

Commentary on candidate evidence

The candidate evidence has achieved the following marks for each question.

Candidate 2

Section 1

Question 1(a)

Describe what is meant by the following terms:

national debt (line 1)

The answer was awarded **1 mark** (out of 1) for this question for:

- a correct description of national debt

Question 1(b)

Describe what is meant by the following terms:

the Budget (line 17)

The answer was awarded **1 mark** (out of 1) for this question for:

- a correct description of the budget

Question 2

Discuss the possible economic implications of rising national debt.

The answer was awarded **5 marks** (out of 5) for this question for:

- increased borrowing costs
- decreased capital investment and long-term growth
- worsened government finance and less spending on public services
- negative impact on health and education
- loss of confidence in bond market

A further 4 marks for risk of sovereign debt crisis; intergenerational unfairness; boost to economy from additional government spending; and lack of allocative efficiency would have been awarded had the candidate not already reached full marks for this question.

Question 3

Describe the possible impacts of an ageing population on an economy.

The answer was awarded **5 marks** (out of 5) for this question for:

- reduced tax revenue
- lower government spending and economic growth
- increased pension spending
- increased health spending
- positive multiplier from government spending

A further 2 marks for possible labour shortages; and lower consumption spending would have been awarded had the candidate not already reached full marks for this question.

No mark was awarded for the sentence starting 'However this spending increase will also come ...' because the candidate is not directly answering the question and it is similar to previous point above on lower government spending and economic growth.

No mark was awarded for the sentence starting 'An ageing population could also worsen productivity ...' because this is incorrect.

No mark was awarded for the final 3 lines because the candidate has ventured too far away from directly answering the question.

Question 4

Discuss the economic implications of a ban on the sale of new petrol and diesel cars on the UK economy.

The answer was awarded **5 marks** (out of 5) for this question for:

- reduction of pollution
- help meet 2050 net zero goals
- job losses in the ICE car industry
- investment required in the charging infrastructure
- unaffordability of second-hand electric cars

No mark was awarded for final sentence of paragraph one because this is a theoretical reiteration of the points already awarded.

Question 5

Discuss the possible advantages and disadvantages of foreign direct investment on the UK economy.

The answer was awarded **5 marks** (out of 6) for this question for:

- job creation
- increased capital investment
- increased corporation tax revenue
- out-competing local businesses creating unemployment
- leaving the host country creating unemployment

Question 6

Describe key features of Capital Gains Tax (CGT).

The answer was awarded **3 marks** (out of 3) for this question for:

- a correct description of CGT
- the current rates of CGT
- there being a tax-free allowance for CGT

A further mark for exemptions to CGT would have been awarded had the candidate not already reached full marks for this question.

Question 7

Describe the arguments for and against Inheritance Tax in the UK.

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

- reduces wealth inequality
- removal of tax relief on agricultural land reduces tax loopholes
- increases tax revenue
- having illiquid assets makes it difficult to pay inheritance tax

A further mark for potential decrease in agricultural output and food security would have been awarded had the candidate not already reached full marks for this question.

The candidate achieved a total of **29 marks** out of 30 for section 1 (question 1-7).

Section 2

Question 8(a)

Explain, using a diagram, why a firm in monopolistic competition can only make normal profits in the long run.

The answer was awarded **6 marks** (out of 6) for this question for:

- can make abnormal profit in short term
- low barriers to entry attract new firms
- new firms learn about abnormal profits
- increased supply makes demand more elastic
- diagram – profit maximising output
- diagram – tangential curve

A further 3 marks for only normal profit in the long run; normal profit when $AC=AR$; and new firms do not enter with normal profits would have been awarded had the candidate not already reached full marks for the explanation element of this question.

Question 8(b)

Describe the measures that the UK uses to prevent firms in imperfectly competitive markets from abusing their dominant market position.

The answer was awarded **5 marks** (out of 6) for this question for:

- CMA prevents anti-competitive practices
- example of Ford and JLR fined by CMA for collusion and Ticketmaster warned over Oasis tickets
- maximum pricing policies
- government subsidies to firm to enter a market
- regulator acting as proxy consumers

No mark was awarded for the paragraph starting 'Industry specific regulators such as OFCOM ...' because 'more able to spot abuses of monopoly power' is not a description of a measure.

No mark was awarded for the final point because it is incorrect.

Question 8(c)(i)

Explain, with the aid of a diagram, why 'renewable energy generation' may result in positive production externalities.

The answer was awarded **7 marks** (out of 7) for this question for:

- diagram – MPC above MSC
- diagram – equilibrium points
- diagram – potential welfare gain
- increased production leads to social welfare gain
- production moves from market equilibrium to socially optimal output
- market price underproduces and charges a higher price

A further 7 marks for reduction in pollution; positive health benefits; reduced oil spills; slowing climate change; reducing resource depletion and lower energy prices; increased energy security; and improved trade balance would have been awarded had the candidate not already reached full marks for the explanation element of this question.

Question 8(c)(ii)

Evaluate possible economic measures which could be taken to reduce climate change.

The answer was awarded **6 marks** (out of 6) for this question for:

- carbon tax – which puts a monetary value on emissions
- carbon tax – difficult to put a value on externalities

- subsidise green industry – making green energy more affordable
- subsidise green industry – expensive so fossil fuels may still be cheaper
- public transport – reduces car usage to reduce pollution
- public transport – inaccessible in rural areas

A further 2 marks for cheaper parking for electric cars encourage their use; and cost of electric cars discourages buyers would have been awarded had the candidate not already reached full marks for this question.

The candidate achieved a total of **24 marks** out of 25 for section 2 (question 8).