OCR
Oxford Cambridge and RSA

Practice Paper – Set 1

A Level Economics

H460/03 Themes in economics

Duration: 2 hours

MAXIMUM MARK **80**

FINAL
Last Updated: 24/5/2016

This document consists of 26 pages

For answers marked by levels of response:

- **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
- **To determine the mark within the level**, consider the following:

Descriptor	Award mark
Consistently meets the criteria for this level	At top of level
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Meets most of the criteria with some inconsistencies	Middle of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
On the borderline of this level and the one below	At bottom of level

Levels of response / Level descriptors	Knowledge and understanding/ Application	Analysis	Evaluation
Strong	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
Good		An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Multiple Choice Questions	Answer
1	D
2	B
3	A
4	B
5	A
6	A
7	B
8	D
9	A
10	A
11	D
12	C
13	C
14	D
15	A
16	D
17	A
18	C
19	B
20	A
21	C

Multiple Choice Questions	Answer
22	A
23	B
24	B
25	A
26	C
27	C
28	D
29	A
30	C

Q	Key	Rationale	AO	Quantitative skills
1	D	A The demand curve is not perfectly elastic in monopolistic competition as goods are not homogenous. B The demand curve is not perfectly elastic in monopolistic competition as goods are not homogenous. C Firms in perfect competition cannot make supernormal profits in the long run. D **Correct:** the perfectly elastic demand curve indicates perfect competition and firms can only make supernormal profit in this model in the short run.	AO2	/
2	B	A The government makes these decisions in a command economy. B **Correct:** the government controls production and the allocation of resources. C Market forces are overruled by the government in a command economy. D Resources are allocated by the government in a command economy.	AO1	
3	A	A **Correct:** GDP / Population B GDP / Working Age Population C GDP / Labour Force D GDP / Employed	AO2	/

4	B	A	Which macroeconomic objective is most 'important' is a subjective judgement.	AO1	
		B	**Correct:** this is an objective statement which can be tested as there is data to test the correlation between the minimum wage and unemployment.		
		C	'Unfairness' is a value judgement which cannot be tested.		
		D	The word 'should' is subjective and cannot be proven.		
5	A	A	**Correct:** moving from a system which takes a higher proportion of income from those on high income to a system which takes the same proportion of income from all earners.	AO1	
		B	The proposal is not regressive as it does not take a higher proportion of income from those on low income.		
		C	The current system is not regressive and the proposed system is not progressive as it does not take a higher proportion of income from those on high income.		
		D	The current system is not regressive as it does not take a higher proportion of income from those on low income.		
6	A	A	**Correct:** there is a budget deficit as government spending exceeds government revenue	AO1	
		B	Government revenue does not exceed government expenditure.		
		C	The current account records international transactions, not government revenue and expenditure.		
		D	The current account records international transactions, not government revenue and expenditure.		
7	B	A	Customs and monetary unions represent deeper integration than a free trade area.	AO1	
		B	**Correct:** this answer lists the stages of economic integration in the correct order.		
		C	A monetary union represents deeper integration than a customs union.		
		D	Customs and monetary unions represent deeper integration than a free trade area.		

8	D	A	Contagion results from globalisation and increased interdependence.	AO1	
		B	Acting as a lender of last resort is not necessarily inflationary.		
		C	Central banks act as a lender of last resort to prevent banks facing liquidity crises.		
		D	**Correct:** banks are incentivised to take more risks when they know they will be bailed out by the central bank.		
9	A	A	**Correct:** more consumer goods now have to be sacrificed for each additional capital good produced because production in consumer goods has become more efficient.	AO3	**/**
		B	The opportunity cost of producing consumer goods has fallen.		
		C	The PPF shows production possibilities – no levels of output are indicated here.		
		D	The PPF shows production possibilities – no levels of output are indicated here.		
10	A	A	**Correct:** cereal and cereal bars are substitutes.	AO1	
		B	Cereal and cereal bars are only demanded for one purpose – to consume.		
		C	The demand for cereal bars is not conditional on the demand for cereal.		
		D	The products are not complements.		
11	D	A	This would reduce economic growth by decreasing AD.	AO3	**/**
		B	This would reduce economic growth by decreasing AD.		
		C	Demand side policies are ineffective when the economy is at full capacity.		
		D	**Correct:** this would increase the productive capacity of the economy by shifting AS to the right.		
12	C	A	Good X is not inferior as it has a positive YED.	AO2	**/**
		B	Good X is not inferior as it has a positive YED.		
		C	**Correct:** Good X has a positive and inelastic YED so is a normal good. Good Y has a positive and elastic YED so is a superior good.		
		D	The YED for Good X is less than one so it is not a superior good.		

13	C	A	This assumption is the same in both monopoly and oligopoly.	AO1	
		B	This assumption is the same in both monopoly and oligopoly.		
		C	**Correct:** in monopoly there is only one dominant firm.		
		D	This assumption is the same in both monopoly and oligopoly.		
14	D	A	All individuals will experience both a substitution and income effect – it is the strength of these effects that differs depending on the wage rate.	AO1	/
		B	All individuals will experience both a substitution and income effect – it is the strength of these effects that differs depending on the wage rate.		
		C	At high wages the income effect outweighs the substitution effect.		
		D	**Correct:** individuals earning low wages experience a large substitution effect in comparison to the income effect.		
15	A	A	**Correct:** this means individuals are not able to reach the minimum acceptable standard of living in the country they are living in.	AO1	
		B	An individual may be unemployed but not living in poverty if there are other earners in the household or there is a generous welfare system.		
		C	This is a definition of absolute poverty.		
		D	This is a definition of absolute poverty.		
16	D	A	This is an injection into the circular flow.	AO1	
		B	This is an injection into the circular flow.		
		C	This is an injection into the circular flow.		
		D	**Correct:** savings are a leakage from the circular flow.		

17	A	A	**Correct:** Dynamic efficiency ensures there is sufficient investment to enable efficiency to be achieved in the long term.	AO1	
		B	This is allocative efficiency.		
		C	This is productive efficiency.		
		D	This is X-efficiency.		
18	C	A	This is a merit/demerit good problem.	AO1	
		B	This is an information failure problem.		
		C	**Correct:** this separation between ownership and control is most likely to occur in large firms.		
		D	This is an externalities problem.		
19	B	A	Regulators play no role in ensuring individuals have access to cheap finance.	AO1	
		B	**Correct:** capital controls reduce the likelihood of banks having liquidity problems.		
		C	Regulation does not seek to limit the profit of banks.		
		D	Regulators do not intervene to ensure banks are behaving competitively.		
20	A	A	**Correct:** this will cause the value of exports to rise and the value of imports to fall.	AO1	
		B	This would cause the value of exports to fall and the value of imports to rise, worsening the balance of trade.		
		C	This is the Heckscher–Ohlin theory of international trade.		
		D	This incorrectly specifies Heckscher–Ohlin theory.		

21	C	A	It is not a pure public good as it is semi-excludable.	AO2	
		B	It is not a pure public good as it is semi-excludable.		
		C	**Correct:** there are elements of excludability which make it a quasi-public good.		
		D	The information provided does not suggest there are any elements of rivalry.		
22	A	A	**Correct:** PMB > SMB and there is over-consumption.	AO3	/
		B	This would be a case in which SMC > PMC and there was over-production.		
		C	This would be a case in which SMB > PMB and there was under-consumption.		
		D	This would be a case in which PMC > SMC and there was under-production.		
23	B	A	Mortgages are offered at lower interest rates than credit cards because they are secured against the value of the house.	AO2	
		B	**Correct:** Mortgages are the most secure form of lending whilst pay day loans tend to be associated with the most risk.		
		C	Pay day loans have the least security and highest risk and so have high interest rates.		
		D	Credit card lending is less risky than pay day loan lending, which is why the interest rate charged is lower.		
24	B	A	The rate of exchange of one currency for another.	AO1	
		B	**Correct:** the value of the currency is usually compared against the main trading partners.		
		C	The number of units of a domestic currency that can purchase a unit of a given foreign currency.		
		D	Tells how much the goods and services in the domestic country can be exchanged for the goods and services in a foreign country.		

25	A	A	**Correct:** A specific tax is a flat rate tax. As prices rise the tax per unit and tax revenue will remain unchanged in nominal terms and will fall in real terms.	AO3	
		B	Corporation tax is a percentage tax. With real national income being unchanged, it is likely to keep pace with inflation, yielding higher nominal tax revenue. It may also yield higher tax real tax revenue if there is fiscal drag.		
		C	Income tax is also a percentage tax. As with corporation tax, it will be likely to yield higher nominal tax revenue. It may also yield higher tax real tax revenue if there is fiscal drag.		
		D	Value added tax is a percentage tax. As prices rise so will nominal tax revenue.		
26	C	A	There is a positive output gap as actual GDP exceeds potential GDP.	AO2	*I*
		B	There is a positive output gap as actual GDP exceeds potential GDP.		
		C	**Correct:** Actual GDP exceeds potential GDP (positive output gap) and actual GDP is falling (recession)		
		D	A slowdown implies GDP is growing at a slower rate. Here GDP is falling.		
27	C	A	Calculates GDP at the base year (2013) prices.	AO3	/
		B	Assumes inflation in 2015 is 2% (109 – 107 = 2) and so increases 2014 GDP by 2% (4% - 2%).		
		C	**Correct:** Calculates GDP at 2015 prices and adjusts to 2014 prices = £4,680 / 109 x 107		
		D	GDP at 2015 prices = 1.04 x £4,500m		
28	D	A	The price is above the price ceiling so prices need to be lowered.	AO3	/
		B	The price is above the price ceiling so prices need to be lowered.		
		C	Releasing stock will not decrease demand.		
		D	**Correct:** releasing stock will increase supply and bring the price down to within the target range.		

29	A	A	**Correct:** % change in QD of good Y / % change in price of good X = -15% / 40% = -0.38	AO3	/
		B	Error in calculating % change in price of X = (£35 – £25) / £25 x 100) = 28.6%		
		C	Uses % change in price of Y as the denominator = 16.7%		
		D	Calculation the wrong way up – ie. % change in price of X / % change in QD of Y		
30	C	A	Country A has an absolute advantage in the production of both goods.	AO3	/
		B	The opportunity cost in Country A is 1.43 pairs of trainers; this exceeds the opportunity cost of 1.25 trainers in Country B.		
		C	**Correct:** Country B can produce laptops at a lower opportunity cost (1.25 pairs of trainers) than Country A (1.43 pairs of trainers)		
		D	Country B is less efficient in absolute terms at producing both trainers and laptops.		

Question			Answer	Marks	Guidance
31			**Identify two factors which could explain falling profitability in the UK steel industry.** *One mark for each factor identified, up to a maximum of two marks:* • Increased international competition (resulting from globalisation) • Falling demand for steel (resulting from global financial crisis) • Appreciation of the pound sterling • Rising costs of production (resulting from high electricity prices or climate change policies)	**2** AO2 x 2	Award one mark for a factor lifted directly from the case study. For the second factor candidates need to apply this factor to falling profitability – eg. 'globalisation' would not be acceptable as a second factor unless linked to falling demand.

| 32 | | | **Using the data from Fig. 1, compare what has happened to output and employment in the steel industry between 1993 and 2013.**

Award one mark for identifying the general trend:

• Both output and employment in the steel industry have fallen.

Award one mark for making a relevant comparison over a specific period:

• Employment stayed relatively constant between 2002 and 2008 despite production rising.

• Employment fell at a faster rate than production between 1993 and 2000 (employment fell by nearly 40% whilst production fell by less than 10%), suggesting increased mechanisation. | **2**

AO2 x 2 | Do not award any marks for a year by year description of the data.

For the second mark candidates must make specific reference to years/values. |

33			**Using an appropriate diagram, explain the impact on the market for ovens of the changes which have occurred in the steel industry.**	4	

| | | | *Award up to two marks for the diagram:* | AO1 x 1 AO2 x 1 AO3 x 2 | |

Using an appropriate diagram, explain the impact on the market for ovens of the changes which have occurred in the steel industry.

4

AO1 x 1

AO2 x 1

AO3 x 2

Award up to two marks for the diagram:

- Shift of the supply curve to the right (1)

- Equilibriums correctly labelled, clearly illustrating lower equilibrium price for ovens (1)

Award up to two marks for supporting explanation:

- Steel is an input, so falling steel prices mean falling costs of production (1)

- Supply curve has shifted to the left from S1 to S2 (1)

- Price of ovens has decreases from P1 to P2

- Quantity of ovens has increased from Q1 to Q2
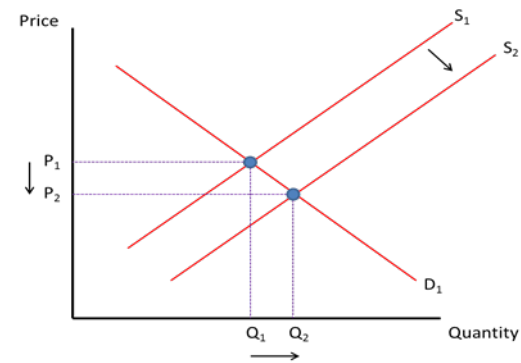
Do not award diagram marks if axes labels are missing/incorrect. Do not accept macro labels – eg. price level.

For the second analysis mark the candidate must link their explanation to the diagram – eg. marks cannot be awarded for simply saying price falls.

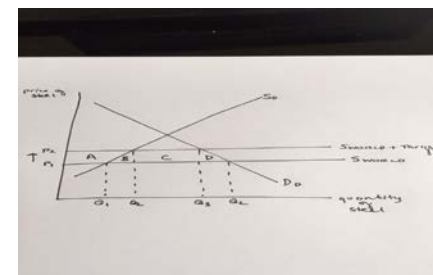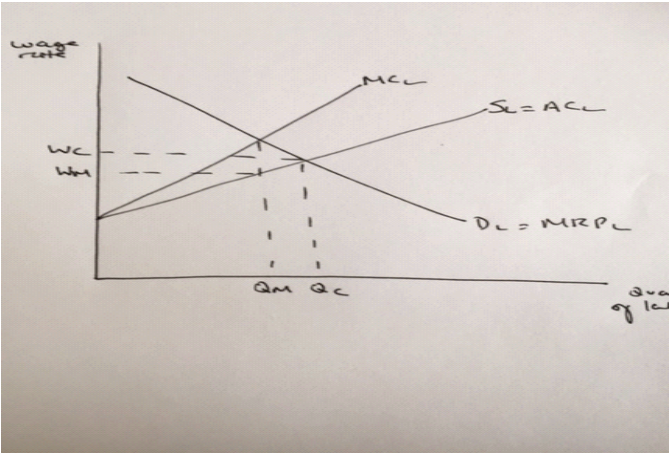| 34	*	**Evaluate, using a relevant diagram, the extent to which protectionist policies would benefit the UK steel industry and the wider macroeconomy.**	**15** AO1 x 2 AO2 x 3 AO3 x 4 AO4 x 6	*Analysis* The following diagram may be used to illustrate the impact of imposing a tariff:
		Level 3 (11–15 marks) **Good** knowledge and understanding of what is meant by protectionism. **Good** – **strong** analysis of the impact of protectionism on the UK steel industry and the wider macroeconomy. **Good analysis** will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis. **Good - strong** evaluation of the impact of protectionism on the steel industry and UK economy, weighing up both sides/comparing alternatives. Strong evaluation should include a supported judgment. *There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.*		 Imposing a tariff on Chinese steel manufacturers will enable domestic steel producers to sell more (previously Q1 now Q2). This will enhance the competitiveness of domestic firms and protect employment. Domestic firms will gain producer surplus equal to area A. Imports of steel will reduce from Q4-Q1 to Q3-Q2. This could improve the current account of the balance of payments. The improvement in net exports and rising employment generating increased consumption may increase AD in the economy, triggering economic growth and potentially a positive multiplier effect. The government will enjoy tariff revenue equal to area C. This can be used to invest in improving productivity in the steel industry or the provision of other public services. Protectionism can be justified because Chinese steel is artificially competitive because it is being dumped – ie. imposing protectionism in this instance doesn't necessarily go against theory of comparative advantage. A government may consider using an alternative protectionist policy analysis e.g. imposing quotas to limit the volume of Chinese steel imports. There will be a deadweight loss equal to area B + D. This represents the welfare loss generated by artificially increasing the competitiveness of UK firms. Whilst this policy may help in the short term, it could result in UK producers become complacent/X-inefficient and reliant on government help. Higher steel prices could be bad news for UK firms which rely on steel in

			Level 2 (6–10 marks)		Whilst this policy may help in the short term, it could result in UK producers become complacent/X-inefficient and reliant on government help.
			Good knowledge and understanding of what is meant by protectionism.		
			Reasonable analysis of the impact of protectionism on the UK steel industry **and/or** the wider macroeconomy. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.		Higher steel prices could be bad news for UK firms which rely on steel in their production processes – this could harm their international competitiveness.
					Protectionism could result in retaliation, meaning the gains from trade cannot be fully exploited.
			Reasonable evaluation of the impact of protectionism on the steel industry **and/or** UK economy considering both sides/comparing alternatives		Protectionism will also not address the other reasons for the UK struggling to be competitive in this industry – eg. climate change policies.
			There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.		

Level 1 (1–5 marks)

Limited – reasonable knowledge and understanding of protectionism.

Limited analysis of the impact of protectionism on the UK steel industry or the wider macroeconomy. There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure.

Limited evaluation of the impact of protectionism on the UK steel industry or the wider macroeconomy in the form of an unsupported statement or **no** evaluation.

The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.

0 marks no response or no response worthy of credit.

35			**Identify and explain one piece of evidence in Extract 2 of Tata Steel acting as a monopsony employer.**	2	
			One mark for identifying the relevant evidence from Extract 2:	AO1 x 1 AO2 x 1	
			• Tata Steel now employs 17,000 of the 20,000 steel workers in the UK.		
			One mark for linking this to the theory of monopsony:		
			• A monopsony employer is a monopoly buyer of labour – the fact that Tata employs 85% of workers in the UK steel industry demonstrates it is a dominant buyer of labour.		

36			Evaluate whether Tata Steel's position as a monopsony employer is responsible for labour market failure in the steel industry.	8	*Analysis* Tata steel may be causing labour market failure as a monopsonist employer.

Evaluate whether Tata Steel's position as a monopsony employer is responsible for labour market failure in the steel industry.

8

Level 2 (5–8 marks)

AO1 x 1
AO2 x 1
AO3 x 2
AO4 x 4

Good knowledge and understanding of the model of monopsony.

Good – **strong** analysis of how monopsonies can be responsible for labour market failure. **Good analysis** will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis.

Reasonable – strong evaluation of whether Tata steel is causing labour market failure because it is a monopsony employer, considering both sides/comparing alternatives. **Good evaluation** will weigh up both sides/comparing alternatives but without reaching a supported judgment. **Strong evaluation** should include a supported judgment.

Analysis

Tata steel may be causing labour market failure as a monopsonist employer.

Tata Steel employs workers at the profit maximising level of employment where MRPL = MCL. It pays a wage on the supply curve of labour at Wm. This represents labour market failure as workers are paid below the competitive wage/see cuts to their pensions because ultimately Tata is the dominant firm demanding their labour.

Tata deliberately restricts employment below the competitive equilibrium at Qm because hiring additional workers is very costly, as they have to raise the wage of all previous workers employed, meaning they restrict employment to keep wages low. This causes the labour market failure of unemployment.

The level of labour market failure depends upon the extent to which steel workers are able to transfer to work in other industries – given the lack of manufacturing employment available in the UK this does suggest Tata may be able to exploit its monopsony power.

Level 1 (1–4 marks)

Limited – reasonable knowledge and understanding of the model of monopsony.

Limited – reasonable analysis of how monopsonies can be responsible for labour market failure. **Limited analysis** will have little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. **Reasonable** analysis will have correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.

Limited evaluation of whether Tata steel is causing labour market failure because it is a monopsony employer, in the form of an unsupported statement or **no** evaluation.

0 marks no response or no response worthy of credit

Note: although a diagram is **not** required, it may enhance the quality of the answer and should be rewarded at the appropriate level.

Job losses in steel, however, are not coming because of monopsony power but because of competitive pressures – falling prices mean falling MR which mean falling MRPL, which will cause unemployment to rise and wages to fall, even if Tata is operating as an employer would in a competitive labour market.

37			**Identify and explain evidence from Fig. 3.2 of the type of unemployment that is most likely to arise from the changes that have taken place in the labour market between 1990 and 2015.**	2	There must be direct reference to the data in Figure 3.2 in order for the second mark to be awarded.
				AO1 x 1	
				AO2 x 1	

One mark for correctly identifying the type of unemployment:

- Structural unemployment

One mark for linking this unemployment to the information in Figure 3.2:

- The significant decline in the proportion of workers employed in the primary and secondary sectors (falling by 14% over the period) means workers do not have the skills to meet the demand of tertiary sector firms.

38	*		**Extract 3 presents a number of policy options available to the government to improve labour market flexibility. Evaluate the effectiveness of one of these policies as a method of increasing labour market flexibility.**	**15** AO1 x 2 AO2 x 3 AO3 x 4 AO4 x 6	Reduce employment protection through promoting zero hours contracts: • Gives firms numerical and temporal flexibility, which is likely to improve productive efficiency (reduces likelihood of over-staffing). • Could reduce costs of production improving competitiveness of UK firms, contributing to economic growth. • Employment may increase as firms more willing to hire workers on flexible contracts. • *Evaluation – could increase uncertainty, which would increase the average propensity to save and reduce economic growth. Productivity may fall if workers are demotivated by working on these contracts.*
			Level 3 (11–15 marks) **Good** knowledge and understanding of what is meant by labour market flexibility. **Good** – **strong** analysis of how government policy can be used to increase labour market flexibility. **Good analysis** will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis. **Good - strong** evaluation of the extent to which government policy is effective in increasing labour market flexibility, weighing up both sides/comparing alternatives. Strong evaluation should include a supported judgment. *There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.*		Implement a points based immigration system: • The government could make immigration decisions based on the skills held by workers, favouring those who have skills in areas of skills shortages. • This is a cheap method to address skills shortages as means workers do not have to be trained and has no time lags. • Can boost productive capacity of the economy and reduce costs of firms. • *Evaluation – means the government will have to support the domestic citizens struggling from structural unemployment who lack the right skills. Could put a strain on public services. UK has a limited ability to impose this policy given there is free movement of labour within the EU – this therefore could only apply to non-EU migration.*

			Level 2 (6–10 marks)		Raise the school leaving age:

Level 2 (6–10 marks)

Good knowledge and understanding of what is meant by labour market flexibility.

Reasonable analysis of how government policy can be used to increase labour market flexibility. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.

Reasonable evaluation of the extent to which government policy is effective in increasing labour market flexibility considering both sides/comparing alternatives

There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.

Raise the school leaving age:

- Individuals suffer from myopia – they do not fully realise the benefits of education and therefore under-consume in the free market, meaning they do not acquire sufficient transferable skills.

- Raising the school leaving age will force individuals to acquire more qualifications and skills, potentially increasing functional flexibility and making the supply of labour more wage elastic.

- *Evaluation – this only works if the education actually increases labour market flexibility; further generic academic education may not do this. It is an expensive policy with time lags.*

Provide more apprenticeships:

- Individuals don't want to train because they are myopic and would rather earn an income. Firms will under-provide training because they fear workers will be poached.

- Providing tax breaks to firms who provide apprenticeships will increase the number of apprenticeships available, leading to a better trained workforce.

- *Evaluation – despite many apprenticeships being available in the UK many individuals do not take advantage of them because they would rather be in full time employment.*

| | | | **Level 1 (1–5 marks)** | | Reduce marginal tax rates: |

Level 1 (1–5 marks)

Limited – reasonable knowledge and understanding of what is meant by labour market flexibility.

Limited analysis of how government policy can be used to increase labour market flexibility. There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure.

Limited evaluation of the extent to which government policy is effective in increasing labour market flexibility in the form of an unsupported statement or **no** evaluation.

The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.

0 marks no response or no response worthy of credit.

Reduce marginal tax rates:

- Individuals are not incentivised to work more hours when the wage rate increases because of high marginal tax rates. This means firms find it difficult to get workers to work more hours.

- Cutting marginal tax rates will mean individuals keen more of their income, strengthening incentives to respond to wage changes and improving labour market flexibility.

- *Evaluation – this policy will have to be funded from somewhere, which will incur an opportunity cost.*

Question	AO1	AO2	AO3	AO4	TOTAL	(Quantitative skills)
SECTION A TOTAL	**16**	**6**	**8**		**30**	**(12)**
31		2 (2)			**2**	**(2)**
32		2 (2)			**2**	**(2)**
33	1	1 (1)	2 (1)		**4**	**(2)**
34	2 (2)	3 (2)	4 (2)	6 (2)	**15**	**(8)**
35	1	1			**2**	
36	1	1	2	4	**8**	
37	1	1			**2**	
38	2	3	4	6	**15**	
SECTION B TOTAL	**8**	**14**	**12**	**16**	**50**	**(14)**
PAPER TOTAL	**24**	**20**	**20**	**16**	**80**	**(26)**