

Quick Answers

Question 1

Discuss whether or not a government should encourage people to save more.

Up to 3 marks for why it should:

- More savings can fund investment / enable people to set up a business (1) higher investment can increase economic growth (1) higher economic growth can increase living standards (1)
- A government may make use of money in government-run saving schemes (1) e.g. to fund infrastructure projects (1)
- More savings can reduce consumer spending (1) which will lower total (aggregate) demand (1) which can reduce inflation (1)
- More savings can reduce demand for imports (1) improve the current account position (1)
- More savings can help people cope with emergencies / increase wealth / for future use (1) prepare for retirement (1) in case of unemployment (1) spend on education (1) reduce need for government expenditure e.g. pensions/education (1) enabling the government to spend on other named area (1).

Up to 3 marks for why it should not:

- More saving may reduce output / cause recession (1) increase unemployment (1) cause deflation (1)
- More saving will increase deposits at banks (1) this may encourage them to lend to un- creditworthy customers (1) causing banks to collapse (1)

Guidance

- Accept response from the perspective of why it should not, by discussing why it would be better for the government to encourage spending
- Reward change in consumer spending and total demand in either why it should, or why it should not, but not in both