

# Commentary on candidate evidence

The candidate evidence has achieved the following marks for the Application and Understanding; Analysis and Evaluation; Conclusions and Recommendations (Sections 3, 4 and 5) of the assignment.

## Candidate 1

**Title: 'The impact on the UK economy of high interest rates'**

### 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** for linking the positive impact on savers with high interest rates. Candidates should note that it is taxes that alter disposable income, whilst interest rates will alter discretionary income.

#### Paragraph 2

- **1 mark** for linking higher mortgage rates with demand for housing.

#### Paragraph 3

- **1 mark** for linking higher mortgage rates with a short-term increase in demand for rented accommodation and increased rent prices.

#### Paragraph 4

- **1 mark** for linking high interest rates with lower levels of borrowing.
- **1 mark** for developing reduced borrowing with postponing spending.

**Paragraph 5**

- **1 mark** for linking high credit card rates with additional debt.

**Paragraph 6**

- **1 mark** for linking costs of borrowing for firms with possible redundancies.

**Paragraph 1**

- **1 mark** for linking the expansion of firms with high interest rates.

**Paragraph 8**

- **1 mark** for linking banking sector profits with the ability to lend.

**Paragraph 9**

- **Full Marks** for linking reduced consumer spending with slower economic growth.

**Paragraph 10**

- **Full Marks** for linking higher government debt costs with reduced spending in other areas.

**Analysis and Evaluation**

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

### Paragraph 11

- **1 mark** for a quote from the ONS on increased household saving (referenced in *Paragraph 1*).
- **1 mark** for developing increased saving with leakage from the circular flow and lower economic growth.

### Paragraph 12

- **1 mark** for a quote from the Bank of England on increased mortgage costs (referenced in *Paragraph 2*).
- **1 mark** for developing mortgage costs with fewer first-time buyers and a decline in the housing market.

### Paragraph 13

- **1 mark** for a quote from Letting Agent Today on the cost and popularity of renting when interest rates are high (referenced in *Paragraph 3*).
- **1 mark** for developing the increased cost of renting with increased homelessness.

### Paragraph 14

- **1 mark** for a quote from the Bank of England on the fall in UK household debt (referenced in *Paragraph 4*).
- **1 mark** for developing lower borrowing to lower standards of living.

### Paragraph 15

- **1 mark** for a quote from the Money Advice Trust on ways of reducing household spending (referenced in *Paragraph 5*).

### Paragraph 16

- **1 mark** for a quote from Vox EU CERP on reduced investment and employment (referenced in *Paragraph 6*).

### Paragraph 17

- **Full Marks** for a quote from Vox EU CERP on lower capital spending by firms (referenced in *Paragraph 7*).

### Paragraph 18

- **Full Marks** for a quote from Brunel University on profits made by banks (referenced in *Paragraph 8*).

### Paragraph 19

- **0 marks** as it is repetitive

### Paragraph 20

- **Full Marks** for a quote from the Guardian on the increasing cost of government debt (referenced in *Paragraph 10*).

### Conclusions and Recommendations

The candidate was awarded **3 marks** (out of 5) for the Conclusions and Recommendations (Section 5) of this extract.

### Paragraph 21

- **1 mark** for a justified conclusion, bringing together the positive and negative effects of high interest rates on savers. The positives being the higher rewards for savers and the negatives being slower economic growth. (Referencing *Paragraph 1*)

### Paragraph 22

- **1 mark** for a justified conclusion, bringing together the negative effects of high interest rates on borrowers being increased mortgage rates, increased credit card rates and lower standards of living. (Referencing *Paragraphs 2, 3 and 4*)

### Paragraph 23

- **1 mark** for a justified conclusion, bringing together the negative effects of high interest rates on businesses being reduced spending by firms and reduced consumer spending. (Referencing *Paragraph 6, 7 and 19*)

### Paragraph 24

- **0 marks** for a weak justification as it is just a repeated statement for Application/Analysis section.

# Candidate 2

**Title: 'The impact of an increase in the national minimum wage on 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** for linking higher NMW with increased ability to spend on necessities.
- **1 mark** for developing increased NMW with increased ability to spend on luxuries.
- **1 mark** for developing increased NMW with improved mental health and standards of living and falling poverty rates.

### **Paragraph 2**

- **1 mark** for linking higher NMW with increased wage costs and redundancies.
- **1 mark** for developing increased unemployment with reduced standards of living.

### **Paragraph 3**

- **1 mark** for linking higher NMW with increasing prices to maintain profit margins.
- **1 mark** for developing increasing prices with a rise in revenue for inelastic goods.

The initial point about the NMW increasing production costs is a repeat, however the analysis coming from the point is new.

A mark was given for increasing prices to maintain profit margins, therefore the point about absorbing increased costs and reducing profits is a 'flip'.

#### Paragraph 4

- **0 marks** for repeating that a higher NMW may cause unemployment.

#### Paragraph 5

- **1 mark** for linking higher NMW with incentivising workers leading to increased skills of potential staff for firms.
- **1 mark** for developing higher skilled staff with increased productivity.

#### Paragraph 6

- **Full marks** for linking more workers with lower spending on unemployment related benefits.
- **Full marks** for developing lower benefit costs with increased government spending elsewhere.

#### Paragraph 7

- **Full marks** for linking increased employment with increased income tax revenue.
- **Full marks** for developing increased employment with increased VAT receipts.

#### Paragraph 8

- **Full marks** for linking increased consumer spending with inflation.

#### Paragraph 9

- **Full marks** for linking closing the wealth inequality gap with one of the government's objectives.

## **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** for a quote from GOV.UK on the increase in value of the NMW (referenced in *Paragraph 1*).

### **Paragraph 11**

- **0 marks** for a quote from the Guardian on child poverty as it was not referred to in the Application and Understanding section of the report.

### **Paragraph 12**

- **1 mark** for a quote from the BBC on job cuts caused by the increase in the NMW (referenced in *Paragraph 2*).
- **1 mark** for developing higher unemployment with increased benefits payments (the reverse of which is referenced in *Paragraph 6*).

### **Paragraph 13**

- **1 mark** for a quote from the Economics Observatory on increasing productivity (referenced in *Paragraph 5*).
- **1 mark** for developing increased motivation leads to increased productivity.

### **Paragraph 14**

- **1 mark** for a quote from Blick Rothenberg on increased tax receipts and their uses (referenced in **Paragraph 7**).

### Paragraph 15

- **1 mark** for a quote from the IFS on the reduction in inequality (referenced in **Paragraph 9**).

### Paragraph 16

- **1 mark** for a quote from the IFS on increased prices caused by the increase in the NMW (referenced in **Paragraph 3**).
- **1 mark** for developing higher prices may lead to lower demand, sales revenue and profit (referenced in **Paragraph 3**).

### Paragraph 17

- **0 marks** for a quote by Hawkins and Co is theory and not data, as the quote uses the phrase 'can stimulate' which reinforces that it's theory reinforcing theory.

## **Conclusions and Recommendations**

The candidate was awarded **5 marks** (out of 5) for the Conclusions/ Recommendations (Section 5) of this extract.

### Paragraph 18

- **1 mark** for a justified conclusion, bringing together the positive impacts of an increased NMW on individuals being higher spending power, higher motivation, higher standards of living and reduced inequality. (Referencing **Paragraphs 1, 5, 9, 13 and 15**).

**Paragraph 19**

- **1 mark** for a justified conclusion, bringing together the positive impacts of an increased NMW on government being lower benefits payments, higher tax revenue, lower unemployment and a reduced inequality. (Referencing *Paragraphs 7 and 9*).

**Paragraph 20**

- **1 mark** for a justified conclusion, bringing together negative impacts on firms being increased costs of production and lower profits. (Referencing *Paragraphs 3 and 16*).

**Paragraph 21**

- **1 mark** for a justified recommendation. (Referencing *Paragraph 8*).

**Paragraph 22**

- **1 mark** for a justified recommendation. (Referencing *Paragraph 2*).