

Commentary on candidate evidence

The evidence has achieved the following marks for each question of this Course Assessment component.

Evidence for Question 3 (a)

Candidate 1

- ◆ One mark awarded for description of responsibility for setting interest rates.
- ◆ One mark awarded for development of why MPC may decide to increase interest rates.
- ◆ No mark awarded for development of why MPC may decide to decrease interest rates – ‘flip’.

Candidate 2

- ◆ One mark awarded for description of setting interest rates.
- ◆ No mark awarded for second sentence as not quite developing the role of the MPC enough.
- ◆ One mark awarded for development of why MPC may decide to decrease interest rates.
- ◆ No mark awarded for last paragraph – ‘flip’.

Evidence for Question 3 (b)

Candidate 1

- ◆ One mark awarded for ‘discourage spending’ (ID) ‘by increasing the amount that an individual must spend on repaying interest on a loan’ (EXP).
- ◆ One development mark awarded for explaining knock-on effect on inflation.
- ◆ No further mark awarded for the further development regarding inflation.
- ◆ One mark awarded for explaining that increased return on savings (ID) would encourage more people to save (EXP).
- ◆ One mark awarded for explaining that savings are a withdrawal from the circular flow of income (ID) which could reduce economic growth (EXP).

Candidate 2

- ◆ One mark awarded for explaining that increasing costs of borrowing can reduce ‘demand for borrowing’ (ID) leading to less spending (EXP).
- ◆ One development mark for explaining that this slowdown may lead to reduced inflation.
- ◆ One development mark for explaining that this slowdown may also lead to decreased employment.
- ◆ One final development mark could have been awarded for explaining that this can also contribute to a dampening of inflationary pressures, but maximum development marks had already been awarded.

Candidate 6

- ◆ One mark awarded for explaining that mortgage repayments would rise (ID) meaning disposable incomes, and therefore demand, would fall (EXP).
- ◆ One mark awarded for explain that firms may therefore cut back on production (ID) leading to possibly paying off workers (EXP).
- ◆ One development mark awarded for explaining that this may cause inflation to fall.
- ◆ One development mark awarded for explaining the possible negative impact on economic growth.

Evidence for Question 3 (c)**Candidate 2**

- ◆ One mark awarded for the diagram: arrows between households and firms.
- ◆ One mark awarded for the correct formula.
- ◆ One mark awarded for basic example of an increase in an injection (ID) causing a 'ripple effect' to spending (EXP).

Candidate 3

- ◆ All four available marks were awarded for the diagram.
- ◆ One mark awarded for explaining that an increased injection (ID) causes a 'more than proportionate increase in the level of national income' (EXP).
- ◆ One development mark awarded for 'One person's spending is another's income'.
- ◆ One development mark awarded for explaining that the multiplier measures the extent of a change to national income.
- ◆ One mark awarded for the formula.