

# Candidate 3 unannotated evidence

The evidence for has been put together from several different 2018 question paper candidates.

## Question 1a(i)

1. a)i) A market be it for bottled water or any other good or service is where demanders and suppliers meet to buy, sell or discuss goods. The market for bottled water is not necessarily a physical market place but rather just where the water is sold: all around the world.

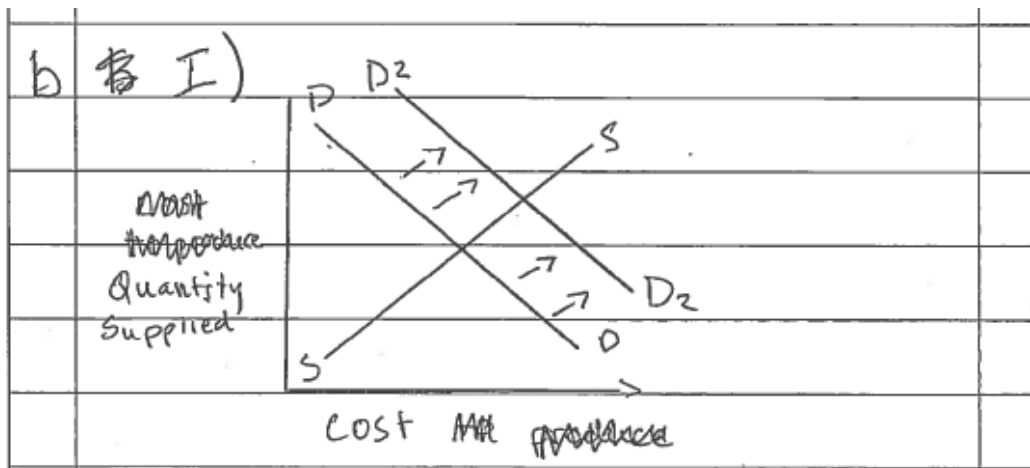
## Question 1a(ii)

ii) One reason that demand curves slope downwards from left to right is because of the substitution effect. As price rises, people switch from buying "our" product to instead purchasing product that is seen as a substitute for "ours". This is because that other product now appears to be better value for money in comparison to "our", and is therefore more attractive to consumers.

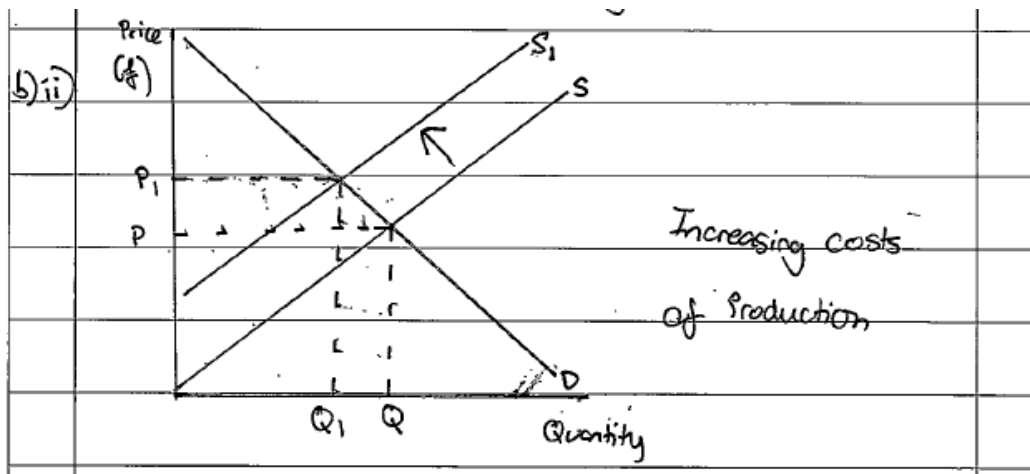
Another reason is the income effect. As the price of a product rises, less people are able to buy it as it would take up a greater proportion of their income, and therefore they are unable to afford it. If they can't afford it, they will demand less of it, as effective demand, the ability and willingness to buy, has been diminished.

Another reason is the law of diminishing marginal utility. The more of something people have, the less utility they get from it. For example, if someone buys an ice lolly on a very warm day, they will likely get a very high amount of utility from that purchase. But, if they continue to buy them, the utility will decrease with each one they buy, meaning that will want to pay a lower price for them, as they gain less utility.

**Question 1b(i) and 1b(iii)**



**Question 1b(ii) and 1b(iii)**



**Question 1c**

i) c) The cost of the plastic to make the bottles.

**Question 1d(i)**

d) quota, tariff, embargo

## Question d(ii)

(ii) • One reason to introduce barriers to	
trade is to protect consumers from	
dangerous products.	

	MARGIN
• Another reason is to protect employment	
in <del>domestic</del> domestic industries	
affected by foreign competition so	
the government does not need to make	
more TSA payments as a result of	
increased unemployment.	
• Another reason is * for retaliation	
against another country for placing	
trade barriers on exports or to exert	
political pressures.	
• Protectionism also protects strategic	
industries meaning that domestic firms	
do not need to rely on foreign	
suppliers.	

## Question 1e

e) In the UK inflation, currently at 3%, is measured by taking the average price of a basket of goods all over the country and comparing the rise or fall of the average price to previous years.

**Question 2a**

2a) $1600 - 800 = \underline{800\,000}$	MARGIN
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**Question 2b**

b) Unemployment can either be measured by a home survey (often more accurate as people honest) or by counting the amount of people who claim benefits (often less accurate as people can be embarrassed to be seen claiming benefits).

**Question 2c**

c) One cause of unemployment is <del>economic</del> technological unemployment. This is when machinery and capital replaces labour to increase efficiency.	
Another cause of unemployment is cyclical or general unemployment. This is associated with a recession in the economy.	
Another cause of unemployment is frictional unemployment. This is when people are in between jobs, so they have left one job and are waiting to start the next job.	
Another cause of unemployment is regional unemployment. This is when a whole area suffers from unemployment due to the decline of an industry.	

## Question 2d

d) The government would benefit from a decrease in the level of unemployment because it means JSA (Job Seekers Allowance) payments would decrease. This means the government would have more money to spend on other areas such as education and healthcare.

The government would benefit from a decrease in the level of unemployment because it would put less pressure on the healthcare system as unemployment often causes problems surrounding health. The government would also

## Question 2e

(e) All countries included in the EU are located in Europe.

## Question 2f

f)	There are no trade barriers so it's cheaper
	to export <del>the</del> <sup>UK</sup> products leading to higher
	net profits.
	The EU is culturally similar and has
	similar tastes so UK goods perform
	better in those markets as their
	competitiveness is not reduced.
	There is a larger market to sell <del>the</del> <sup>UK</sup>
	products so aggregate demand for
	<del>the</del> UK products is increased, leading to
	higher profits.

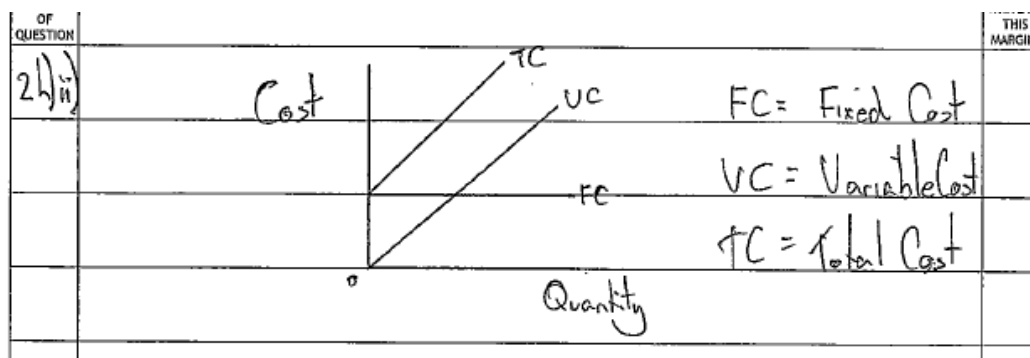
## Question 2g

g) Exports will probably decrease as there it will be more expensive for foreigners to buy the sterling and UK goods.

## Question 2h(i)

h)	Fixed cost is a cost that's
	doesn't change and is constant

**Question 2h(ii)**



**Question 3a(i)**

3a(i)	Income tax or Inheritance tax	
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**Question 3a(ii)**

3a(ii)	(ii) VAT (Value Added Tax) or Excise duties	
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**Question 3b**

3b)	Percentage decrease	
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**Question 3c**

c) A transfer payment is where you transfer money from one bank account to another through internet banking or giving someone a cheque, you never actually see the money.

**Question 3d**

3	d) government capital is the money waiting to be spent on something where as current spending is the money which the government spends on something.
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**Question 3e**

- e) The public sector is the government.
- The private sector consists of profit maximising businesses.
- The Third sector is charities.

**Question 4a**

4a)	Developing countries have :	<ul style="list-style-type: none"> <li>• Low economic growth</li> <li>• High unemployment</li> <li>• low standard of living - Poor Infrastructure</li> </ul>
	e.g. Zimbabwe	
	In comparison emerging economies have :	<ul style="list-style-type: none"> <li>• Rapid economic growth (5-10%)</li> <li>• Falling unemployment</li> </ul>
	e.g. Brazil	

4a)	<ul style="list-style-type: none"> <li>• Improving infrastructure</li> <li>• Medium standard of living (around <del>and</del> \$10,000 per capita p.a.)</li> </ul>
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## Question 4b

5	An advantage of locating on the UK is that we have a stable economy. One disadvantage is that we have higher corporate tax. Another Adv is you will seem more reliable. However there are more rules and regulations if you stay in the UK.
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## Question 4c(i)

4c(i)	An exchange rate is when one currency is compared with another.
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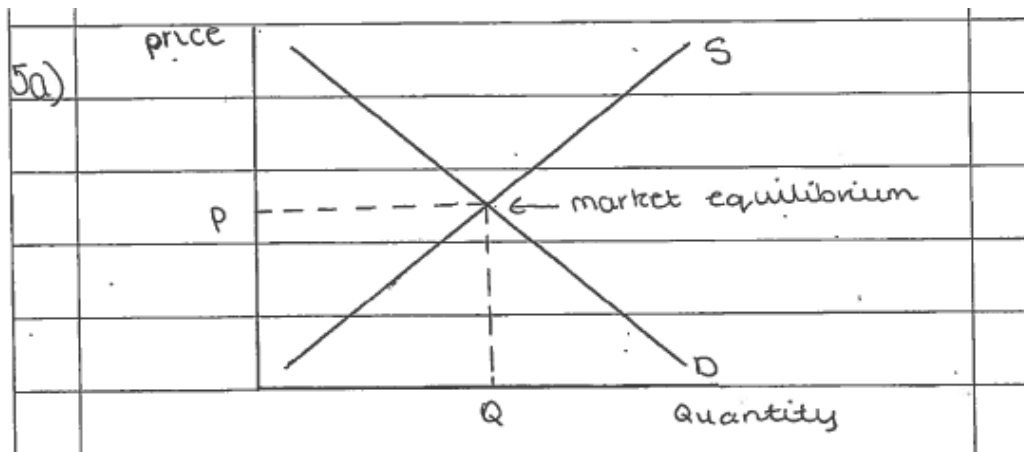
## Question 4c(ii)

ii)	$\text{£1} : \text{€1} = 10$ . $10 \times 1.10 = \text{€11}$
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## Question 4c(iii)

iii)	$\text{£1} : \text{€1} = 20$ . $1.20 \times 10 = \text{€12}$ . $\therefore$ Difference = $\text{€1}$ .
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Question 5a



The market equilibrium is where quantity demanded equals quantity supplied.

The price of a good will settle at equilibrium in a competitive market because ~~as price~~ if price increases too much there will be excess supply, but if price is too low there will be excess demand. This means suppliers have to find a ~~perfect~~ perfect balance and a point of rest where consumers are willing to buy the products but ~~the~~ suppliers still make

QUESTION	THIS MARGIN
a profit.	

**Question 5b**

b) A decline in the value of the pound against other currencies. This will cause holidays to Loch Lomond to appear better value for money for people in other countries, and will increase the demand.

An advertising campaign conducted for holidays to the tourist area will make more people aware of it, and therefore, increase the demand for them.

If there is a rise in people's incomes, they then become more able to afford holidays, and therefore, as they have decided that they can now spend more money on luxuries such as these holidays, they take more of them, increasing the demand.

If the economy is doing well, then people will again be more willing to spend money on luxury items like holidays, as they do not believe that they need to keep as much money saved for the possibility of the economy going into recession, and them losing their job and much of their income.

**Question 5c**

c)	The supply curve usually slopes upwards
	from left to right because as the price
	of a good rises, suppliers become more
	willing and able to supply that good.
	This is because if price rises, profits
	will increase and so it is more

attractive to suppliers to produce that	
good. This means more producers will	
enter the market and supply increases.	

**Question 6a(i)**

QUESTION	MARGIN
6a(i)	
- Credit Card Company	
- Loan Shark	
- Bank.	

**Question 6a(ii)**

ii)	
A potential borrower may want to	
know the interest rates before taking out	
a loan because if interest rates are	
high borrowers become worse off because	
they have to pay back more.	
A potential borrower may also want to	
know the rate of inflation because	
if inflation rises the real value of	
the bank loan will decrease.	

## Question 6b

<p>6b) If interest rates increase mortgage repayments/loan repayments increase in value so the borrower has less money to spend, resulting in a lower standard of living as they will have to prioritise spending and go without some luxuries.</p> <p>• As it has become <sup>more</sup> expensive they will be discouraged from borrowing any more.</p>	
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## Question 6c

<p>6c) Resources are scarce because people have unlimited wants for these resources and <del>these</del> <sup>they</sup> are limited. These people are fuelled by advertising as these advertising campaigns persuade people that they <del>must</del> <sup>must</sup> have these goods. People are also greedy so they want as many things as they can get which <del>to</del> decreases the amount of resources available, hence making them scarce.</p>	
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**Question 7a(i)**

7 a)i) Inflation can be caused in two main ways: cost push inflation and demand pull inflation.

**Question 7a(ii)**

i)	When the price of raw materials increase
	suppliers raise the price of the goods to
	maintain profits leading to an increase in
	the general price of a good.
ii)	When the economy is in a boom and
	demand is exceedingly high suppliers try
	to take advantage of this by raising the
	prices of their goods to earn more profit

**Question 7b**

b) There are many ways to increase economic growth, currently at 0.4% per annum. An easy one is to pressure the Bank of England's monetary policy committee (MPC) to decrease interest rates which would encourage more borrowing which leads to growth. In the long run they could invest in education which would then produce more high skill labour which would result in long term economic benefits.

Question 7c

