A-level

ECONOMICS

7136/1

Paper 1 Markets and Market Failure

Mark scheme

June 2022

Version: 1.0 Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from aqa.org.uk

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Below is the levels of response marking grid to be used when marking any 25-mark question.

Level of response	Response:	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

Context 1

Total for this context: 40 marks

0 1 *Using the data in **Extract A** (**Figure 1**), calculate the number of workers doing weekly platform work in 2019 for each worker doing monthly platform work in 2019.*

*Give your answer to **two** decimal places.*

[2 marks]

Calculation: 9.6 / 11.8 = 0.813559
Correct answer: 0.81 or expressed as a ratio 0.81:1

Response	Max 2 marks
For the correct answer, to two decimal places	**2 marks**
For the correct answer but not to two decimal places **OR** For the correct method but the wrong answer, to two decimal places **OR** 81.36%	**1 mark**

MAXIMUM FOR QUESTION 01: 2 MARKS

| 0 | 2 | *Explain how the data in **Extract A** (**Figure 2**) show that the incentive for workers to become self-employed increased between 2009/10 and 2018/19.*

[4 marks]

Response:	Max 4 marks
• includes evidence that shows that the incentive for workers to become self-employed increased • clearly explains how this data is evidence that the incentive for workers to become self-employed increased.	**4 marks**
• includes evidence that shows that the incentive for workers to become self-employed increased • explanation of how this data is evidence that the incentive for workers to become self-employed increased.	**3 marks**
• includes some evidence that shows that the incentive for workers to become self-employed increased • limited explanation of how this data is evidence that the incentive for workers to become self-employed increased.	**2 marks**
• includes evidence that does not clearly show that the incentive for workers to become self-employed increased • no explanation of how this data is evidence that the incentive for workers to become self-employed increased.	**1 mark**

Relevant issues include:

- increases in relative wages will improve the incentive for workers to become self-employed

- between 2009/10 and 2018/19, median wages fell for employed workers from £21 900 to £21 600, a decrease of £300 or 1.4%
- between 2009/10 and 2018/19, median wages rose for self-employed workers from £15 800 to £16 500, an increase of £700 or 4.4%
- median wages of employees peaked in the first year shown, 2009/10 at £21 900, whereas median wages of self-employed workers peaked later, in 2017/18 at £17 600.
- the relative wage premium received by employed workers compared with self-employed workers was 38.6% in 2009/10, but only 30.9% in 2018/19.

MAXIMUM FOR QUESTION 02: 4 MARKS

0 3　**Extract C** *(lines 4–5) states that, as a result of trade union action, 'The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75.'*

With the help of a diagram, analyse how a trade union might achieve higher pay for its members.

[9 marks]

Level of response	Response:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	**7–9 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	**4–6 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

Suggested diagram

A labour market diagram is expected, showing how trade unions can negotiate for a higher wage than that prevailing in an otherwise competitive labour market. However, other appropriate diagrams should be given credit, for example a diagram showing the impact of a trade union negotiated wage in a monopsonistic labour market (such as the market for hospital workers in the UK), or a diagram showing a labour supply curve shifted to the left.
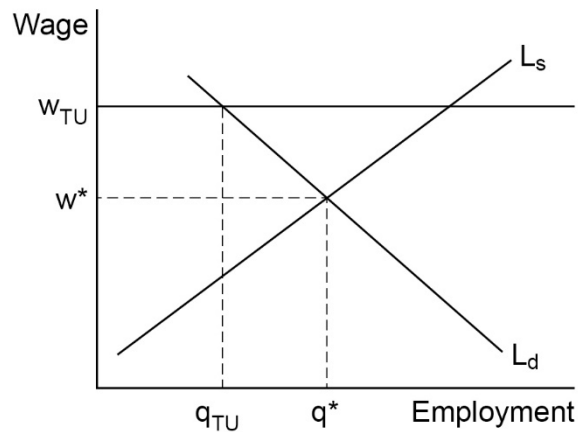
Relevant issues include:

- definitions of trade union and pay
- explanation of the diagram, showing impact of higher wage and comparison with non-unionised wages. Analysis of impact on employment is not expected
- how a union may engage in collective bargaining for the benefit of its members
- explanation of types of actions taken by unions, such as strikes, work-to-rule, litigation, media campaigning, and how they can lead to higher negotiated pay settlements
- how a union may act as a monopoly supplier, or at least have some degree of monopoly power in the labour market
- use of extracts (particularly Extract C) in explaining how unions have acted to protect the interests of workers and secured higher pay.

MAXIMUM FOR QUESTION 03: 9 MARKS

0 4   *Extract B (lines 16–18) states that 'Gig economy defenders claim that today's flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours.'*

Assess the view that government intervention in the UK labour market is necessary to protect the interests of people who are working in the gig economy.

[25 marks]

Areas for discussion include:

- explanation of the gig economy and the difference between terms of employment in the gig economy and standard employment
- discussion of the emerging trends that have contributed to the rise of the gig economy, such as technological progress and online commerce
- what is meant by the 'interests of people who are working in the gig economy'
- discussion of the reasons why some roles/industries are more likely to arise in the gig economy than others
- the benefits of gig economy work to the individual, such as: flexibility over hours, ease of switching between jobs, autonomy from having no supervising manager
- the costs of gig economy work to the individual, such as lower pay and fewer non-wage benefits (for example pension, health insurance, maternity benefits)
- analysis of why wages may be lower and working conditions worse in the gig economy than in the formal sector
- benefits and costs of the gig economy to firms and the wider economy, such as greater labour mobility, lower costs of production, economic efficiency
- discussion of the impact of the pandemic on the gig economy
- discussion of possible policies, such as legislation, raising minimum wages, guaranteeing minimum hours for all roles, redefining gig economy workers as 'employed' rather than 'self-employed'
- the argument that the need for government intervention is reduced by the existence and growth of trade unions representing gig economy workers
- the argument that the need for government intervention is reduced by the fact that some firms in the gig economy are improving conditions for their workers anyway
- use of examples
- market failure arguments
- government failure arguments.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 04: 25 MARKS

Context 2

Total for this context: 40 marks

| 0 | 5 | *Using the data in **Extract D** (**Figure 3**), calculate, in percentage terms, how much more expensive a basket of groceries at Waitrose was than at Lidl in April 2020.* |

Give your answer as a percentage to two decimal places.

[2 marks]

Calculation: (£68.69-£42.27)/£42.27 X 100 = 62.5029%

Correct answer 62.50%

Response	Max 2 marks
For the correct answer, to two decimal places, with % sign	**2 marks**
For the correct answer but not rounded to two decimal places, **and/or** without % sign eg: 62.5% **OR** For the correct method but the wrong answer, to two decimal places, with % sign	**1 mark**

MAXIMUM FOR QUESTION 05: 2 MARKS

| 0 | 6 | *Explain how the data in **Extract D** (**Figure 4**) show that the supermarket sector is competitive.* |

[4 marks]

Response:	Max 4 marks
• includes evidence that the supermarkets sector is competitive • clearly explains how this data is evidence that the supermarkets sector is competitive.	**4 marks**
• includes evidence that the supermarkets sector is competitive • explanation of how this data is evidence that the supermarkets sector is competitive.	**3 marks**
• includes some evidence that the supermarkets sector is competitive • limited explanation of how this data is evidence that the supermarkets sector is competitive.	**2 marks**
• includes evidence that does not clearly show that the supermarkets sector is competitive • no explanation of how this data is evidence that the supermarkets sector is competitive.	**1 mark**

Relevant issues include:

• explanation of why smaller firms taking market share from larger incumbents indicates competitiveness
• since 2012, the market shares of the largest four firms have each declined. For example, Tesco's has fallen from 31% to 27% (this is the largest decline)
• since 2012, the market shares of the smallest two firms have both risen. For example, Aldi's has risen from 3% to 8% (more than doubling in size)
• since 2012, the market share of other supermarkets has risen significantly from 16% to 20%
• CR4 has fallen from 0.78 to 0.68
• in each year shown in Figure 4, there are 6 major supermarkets competing for customers and 'others', who account for a significant share of the market, for example, around 20% in 2020.

Note: please allow a margin of +/- 2% points

MAXIMUM FOR QUESTION 06: 4 MARKS

0 7 **Extract E** *(lines 16–17) states that: 'Supermarkets set prices interdependently, and price wars look very likely.'*

With the help of a diagram, analyse the impact on grocery consumers of interdependence between supermarkets.

[9 marks]

Level of response	Response:	Max 9 marks
3	- is well organised and develops one or more of the key issues that are relevant to the question - shows sound knowledge and understanding of relevant economic terminology, concepts and principles - includes good application of relevant economic principles and/or good use of data to support the response - includes well-focused analysis with a clear, logical chain of reasoning - includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	**7–9 marks**
2	- includes one or more issues that are relevant to the question - shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present - includes reasonable application of relevant economic principles and/or data to the question - includes some reasonable analysis but it might not be adequately developed and may be confused in places - may include a relevant diagram.	**4–6 marks**
1	- is very brief and/or lacks coherence - shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely - demonstrates very limited ability to apply relevant economic principles and/or data to the question - may include some very limited analysis but the analysis lacks focus and/or becomes confused - may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

Suggested Diagram

A kinked demand curve diagram is expected, showing how interdependence in the supermarket sector may mean prices are sticky.
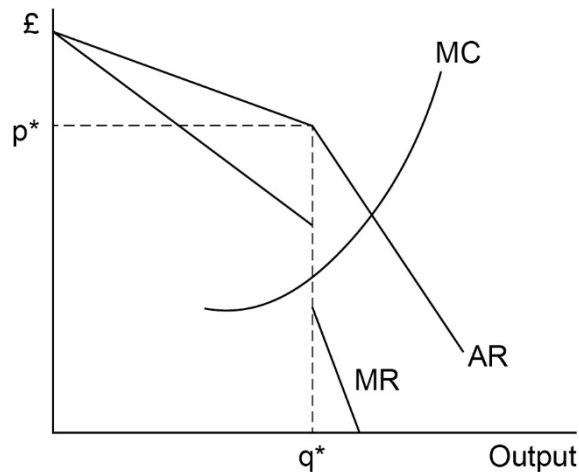
Notes

The diagram does not have to include the MR and MC curves, a kinked AR curve is sufficient.

A different relevant, valid diagram should also be rewarded. Allow a game theory matrix.

Relevant issues include:

- the meaning of interdependence and uncertainty
- supermarkets as an example of an oligopoly
- explanation of the diagram, including why the demand curve is kinked (relating to price elasticities of demand either side of p*)
- analysis of how prices are likely to remain sticky in this model, even if the costs increase prices may not increase
- reference to 'split shops' from Extract E
- the price gap is declining between the discounters and conventional supermarkets
- interdependence leading to a price war may be reflected in traditional supermarkets' commitment to 'price match' discounters' prices
- examples of non-price competition such as greater investment in stores to attract customers
- the incentive to collude.

MAXIMUM FOR QUESTION 07: 9 MARKS

0 8 *Extract E (lines 17–19) states that 'the price gap between discounters and conventional supermarkets is now about 10–12%, against more than 20% a few years ago.'*

Evaluate the view that the supermarket sector is serving customers' interests well.

[25 marks]

Areas for discussion include:

- explanation of what 'customers' interests' means in this context (to include low prices, high quality, customer experience/service, choice, convenience)
- discussion of differences between discounters (eg Aldi and Lidl), traditional stores (eg Tesco) and online retailers (eg Ocado)
- discussion of how the supermarket sector has evolved in recent years
- analysis of the market structure in the supermarket sector (with elements of oligopoly and localised monopolies)
- the impact of competition and profitability on innovation
- assessment of trends in prices and profits
- impact of the pandemic on shopping habits, with a significant move towards online shopping, and whether shoppers are likely to change back to physical stores
- the role of the CMA in ensuring competition and positive outcomes for customers
- discussion of the proposed merger between Asda and Sainsbury's and why the CMA decided to oppose it
- the particular problems of local monopolies in the supermarket sector
- the CMA investigation into Tesco's abuse of restrictive property arrangements in order to retain local monopoly power
- use of examples
- market failure arguments
- government failure arguments.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 08: 25 MARKS

Section B

Below is the levels of response marking grid which should be used to mark the 15-mark questions

Level of response	Response:	Max 15 marks
3	**A good response provides an answer that:** • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning.	**11–15 marks**
2	**A reasonable response provides an answer that:** • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places.	**6–10 marks**
1	**A weak response provides an answer that:** • has identified one or more relevant issues • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles to the given context and/or data to the question • might have some limited analysis but it may lack focus and/or become confused.	**1–5 marks**

Section B

Essay 1   **Total for this essay: 40 marks**

| 0 | 9 | *Explain how the price mechanism allocates resources in a market economy.*

[15 marks]

Areas for discussion include:

- definition of price mechanism, resource allocation and market economy
- explanation of the way in which demand and supply functions interact in equilibrium to determine price and quantity
- explanation of the rationing function of prices in allocating resources and coordinating the decisions of buyers and sellers in a market economy
- explanation of the signalling function of prices in allocating resources and coordinating the decisions of buyers and sellers in a market economy
- explanation of the incentives function of prices in allocating resources and coordinating the decisions of buyers and sellers in a market economy
- the role of prices in product and factor markets
- the interaction between markets
- use of examples.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 09: 15 MARKS

| 1 | 0 | *Assess the view that high-speed Internet connection is a necessity for modern life and should be provided by the government, free of charge, to all households.* |

[25 marks]

Areas for discussion include:

- the importance of high-speed Internet connection for households (and firms) in the modern economy
- the uses of high-speed Internet (including homeworking, remote school working, gaming, streaming, online retail, smart home applications)
- how Internet is currently provided via private sector communications firms
- whether there is evidence of market failure and the nature of this market failure
- arguments for free provision by the government of high-speed Internet connection
  - it can be considered a merit good
  - the positive externalities from high-speed Internet connection
  - inadequate access creates inequalities in education, employability, access to services
  - public provision may be possible at lower cost than private provision due to economies of scale
  - the benefits of a natural monopoly
- arguments against free provision
  - negative externalities from Internet use (some aspects of Internet use are actually harmful or productivity-reducing)
  - already the majority of households are accessing the market without too many problems, and free Internet would be a blunt policy tool if it was not means-tested
  - burden on the taxpayer
  - alternative policies might be more efficient
  - the absence of a market price means that opportunity cost of providing the service is not fully considered
  - private sector efficiencies driven by the profit motive
- discussion of alternative policies
  - subsidies
  - price caps
  - free wifi in public places such as libraries and schools
  - means-tested free Internet for low-income households
- market failure arguments
- government failure arguments.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 10: 25 MARKS

Essay 2   **Total for this essay: 40 marks**

| 1 | 1 | *Explain the difference between complete and partial market failure.*

[15 marks]

Areas for discussion include:

- definition of complete and partial market failure
- how complete market failure (or a missing market) may exist when the willingness of firms to supply a good or service is non-existent, despite society having a demand for it
- why complete market failure may happen if goods are non-excludable, creating the problem of free-riders and the inability to charge individuals for their consumption
- public goods, that are non-excludable and non-rival, as an example of complete market failure
- in the event of complete market failure, the government will probably have to step in with public good provision, if the good or service is to be provided
- how partial market failure may be caused by suppliers not providing as much as society would wish for, perhaps because of positive externalities or because the good is a merit good
- how partial market failure may be caused by suppliers providing too much of a good or service, perhaps because of negative externalities or because the good is a demerit good
- other types of partial market failure that exist such as: information asymmetry, monopoly power, immobilities and inequality
- use of examples.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 11: 15 MARKS

| 1 | 2 | *Evaluate the view that government failure means that government intervention in markets will rarely lead to an improvement in economic welfare.*

[25 marks]

Areas for discussion include:

- definition of government failure
- explanation of the term 'economic welfare' and how that might be improved
- objectives of government intervention
- types of government intervention, how they relate to specific types of market failure and why they may improve economic welfare
- causes of government failure, which include
  - information failures leading to poorly designed policies
  - regulatory capture by industry interests
  - unintended consequences
  - short timeframes for policy
  - conflicting policy objectives
  - red tape and bureaucracy
  - governments may pursue their own self-interest rather than take decisions that improve general economic well-being
- impacts of government failure can include inefficiency, ineffectiveness, projects being completed over budget and after deadlines, unintended consequences
- how market failures can sometimes be resolved without government intervention, for example via improvements in technology
- how some problems which appear to be market failure can actually stem from previous government interventions
- evaluation of the strengths and weaknesses of the market economy and the role of the government
- recognising that government intervention may lead to an improvement in economic welfare, despite the flaws of such intervention caused by, for example, imperfect information
- use of examples.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 12: 25 MARKS

Essay 3   **Total for this essay: 40 marks**

| 1 | 3 | *Explain the main causes of inequality in the distribution of pre-tax incomes.*

[15 marks]

Areas for discussion include:

- explanation of inequality and how it can relate both to pre-tax and post-tax incomes
- how market incomes include wages, rent, interest and profit dividends
- how labour markets can lead to a wide range of wages as a result of differences in labour demand, marginal revenue product (MRP), labour supply
- how discrimination affects wages and inequality
- how wealth inequality can lead to income inequality as rent, interest and profits tend to accrue to those who are wealthy
- how inequality in income can be the result of inequalities in opportunities from an early stage, including education, health, nutrition and regional disparities
- how other labour market imperfections might lead to rising inequality
  - monopoly and monopsony power
  - information asymmetry
  - externalities
  - immobile factors of production
- use of examples.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 13: 15 MARKS

| 1 | 4 | *Evaluate whether the best way to reduce inequality in disposable income is to reduce differences in pre-tax incomes rather than through taxes and welfare benefits.*

[25 marks]

Areas for discussion include:

- definition of disposable income, pre-tax income
- explanation of why incomes differ in a market economy, for example through differences in supply and demand for labour in different labour markets
- understanding that incomes can include not solely wages, but also other sources of income such as rent, interest and dividends
- advantages and disadvantages of policies that can be used to reduce inequality in pre-tax incomes
  - improving social mobility
  - ensuring equal opportunities in terms of education, health, labour market access and other determinants of incomes
  - minimum wages and maximum wages
  - tackling labour market monopsony power to prevent exploitation of workers
  - tackling product market monopoly power to prevent excessive dividends from large firms
- advantages and disadvantages of policies that can be used to redistribute income after incomes have been received such as income tax, national insurance and the provision of welfare benefits
- evaluation of policy impacts on government finances, social mobility, incentives to work and take risks, social capital
- discussion of how inequalities in the distribution of wealth can lead to inequalities in the distribution of income, and therefore policies to reduce wealth inequality may help reduce inequalities in income
- considering the extent to which inequality is undesirable and whether the government should intervene
- an assessment of the relative merits of polices to reduce inequality in pre-tax incomes compared to using the tax-benefit system to reduce inequality in disposable income.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the level mark scheme on page 4 to award student marks for this question.

MAXIMUM FOR QUESTION 14: 25 MARKS