

Commentary on candidate evidence

Candidate 4

The candidate evidence shows the following marks for each question.

Section 3

Question 9a

Analyse the possible economic consequences of further increases in interest rates on the UK economy.

The answer was awarded **9 marks** (out of 9) for this question for:

- ◆ giving less ability to borrow and spend
- ◆ leading to lower AD, output and growth
- ◆ giving lower savings leading to lower national income
- ◆ giving less corporate borrowing leading to lower investment
- ◆ leading to lower increase in productive potential
- ◆ leading to reduced investment which further leads to lower output and growth
- ◆ giving fewer business startups leading to lower growth
- ◆ giving increased mortgage repayments leading to lower household discretionary income
- ◆ giving the minimal impact on fixed rate mortgages which will not increase in the short term

The lower standard of living point was repeated.

A further 6 marks would all have been awarded had the candidate not already reached full marks for this question by giving potential business closures; increased unemployment; increased spending on benefits; increased demand for hot money; the currency strengthening; cheaper imports; reducing inflationary pressure; and the negative impact on the balance of payments from more expensive exports.

Question 9b

Other than an increase in interest rates, discuss the economic implications of high inflation on the UK economy.

The answer was awarded **8 marks** (out of 8) for this question for:

- ◆ giving lower standards of living
- ◆ giving food prices rose by 16% (statistic mark)
- ◆ giving households cannot afford essentials
- ◆ giving increased inequality
- ◆ giving the regressive nature of an increase in the cost of essentials
- ◆ giving the impact on the squeezed middle in relation to savings
- ◆ giving decreased consumer spending leading to lower growth

- ◆ giving the increased costs for firms leading to redundancies and closures

A further 6 marks for giving an increase in transfer payments; the negative multiplier effect; cheaper imports leading to a worsening balance of payments; increased transfer payments leading to a worsening budget deficit; lower demand for exports leading to a depreciation of the currency; eventually leading to more competitive export prices would all have been awarded had the candidate not already reached full marks for this question.

Question 9c

Discuss why some economists believe that monetary policy is currently ineffective at lowering the rate of inflation.

The answer was awarded **4 marks** (out of 4) for this question for:

- ◆ giving the cause of inflation is supply chain issues
- ◆ giving monetary policy is ineffective for supply-side issues
- ◆ giving current inflation is a global crisis linked to geo-political issues
- ◆ giving all countries should adopt similar policies

A further 3 marks would have been awarded had the candidate not already reached full marks for this question by giving a slow start to raising interest rates; a low rise in interest rates and the rate of interest being 4.5% (statistic mark).

Question 9d

Describe the key concepts of modern monetary theory.

The answer was awarded **4 marks** (out of 4) for this question for:

- ◆ giving the sustainability of borrowing to fund projects which generate growth
- ◆ giving that governments cannot run out of money
- ◆ giving investing in supply-side policies is better than intervening in markets
- ◆ giving future generations will benefit from investment rather than inherit the debt burden

A further mark for stating that Japan has debt of 240% of GDP (statistic mark) would all have been awarded had the candidate not already reached full marks for this question and had not also been awarded 2 statistics marks across Q9.

The candidate achieved **25** marks out of 25 for section 3 (question 9).