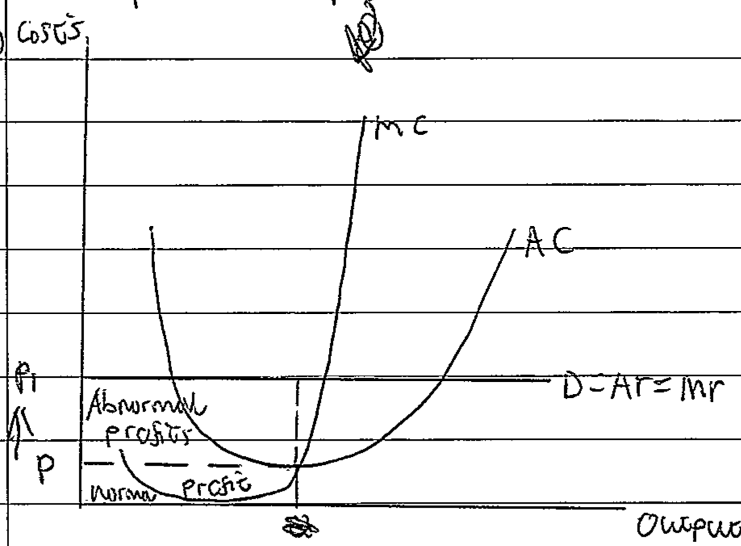
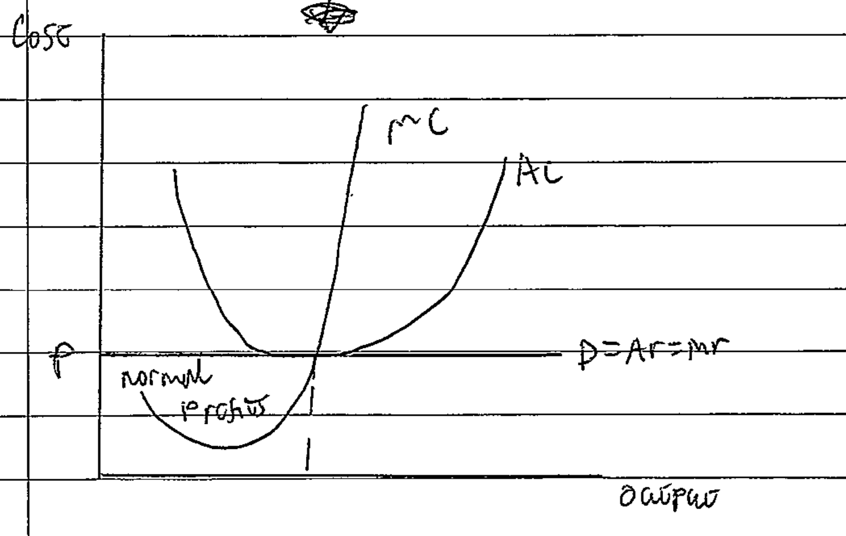
	Cannot move to find work as since Thatcher there is 1.4 million fewer social housing.	
8 a(i)	Perfect Competition Short run	



Perfect Competition Long run



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	- As firms in perfect competition have many substitutes and low barriers to entry. This means that in the short run they have unique selling (USP) point and are able to make abnormal profits. However, in the long run due to low barriers to entry firms ~~see the~~ move into the market due to the profit motive and create substitutes for the USP and so consumers might switch to that substitute, resulting in that firm only making normal profits in the long term.	
A~~B~~ (ii)	- A monopoly is as single supplier in a market, in the UK it is ~~classed with a company over 25% market share~~ Monopolies can charge higher prices for the consumer as they are theoretically the only supplier in the market as there are no close substitutes, meaning consumers will have to pay a higher price, resulting in the monopoly not being beneficial to the consumer. Furthermore, the consumer will have a lack of choice due to no close ~~No~~ substitutes as they are high barriers of entry and exit from the industry	

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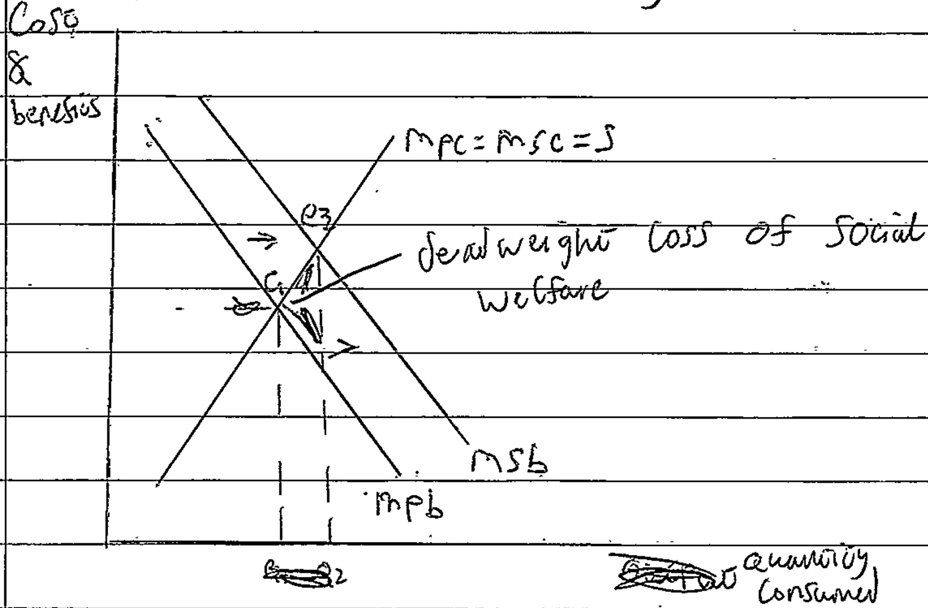
and so the consumer could get really bored and dissatisfied with the monopolies products. Furthermore, consumer knowledge of the market is really low and so they will not know how the product is made and how much it really should cost, leaving the consumer disadvantaged. Monopolies have no incentive to ~~to~~ invest in R&D and be efficient which could lead to poorer quality of products which leaves the consumer regretting their purchase, putting them at a disadvantage. Finally, a monopoly could be extremely environmentally unfriendly, ~~their~~ giving negative externalities to consumers such as increased air pollution from producing their products, leaving the consumer at a disadvantage.

13 (a)

B (i)

Consumption
positive ~~production~~ externality of electric cars



– a positive consumption externality occurs when consuming a good causes a positive externality to a third party e.g vaccine consumption. The marginal social benefit of driving electric cars is greater than the marginal private benefit of driving them. This is due to less CO_2 emmissions on the environment and potentially noise pollution from the likes of a diesel or petrol car.

(ii) one way the government might encourage the use is an increase in CO_2 emmision tax on private vehicles. This would incentivise a lot of people to buy

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an eletric car. due to the increase in tax towards a petrol or diesel vehicle. Furthermore, the government may increase advertisements on how electric cars are very benefitial for thing like - the environment which could shift very environmentally aware consumers to buy an electric vehicle instead of a diesel or petrol car. Another way is that the government could give subsidies to electric cars manufacturers e.g Tesla to make them more affordable and appealing to consumers. This would make more consumers shift towards electric cars as they are more affordable. A further way is that the Government have banned diesel or petrol vehicles by 2040 and so people would react to this by getting ahead of the game and purchasing an electric vehicle. A final way is that places such as oxford have banned petrol and diesel vehicles from the city centre and so if people want to reach more destinations they would be more incentive to buy an eletric car.