

# Commentary on candidate evidence

The candidate evidence has achieved the following marks for the Application and Understanding; and the Analysis and Evaluation (Sections 3 and 4) of the assignment.

## Candidate 1

**Title: ‘How will relatively high interest rates affect agents within the UK economy?’**

### **Application and Understanding**

The candidate was awarded **9 marks** (out of 9) for the Application and Understanding (Section 3) of this extract.

#### **Paragraph 1**

- **1 mark** was awarded for linking interest rates with the value of savings.
- **1 mark** was awarded for developing the value of savings with increased purchasing power.

#### **Paragraph 2**

- **1 mark** was awarded for linking high interest rates with fixed rate mortgage payments.
- **1 mark** was awarded for linking high interest rates with variable rate mortgage payments.
- **1 mark** was awarded for linking mortgage costs with standards of living.

#### **Paragraph 3**

- **1 mark** was awarded for linking high interest rates with increased savings and reduced investing.
- **1 mark** was awarded for developing reduced investing with increased share issues.
- **1 mark** was awarded for developing reduced investing with negative impacts on economic growth.

#### Paragraph 4

- **0 marks** or a theoretic explanation of demand-pull inflation and interest rates.
- **1 mark** was awarded for linking high interest rates with lowering demand.

#### Paragraph 5

- **FM mark** for linking consumer confidence with a negative multiplier effect.

#### Paragraph 6

- **FM mark** for linking hot money with higher interest rates.
- **FM mark** for developing hot money with increasing exchange rates.
- **FM mark** for developing increasing exchange rates with less competitive exports.
- **FM mark** for developing fewer exports with worsening balance of payments.

#### Paragraph 7

- **FM mark** for linking high interest rates with reduced business borrowing.
- **FM mark** for developing reduced business borrowing with reduced investment plans.
- **FM mark** for developing reduced investment plans with increased unemployment.
- **FM mark** for linking business capital investment with increased unemployment.

### Paragraph 8

- **FM mark** for linking reduced consumer spending with lower VAT revenue.
- **FM mark** for developing lower government revenue with reduced public spending and unemployment in public sector.

### Paragraph 9

- **FM mark** for linking high interest rates with increased government debt repayments.
- **FM mark** for developing debt repayments with opportunity cost and reduced government spending.
- **FM mark** for developing reduced government spending with reduction in capital spending.

### Analysis and Evaluation

The candidate was awarded **10 marks** (out of 10) for the Analysis and Evaluation (Section 4) of this extract.

### Paragraph 10

- **1 mark** was awarded for a quote from the Guardian on failing UK firms linked to consumer confidence (referenced in *Paragraph 5*).
- **1 mark** was awarded for developing reasons for the closure of firms.
- **0 marks** for final sentence as it is virtually a direct repeat of the explanation of the previous sentence.

### Paragraph 11

- **1 mark** was awarded for a quote from CPER on lower investment and employment (referenced in *Paragraph 7*).
- **1 mark** was awarded for developing reasons for lower investment.

- **0 marks** for repeating the content of paragraph 7 in the A&U section.

### Paragraph 12

- **1 mark** was awarded for the quote from a professional advisor on lower numbers of savers (referenced in *Paragraph 3*).
- **0 marks** for the repeat of preferring savings over investment.
- **1 mark** was awarded for developing the outcome of lower investment.

### Paragraph 13

- **1 mark** was awarded for a quote from the BBC on mortgage rate rises (referenced in *Paragraph 2*).
- **0 marks** for repeating the problem of renewing a mortgage with a higher interest rate.
- **1 mark** was awarded for developing the hardship that follows from high interest rates.

### Paragraph 14

- **0 marks** as this paragraph does not link to anything in the Application and Understanding section of the report.

### Paragraph 15

- **1 mark** was awarded for information from an ONS graph on interest rates and the rate of inflation (referenced in *Paragraph 4*).
- **1 mark** was awarded for developing purchasing power and inflation.

### Paragraph 16

- **FM mark** for information from an OBR graph interest rates and government debt (referenced in *Paragraph 9*).
- **0 marks** for repeating that debt repayments reduce funding for other areas.