

## Question 1(a)

### Candidate A

1.a)	Regressive tax	
	- Regressive tax takes a <del>smaller</del> <sup>larger</sup> proportion	
	of tax from those with lower incomes.	
	For example VAT	

### Candidate B

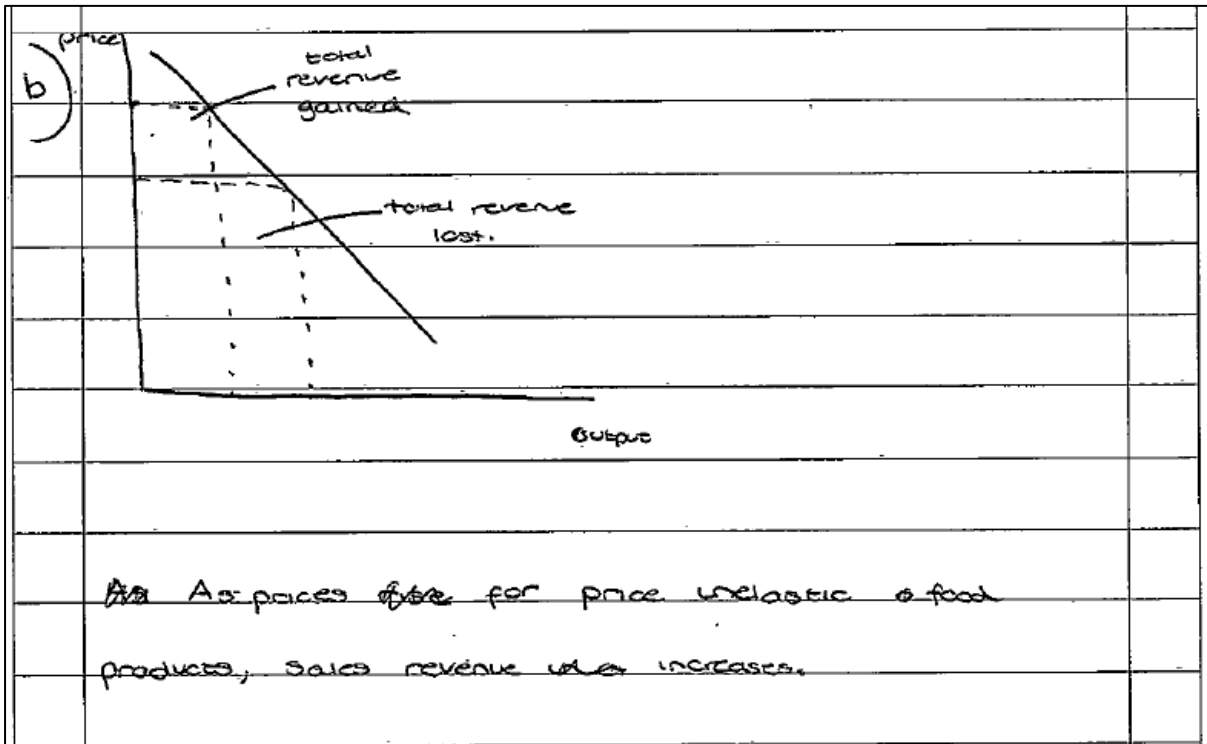
1		
a)	A regressive tax is a tax which takes a larger	
	proportion of income from lower earners, an	
	example is VAT, low earners (Value Added	
	Tax), low earners have to pay the same	
	amount of VAT on goods and services a high	
	earner.	

### Candidate C

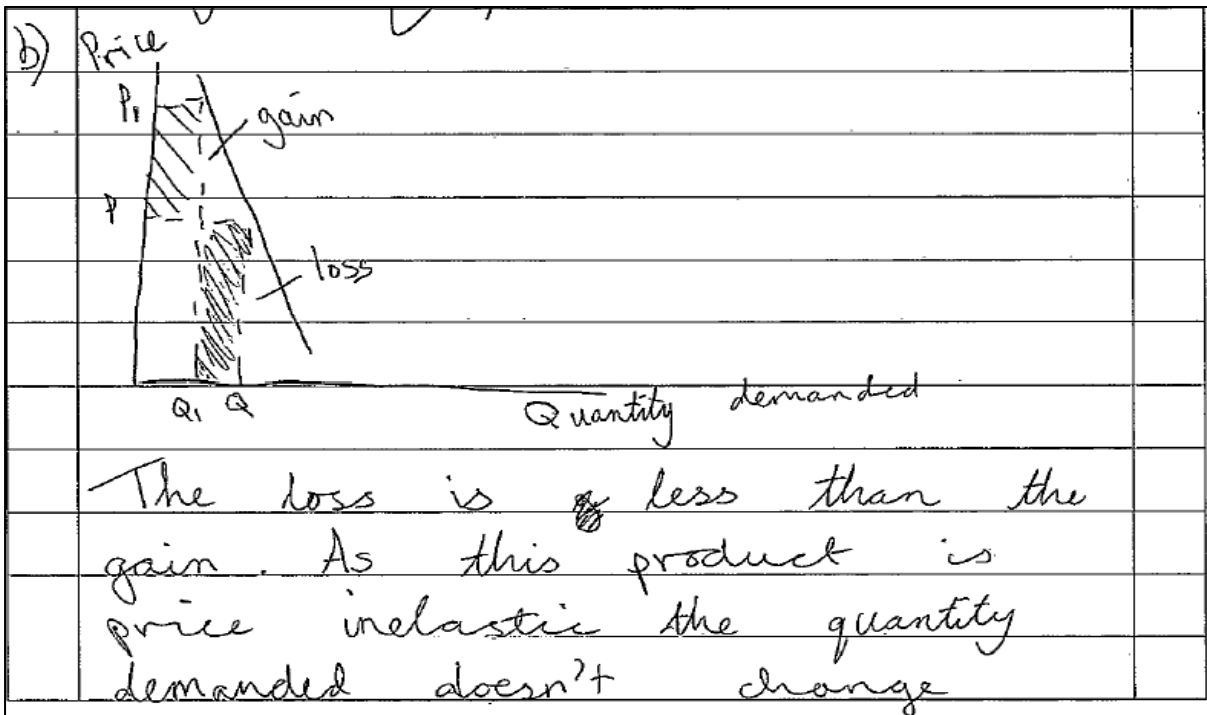
1.a)	A regressive tax taxes everyone	
	the same amount no matter	
	their level of income. eg. VAT	

# Question 1(b)

## Candidate A



## Candidate B

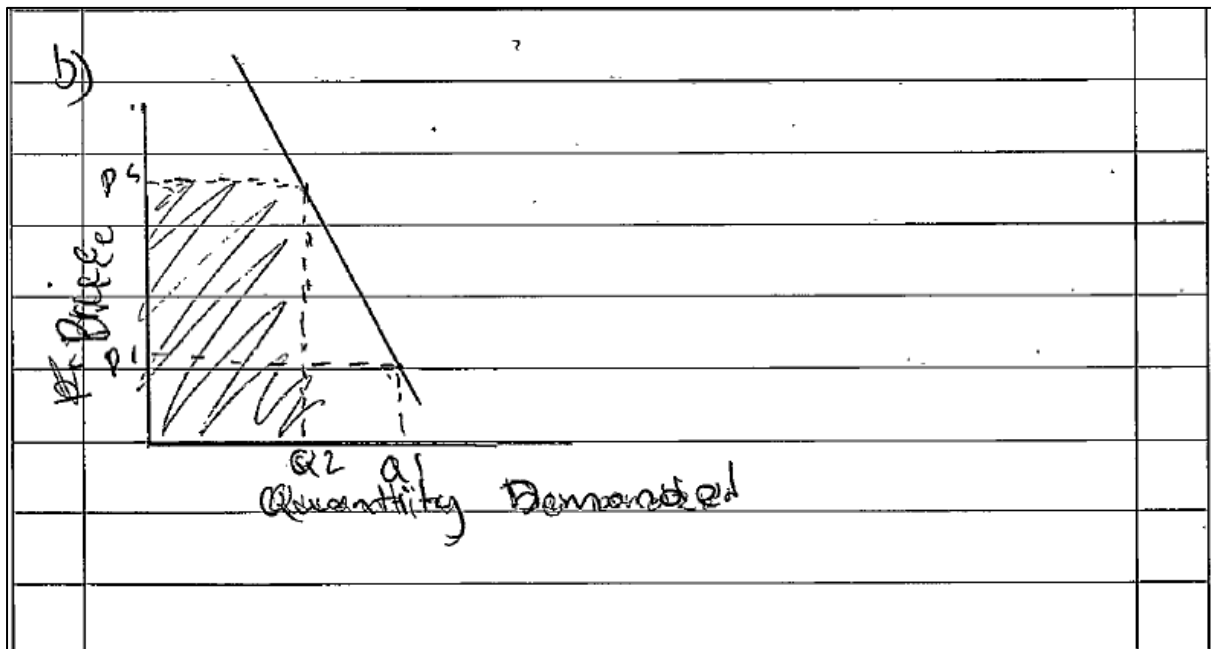


## Question 1(b) cont.

### Candidate B cont.

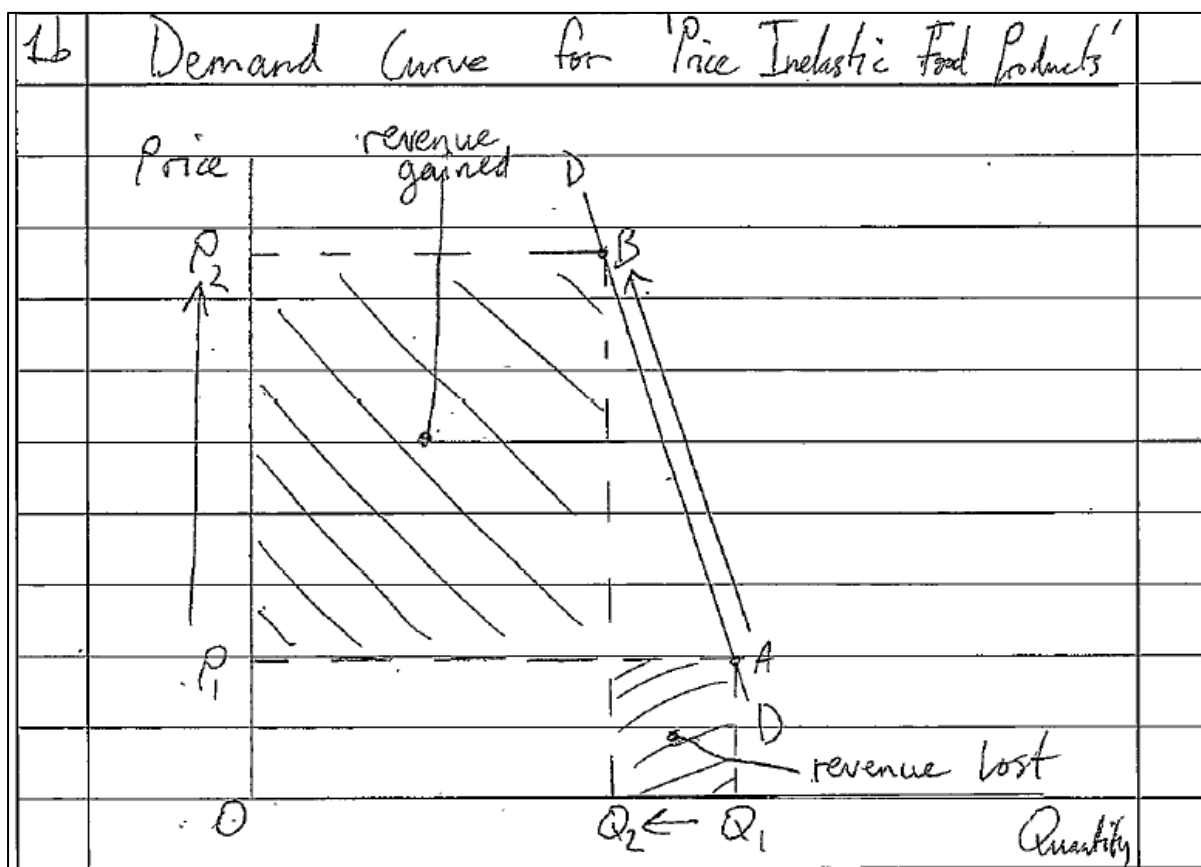
	much when the price changes.	
	This leads to increased	
	revenue as demand stays the	
	same and their profit per unit	
	is higher.	

### Candidate C



# Question 1(b) cont.

## Candidate D



The area of revenue (price x quantity) lost is less than that gained, so total revenue increases. This is because price has changed by a larger proportion than quantity demanded.

# Question 1(c)

## Candidate A

c)	Another type of market failure is public goods. public goods such as street lighting is supplied by govt as it is needed for people but they do not pay for it, as it is for community & not one person.	
	Merit goods is another type of market failure. Merit goods are goods deemed good/well benefit	
	society. These are goods which benefit society & people such as	
	Another type of market failure is positive externalities. These are provided by govt for welfare of population <del>to be used to</del> An example is vaccinations.	

## Candidate B

c)	- Monopolies - this is when one firm has all the power in the market, they are the dominant supplier of a good or service. This is a market failure as they have no competitors and can therefore charge higher prices and produce
	low quality goods and services, consumers have no other choice but to purchase from them as they are the only supplier.
	- Income inequality - in all economies there is a significant gap in between the highest and lowest earners - this is a market failure as an individual's ability to consume is based of their income, some of the lowest earners cannot afford the basic necessities.
	- Public goods - these are non-excludable goods which are provided by the government,

<p>for example street lights and light houses, private firms would not produce them as they would make no profit, this is a market failure as they are under produced.</p> <p>- Merit goods - these are goods deemed so important that they should be free at point of use, for example health care and education. These are a market failure because if they were privatised only those who could afford them would have access and be able to pay the fees, they would be underconsumed.</p>	
--	--

## Question 1(c) cont.

### Candidate C

c) Monopolies are where one	
firm controls the market. This	
leads to there being a fixed	
price as no competitors are	
in the market to lower prices.	
This means the firm	
can have control over the	
price of the market.	
Negative externalities are	
where a negative effect comes	
from a product. eg cars	
release greenhouse gasses. This	
leads to a negative effect	
on the environment.	
Lack of provision of	
public goods is where <del>not</del>	
<del>enough public goods are</del> there	
is a lack of public goods to	
fill a market. This can lead	
to a decrease in the standard	
of living.	

## Question 1(d)

### Candidate A

1d	Ability to vary basic rate of income tax by 2p to the pound. Budgetary decisions on education such as no fee for higher education in Scotland. Budgetary decisions on health such as free prescriptions to all in Scotland. Ability to determine price of alcohol such as introducing minimum pricing on it.
----	--

### Candidate B

d)	<p>- Alcohol pricing - the Scottish government has control over some elements of the sale of alcohol, including introducing a minimum price per unit. They have also restricted special offers on alcohol and the bulk buying of it.</p> <p>- Sale of cigarettes - the Scottish government have control over some aspects of the sale of cigarettes, such as not allowing them to be visible in display of shops.</p> <p>- Education - the Scottish government has</p>
----	--

## Question 1(d) cont.

### Candidate B cont.

control over education, for example Scottish students can attend Scottish universities free of charge.
- Healthcare, the Scottish government has control over healthcare, in Scotland prescriptions are free, as well as the provision of free parking at Scottish hospitals.

### Candidate C

d) The Scottish government can control air passenger duty for passengers flying out of Scotland.
They are able to control the minimum price of alcohol to keep people safe from heavily drinking

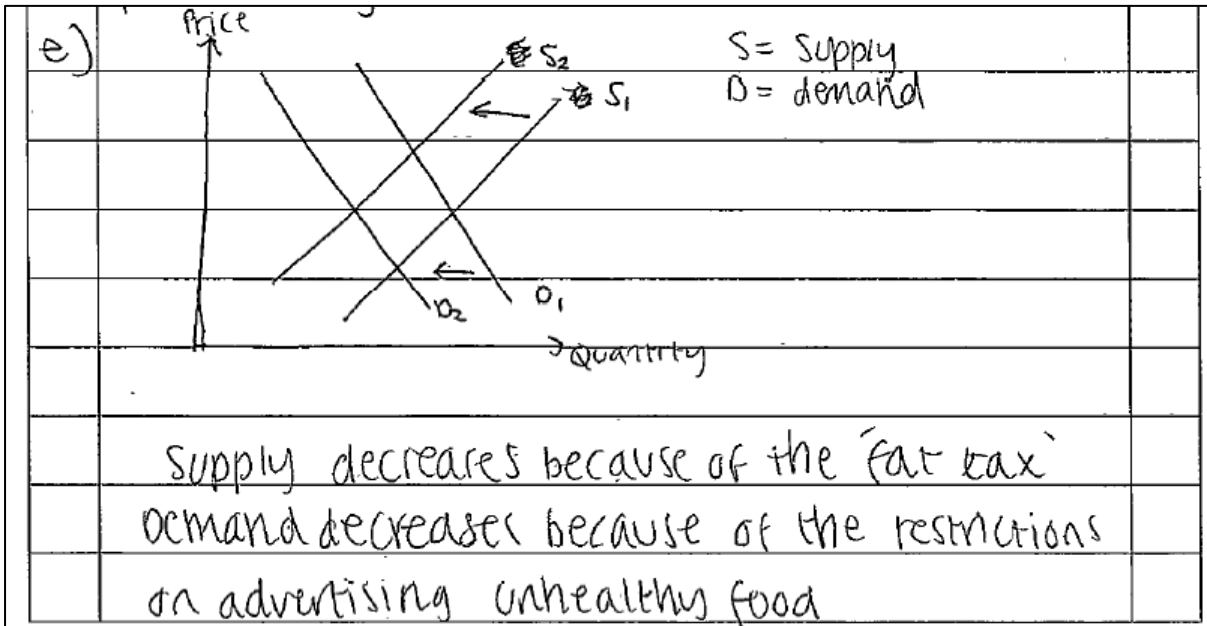
## Question 1(d) cont.

### Candidate D

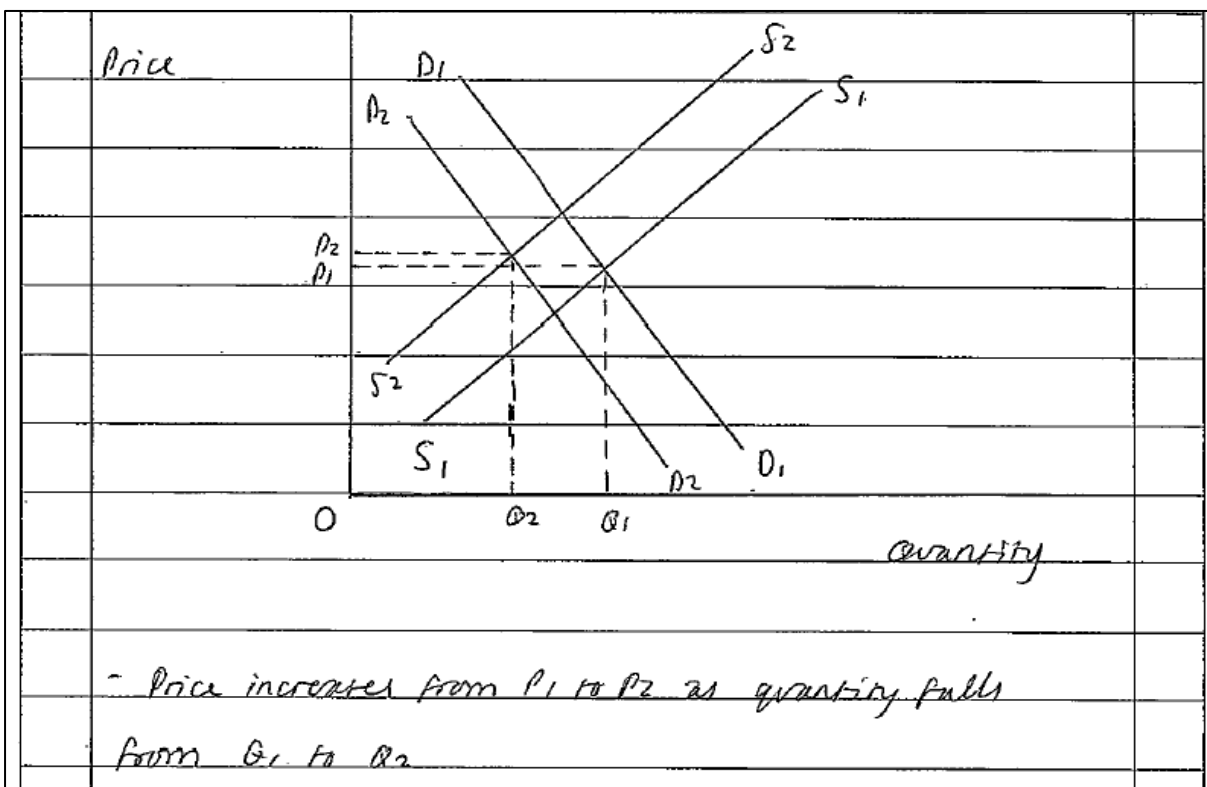
d)	The scottish government has the power to choose how they may spend revenue, for example university education for scottish <del>localities</del> residents is paid for. They can choose what they wish to spend on revenue.	
	The scottish government can make legislations separate to westminster to achieve <del>their own</del> economic objectives. This could allow them to implement supply-side policies in the product or labour market for example.	
	The scottish government can implement minimum prices on things such as alcohol, <del>to</del> <del>decrease</del> demand goods to reduce their consumption.	

# Question 1(e)

## Candidate A

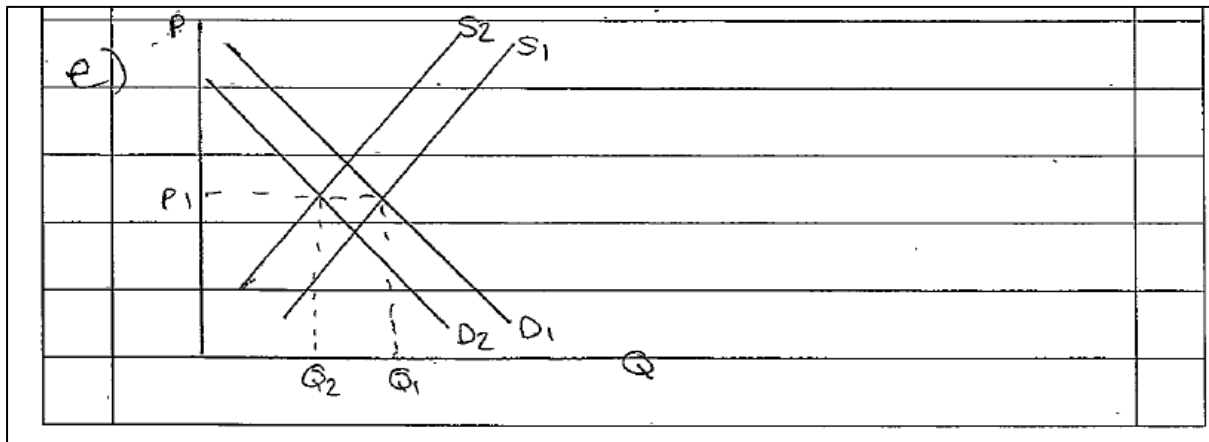


## Candidate B



# Question 1(e) cont.

## Candidate C



An increase in introduction of a fat tax would shift supply to the left.

An increase of restrictions of advertising unhealthy food would shift demand to the left.