Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

2.1

- income is a flow of money received over a period (wages, rent); wealth is the stock of assets owned at a point in time (houses, shares) (2 for a clear difference; 1 for a partial idea)

2.2

- a tax that takes a larger percentage of income from those on higher incomes than from those on lower incomes (2 for a clear definition; 1 for a partial idea)

2.3

- any two of: progressive taxation; benefits / transfer payments; state provision of free services (1 + 1)

3.1 A

- A progressive tax takes a rising percentage as income rises

3.2

- *[6]* For **each** of two policies: AO1 1 + AO3 up to 2 — e.g. *progressive tax*: higher earners pay a larger share
- after-tax incomes are closer together
- the gap narrows. *Benefits*: cash transfers raise the income of the poorest
- less poverty. Maximum 3 each

3.3

- *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** less inequality can raise consumption (the poor spend more of their income), improve health and reduce social problems. **Against:** high taxes and generous benefits may weaken the incentive to work and invest, and can be costly. Judgement: some redistribution helps, but going too far risks lower growth — the best level depends on how the policies are designed and the size of the incentive effects