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

- equity means fairness (which may not be an equal share); equality means everyone getting the same (2 for a clear difference; 1 for a partial idea)

2.2

- perfect equality — every person has the same income (1)

2.3

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

3.1 B

- A curve further from the diagonal means more inequality and a higher Gini

3.2

- *[8]* AO1 1 + **AO3 diagram up to 4** (line of equality, sagging Lorenz curve, areas A and B) + AO2/AO3 up to 3 — the Lorenz curve plots cumulative income share against cumulative population share; the Gini is the area between the curve and the line of equality (A) divided by the whole area under the line (A + B)
- the more the curve sags, the larger A, so the higher the Gini and the greater the inequality

3.3

- *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** redistribution reduces poverty, can raise total consumption (the poor spend more of their income) and improves social outcomes. **Against:** high taxes and benefits can weaken the incentive to work and invest, and wealth is hard to tax (it can be hidden or moved abroad). Judgement: some redistribution helps, but going too far risks lower growth — the net benefit depends on how the policies are designed and the size of the incentive effects