



**General Certificate of Secondary Education  
2023**

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# **Economics**

Paper 1

**[G9281]**

**WEDNESDAY 17 MAY, AFTERNOON**

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**MARK  
SCHEME**

## **General Marking Instructions**

### ***Introduction***

Mark schemes are intended to ensure that the GCSE examinations are marked consistently and fairly. The mark schemes provide markers with an indication of the nature and range of candidates' responses likely to be worthy of credit. They also set out the criteria which they should apply in allocating marks to candidates' responses.

### ***Assessment objectives***

Below are the assessment objectives for Economics.

Candidates must:

- AO1** recall, select and communicate their knowledge and understanding of concepts, issues and terminology;
- AO2** apply skills, knowledge and understanding in a variety of contexts; and
- AO3** analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions.

### ***Quality of candidates' responses***

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 16-year-old which is the age at which the majority of candidates sit their GCSE examinations.

### ***Flexibility in marking***

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

### ***Positive marking***

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 16-year-old GCSE candidate.

### ***Awarding zero marks***

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

### ***Marking Calculations***

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error.

### ***Types of mark schemes***

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

### **Levels of response**

Tasks and questions requiring candidates to respond in extended writing are marked in terms of levels of response. In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

### **Quality of written communication**

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within levels of response as follows:

Level 1: Quality of written communication is limited.

Level 2: Quality of written communication is satisfactory.

Level 3: Quality of written communication is of a high standard.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

**Level 1 (Limited):** The candidate makes only a limited selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

**Level 2 (Satisfactory):** The candidate makes a reasonable selection and use of an appropriate form and style of writing. Relevant material is organised with some clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning clear.

**Level 3 (High Standard):** The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning clear.

- 1 (a) *Explain one factor of production other than enterprise, used by Jaguar Land Rover.*

Factors of production may include:

Land – In the form of the land for the factory owned by Jaguar Land Rover.

Labour – Jaguar Land Rover will have workers who are involved in producing its vehicles.

Capital – Manufactured items used to aid production. For example, Jaguar Land Rover will use a range of machines and equipment to aid production.

Allow [1] for identifying a factor of production and a further [1] for developing it in context.

(AO1: [1], AO2: [1])

[2]

- (b) *Explain two types of internal economies of scale Jaguar Land Rover is likely to benefit from.*

Internal economies of scale include:

- Technical economies that occur when Jaguar Land Rover purchase a specialist piece of machinery to increase production and this helps to lower average costs
- Managerial economies that occur when Jaguar Land Rover take on specialist workers such as senior production managers
- Purchasing economies that occur when Jaguar Land Rover buy in bulk and obtain units of raw materials or components at a lower average cost
- Marketing economies that occur when Jaguar Land Rover implement a specialist marketing strategy and it gains the benefits across a wide spectrum of its operation, e.g. Jaguar Land Rover television advertising
- Financial economies that occur as Jaguar Land Rover operate on a large scale so it is able to borrow at lower rates of interest
- Risk bearing economies of scale where Jaguar Land Rover can sell a range of different vehicles across a range of different markets, e.g. luxury cars, sports cars, saloon cars and SUVs across several different markets

Award [1] for identifying an internal economy of scale,

Award [1] for explaining, in context, an internal economy of scale.

(AO1: [2]; AO2: [2])

[4]

6

**2 (a) What is meant by corporation tax?**

Corporation tax is the tax paid by companies on their profits.

Accept income but not revenue

Allow [1] for a partially correct definition and [2] for a correct definition.

(AO1: [2])

[2]

**(b) Explain one possible reason why the government wants to increase corporation tax.**

Possible reasons include:

- The move will raise an additional £17 bn a year in revenue for the government. This will help reduce the budget deficit
- The additional £17 bn in revenue can be used to help pay for healthcare, education etc.

Any other valid response will be credited.

Allow [1] for identifying a reason why the government wants to increase corporation tax and a further [1] for developing the explanation.

(AO3: [2])

[2]

**(c) Explain one possible reason why business leaders are against the corporation tax increase.**

Possible reasons include:

- Increasing corporation tax will mean businesses will lose more of their profits. This might make it more likely for companies to make employees redundant
- Overseas companies might be less attracted to invest in UK. This will mean that potential jobs could be lost

Any other valid response will be credited.

Allow [1] for identifying a reason why business leaders are against the corporation tax increase and a further [1] for developing the explanation.

(AO3: [2])

[2]

AVAILABLE  
MARKS

6

**3 (a) What are exports?**

Exports are goods or services sold abroad in exchange for payment.  
Allow [1] for a partially correct definition and [2] for a correct definition.  
(AO1: [2])

[2]

**(b) Explain what is meant by a trade deficit.**

A trade deficit occurs when the value of imports of goods and services is more than the value of exports of goods and services.  
Allow [1] for a partially correct definition and [2] for a correct definition.  
(AO1: [2])

[2]

**(c) Explain two possible disadvantages of a rising trade deficit.**

Possible disadvantages include:

- The deficit could lead to a fall in the value of the Pound
- The deficit could lead to rising unemployment as more foreign produced goods and services are purchased
- The deficit could lead to a slowdown in economic growth

Any other valid response will be credited.

For each disadvantage of a rising trade deficit, allow [1] for demonstrating knowledge and understanding and [1] for explanation.

(2 × [1] × 2)

(AO1: [2], AO3: [2])

[4]

8

**Section A**

**20**

**AVAILABLE  
MARKS**

- 4 (a) *Using the information in Table 1, draw and label a supply and demand diagram for Michelle's business. Label the diagram carefully including the market clearing (equilibrium) price and quantity.*

Allow [1] for each of the following:

1. the horizontal axes correctly drawn and labelled
2. the demand curve plotted and labelled
3. the supply plotted and labelled
4. the equilibrium price identified at £25.00
5. the equilibrium quantity as 70 units

(AO2: [5])

[5]

- (b) *The quantity supplied increases by 20 units at every price. On your diagram, show how this will affect the market clearing (equilibrium) price and quantity.*

1. the new supply plotted and correctly labelled
2. the equilibrium price identified at £20.00
3. the equilibrium quantity at 80 units

(AO2: [3])

[3]

- (c) *Explain one factor that may have caused an increase in the supply of clothes for Michelle's business.*

- Costs fall
- Government subsidies provided
- Technological improvements
- increase in staffing levels
- increase in productivity

Allow [1] for the correct explanation and [1] for illustrating this with a relevant example.

Any other valid response will be credited.

(AO1: [1]; AO2: [1])

[2]

- (d) *Using an example, explain what is meant by the rate of interest, when Michelle borrows money to pay for her smart phone.*

The rate of interest is the cost of borrowing money usually expressed as a percentage of the sum borrowed over a year, e.g. if Michelle uses a credit card the rate of interest is 24% she will pay back £1116.

(AO3: [2])

[2]

- (e) *Discuss whether Michelle should use a credit card or bank overdraft to purchase the smart phone.*

A range of possible points could be made that highlight why one choice may be a more viable option than the other. To explain a choice, answers may include reference to:

The amount of money borrowed, the rate of interest, the credit score over which the money may have to be borrowed, the cost of borrowing, as well as demonstrating an understanding of the financial product, where appropriate.

Possible points that may be made include:

- Credit card – A credit card is most likely to be provided by a bank. Table 1 states the rate of interest for the credit card is 24%. This card will allow Michelle to obtain the smart phone on credit – she will be billed within four weeks by the credit card provider. Michelle will then have to pay back a minimum amount and will be billed again in subsequent months together with interest for any outstanding amount. Alternatively, the whole outstanding balance can be cleared and no interest charge incurred. The rate of interest in Table 1 for the credit card (24%) is higher than the rate of interest for the bank overdraft
- Bank overdraft – An overdraft is usually authorised. This means Michelle would have permission from her bank or financial institution to withdraw more money than she has in her bank account, but she will be charged for this and will have to repay the money with interest. Table 1 gives 16% as the rate of interest for the bank overdraft. This is cheaper than the rate of interest for the credit card

Allow up to [8] for the discussion of relevant aspects of the selected types of finance.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[3])**

The candidate demonstrates a basic understanding of the differences between a credit card and a bank overdraft. Quality of written communication is limited.

**Level 2 ([4]–[6])**

The candidate demonstrates a reasonable understanding of the differences between a credit card and a bank overdraft. Quality of written communication is satisfactory.

**Level 3 ([7]–[8])**

The candidate demonstrates a clear analysis/evaluation of the differences between a credit card and a bank overdraft. Quality of written communication is of a high standard.

[8]

AVAILABLE  
MARKS

20



**5 (a) Explain what is meant by the term unemployment.**

Unemployment is when someone is actively seeking work and is unable to find a job.

Allow [1] for a partially correct definition and [2] for a correct definition.

(AO1: [2])

[2]

**(b) Using fig. 1, describe what happened to the rate of unemployment between 2017 and 2021.**

Unemployment has fallen steadily from 4.7% in 2017 to 3.9% in 2019. In 2020 unemployment then steadily increased from 3.9% to 5% in 2021.

Allow [1] for identifying the steady fall.

Allow [1] for identifying the steady increase.

Allow [1] for interpretation of the starting rate and [1] for the closing rate.

Any other valid response will be credited.

(AO2: [4])

[4]

**(c) Explain two costs to the economy of rising unemployment.**

Unemployment imposes a range of costs on the economy.

These include:

- A loss of output that unemployed workers could produce. This is an opportunity cost of unemployment
- Firms will face a loss of demand as consumers have less income; this could lead to a loss of revenue
- The government will face a loss of tax revenue as falling income will lead to a decline in income tax and falling spending to a decline in VAT receipts
- More money will have to be spent on unemployment benefits
- Long term unemployment may lead to health issues and further cost to the economy

Any other valid response will be credited.

Allow [1] for identifying each cost and a further [2] for developing each explanation.

(2 × [3])

(AO1: [2], AO2: [2], AO3: [2])

[6]

**(d)** *Explain two ways in which the government might respond to rising unemployment.*

The government could use a range of fiscal or supply-side policies. These include:

- Policies to tackle youth unemployment such as working in partnership with private sector firms to create jobs
- Using supply-side policies to improve skill levels such as initiatives at school or training schemes such as higher level apprenticeships or to improve careers guidance
- Policies to promote aggregate demand such as increased government spending or reducing taxation
- Direct promotion of employment through government grants to business
- Increase opportunities for higher and further education so that more people stay in full-time education for longer rather than seeking employment
- Reductions in Corporation Tax or employer National Insurance Contributions to provide financial incentives to business to employ more workers
- Attract foreign direct investment

Any other valid response will be credited.

Allow [1] for identifying each valid factor and up to [3] for analysis.

(2 × [4])

((AO1: [2], AO3: [6])

[8]

**AVAILABLE  
MARKS**

20

**Section B**

**40**

- 6 (a) *Explain what is meant by inflation and outline how it is measured.*

Inflation means a persistent rise in the general level of prices. The Government's preferred measure of inflation is the percentage rise in the Consumer Prices Index (CPI). The CPI is calculated using a basket of goods and services weighted according to their importance in consumer spending. The government sets a target that the price level should not increase by more than 2% in a year.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[2])**

(AO1: [2])

The candidate demonstrates a basic understanding of inflation. Quality of written communication is limited.

**Level 2 ([3]–[4])**

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of inflation and how it is measured. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of inflation and how it is measured. Quality of written communication is of a high standard. [6]

- (b) *Examine the costs of high inflation for individuals, firms and the economy as a whole.*

The government wishes to keep inflation low because of the costs that inflation can impose.

These costs include:

- Menu costs. Firms have to continuously adjust menus, price labels, computer systems etc. as prices rise
- Shoe Leather Costs. Consumers time is absorbed by attempting to discover if price rises are specific to a firm or the result of inflation
- Savers lose out if the rate of inflation is greater than the rate of interest as the real value of their savings falls
- Those on fixed incomes lose out as their real incomes fall due to the rise in prices
- The economy can become less competitive leading to a fall in exports and a rise in imports if inflation is higher than in other economies
- High inflation can impact upon business confidence leading to a fall in investment
- There is the danger that inflation can become hyperinflation causing a loss of confidence in money and severe economic crisis

Any other valid response will be credited.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[3])**

(AO1: [2]; AO2: [1])

The candidate demonstrates a basic understanding of the costs of high inflation for individuals, firms and the economy as a whole. Quality of written communication is limited.

**Level 2 ([4]–[6])**

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate demonstrates a reasonable understanding of the costs of high inflation for individuals, firms and the economy as a whole. Quality of written communication is satisfactory.

**Level 3 ([7]–[9])**

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate demonstrates a clear understanding of the costs of high inflation for individuals, firms and the economy as a whole. Quality of written communication is of a high standard. [9]

**(c) Discuss what policies can be used to reduce inflation.**

- Monetary policy. This is carried out by the Bank of England. It would involve raising the rate of interest. As a consequence, consumers and firms would both borrow less leading to a fall in aggregate demand. Whilst this may reduce inflation it could also cause slower growth and higher unemployment
- Fiscal policy. Tax increases either in the form of income tax or indirect taxes such as VAT or excise duties could be used to reduce consumers' disposable income and their consumption. This would lead to a fall in aggregate demand reducing inflation. However, the fall in demand could cause a rise in unemployment. It could also reduce consumer living standards. The government could also cut public spending. This would help reduce demand and therefore reduce inflation. However, it could lead to a decline in the quality of public services. They could also impose a freeze on public sector pay which would also reduce aggregate demand
- Supply side policies. The government could pursue policies to make the economy more effective and efficient to increase the aggregate supply in the economy and reduce inflationary pressure. Examples include reducing the power of trade unions and therefore their ability to negotiate higher wages or changes to the regulatory conditions in the economy. However, these policies take a long time to be effective

Any other valid response will be credited.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[5])**

(AO1: [1]; AO2: [1]; AO3: [3])

The candidate demonstrates some understanding of policies used to reduce inflation. Quality of written communication is limited.

**Level 2 ([6]–[10])**

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate demonstrates good understanding of policies to reduce

inflation. Quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

(AO1: [3]; AO2: [3]; AO3: [9])

The candidate demonstrates a thorough understanding and examination of a range of policies to reduce inflation. Quality of written communication is of a high standard. [15]

AVAILABLE  
MARKS

30

7 (a) *Explain the main characteristics of a developing country.*

AVAILABLE  
MARKS

The main characteristics of a developing country are:

- High and rising populations
- Lower life expectancy than in the UK
- Widespread poverty – Low GNI per person for example, a significant proportion of the population may be living on less than \$2 per day
- High infant mortality and this suggests poorer health facilities and education
- Education may not be universally provided and/or children may not be able to attend, hence adult literacy rates are lower than in developed countries
- Reliance on more subsistence agriculture rather than having a developed industrial or tertiary sector
- Poor infrastructure
- Problems with health including HIV/Aids, malaria and a lack of resources to provide adequate treatment
- Impact of war, famine, and natural disasters
- Corrupt governments
- Debt
- Reliance on foreign aid

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[2])**

(AO1: [2])

The candidate demonstrates a basic understanding of the main features of a developing country. Quality of written communication is limited.

**Level 2 ([3]–[4])**

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of the main features of a developing country. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

(AO1: [3]; AO3: [3])

The candidate demonstrates a clear understanding of the main features of a developing country. Quality of written communication is of a high standard.

[6]

(b) *Explain the effects of globalisation on developing countries.*

Globalisation is the process by which the international economy has become more open and world markets for goods, services and capital have become more integrated. If the conditions are right in countries, globalisation can support economic growth and improvements in standards of living. However, it has also been criticised for making large multinational companies more powerful at the expense of the population of poorer countries. The extent to which globalisation may have positive effects on developing countries will depend on:

- Their stage of development and how open they are to international markets

- The resources they have trade with and whether they can establish a comparative advantage in production of a good or service
- Some developed countries have successfully developed a niche market, for example in tourism
- How able their government is to take advantage of opportunities
- The standard of education in the country and whether there is a developing workforce who can work in a global organisation should it choose to invest

Any other valid response will be credited.

#### **Level 0 [0]**

The candidate's response contains no content worthy of credit.

#### **Level 1 ([1]–[3])**

(AO1: [2]; AO2: [1])

The candidate demonstrates a basic understanding of the concept of globalisation. Quality of written communication is limited.

#### **Level 2 ([4]–[6])**

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate demonstrates a reasonable understanding of the concept of globalisation and of how it impacts on developing countries. Quality of written communication is satisfactory.

#### **Level 3 ([7]–[9])**

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate demonstrates a clear understanding of globalisation and of how it impacts on developing countries. Quality of written communication is of a high standard.

(AO1; AO2; AO3)

[9]

- (c) *Discuss whether giving aid to developing countries is the best policy to help their economic development.*

Aid is provided to less developed countries (LDCs) by foreign donors, such as the UK government, to help alleviate poverty and to fund economic development. It may also be provided by charities or multinational bodies like the World Bank. It may take the form of money, goods or expertise.

Aid has many beneficial impacts:

It can support targeted projects such as building infrastructure or providing education that bring social benefits to the country. This also helps to move the country on at a faster rate than had they been relying on their own resources to fund these projects.

However, possible reasons why aid may be bad for LDCs would include:

- The aid might not be appropriate
- The aid could be siphoned off by corrupt politicians in LDCs
- The aid might make LDCs dependent on donor countries. There has been a new peak of \$152.5 billion in 2019 of international development aid

There are alternative policies that may be better for developing countries to implement in the long run to support their economic development rather than relying on foreign aid. For example, if developing countries are able to take

advantage of free trade opportunities that have opened following the work of the World Trade Organisation (WTO). However, LDC industries may not be able to compete internationally and developed countries may set up barriers to trade.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[5])**

(AO1: [1]; AO2: [1]; AO3: [3])

The candidate demonstrates some understanding of aid and how it helps economic development. Quality of written communication is limited.

**Level 2 ([6]–[10])**

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate demonstrates good understanding of aid and if it is the best policy to aid economic development. Quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

(AO1: [3]; AO2: [3]; AO3: [9])

The candidate demonstrates thorough understanding and examination of policies to help economic development of aid and provides a thorough examination of whether it is the best policy to aid economic development. Quality of written communication is of a high standard.

(AO1; AO2; AO3)

[15]

30

AVAILABLE  
MARKS



8 (a) *Explain, using examples, what is meant by consumer debt.*

AVAILABLE  
MARKS

Consumer debt is the total money that consumers owe. The source material states that the total UK consumer debt, including mortgage debt, increased in October 2020 to £60,580. In addition to mortgages, consumers may have unsecured debts such as credit card debts where they have bought goods and services and used their credit cards as a means of payment but not cleared off the total they owe to the credit card company. The source material states that total credit card debt per UK adult in October 2020 increased to £3,879. Consumers may have an approved or unapproved overdraft where they have spent more money than is in their bank account. They may have borrowed money in other ways such as a payday loan. Mortgage debt is usually classified as 'good debt' – this is negotiated between the consumer and the financial institution that is lending the money. At the other end of the spectrum, payday loans and large debt balances on credit cards are considered as 'bad debt'. Consumers may not have the means to make ends meet on a day to day basis and rates of interest on payday loans in particular are extremely high. The government has recently announced a crackdown on these types of loans with stricter laws and regulations now in effect.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[2])**

(AO1: [2])

The candidate demonstrates a basic understanding of consumer debt. Quality of written communication is limited.

**Level 2 ([3]–[4])**

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of the concept of consumer debt. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of the concept of consumer debt. Quality of written communication is of a high standard. (AO1; AO2; AO3)

[6]

(b) *Explain possible reasons for the high levels of UK consumer debt.*

The source material states that total UK consumer debt, including mortgage debt, increased in October 2020 to £60,580. In general, people are relying more on forms of credit to make ends meet and possible reasons include:

- The pandemic hit many households as many workers lost jobs and businesses experienced a downturn in demand. They required fewer workers and reduced overtime opportunities for workers
- Public sector cuts have had a knock-on effect on jobs and rates of pay
- Linked to this, reform of the benefits system has left many households struggling to budget with less income
- Annual pay increases to keep up with rises in the cost of living, especially in the public sector, have been very small if not frozen altogether

- The demand for some forms of credit, such as payday loans has increased as other forms of borrowing provided by more regulated financial institutions have become less available. If borrowers don't pay off payday loans quickly, the interest owed accumulates rapidly and substantially increases the overall debt owed

Any other valid response will be credited.

### Level 0 [0]

The candidate's response contains no content worthy of credit.

### Level 1 ([1]–[3])

(AO1: [2]; AO2: [1])

The candidate demonstrates a basic understanding of why there are high levels of UK consumer debt. Quality of written communication is limited.

### Level 2 ([4]–[6])

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate demonstrates a reasonable understanding of why there are high levels of UK consumer debt. Quality of written communication is satisfactory.

### Level 3 ([7]–[9])

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate demonstrates a clear understanding of why there are high levels of UK consumer debt. Quality of written communication is of a high standard.

[9]

### (c) *Discuss the impact on the UK economy of high levels of consumer debt.*

High levels of consumer debt have a range of effects on the economy.

These may include:

- Benefits from increased demand for goods and services creating employment, for example, from house or car purchase, both of which often need borrowed capital
- Lower unemployment as consumer spending may be supported by borrowing and/or buying on credit which creates demand in the economy
- Creating employment in the financial services sector through selling and servicing financial products
- Benefits to consumers from being able to consume goods and services that improve their standard of living, for example owning their home
- Increase in receipts from tax revenue connected to the high levels of consumer spending such as VAT and excise duties
- Rising rates of inflation fuelled by consumer spending made possible by borrowing
- Some people may overextend themselves and be unable to pay off debts, leading to great hardship which could ultimately result in losing a home and having to rely on benefits
- Some types of credit are not well regulated and the most financially vulnerable often fall foul of the most risky and expensive types of borrowing such as payday loans – this could leave groups of people within the economy very vulnerable and possibly lead to greater dependence on benefits

- Increased levels of imports to the UK and this will have an effect on trade balances and the Balance of Payments
- High levels of consumer debt contribute to a weak economy which can reduce overall levels of confidence affecting investment and economic growth

Any other valid response will be credited.

#### **Level 0 [0]**

The candidate's response contains no content worthy of credit.

#### **Level 1 ([1]–[5])**

(AO1: [1]; AO2: [1]; AO3: [3])

The candidate demonstrates some understanding of the impact of high levels of consumer debt on the UK economy. Quality of written communication is limited.

#### **Level 2 ([6]–[10])**

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate demonstrates good understanding of the impact of high levels of consumer debt on the UK economy. Quality of written communication is satisfactory.

#### **Level 3 ([11]–[15])**

(AO1: [3]; AO2: [3]; AO3: [9])

The candidate demonstrates thorough understanding and examination of the impact of high levels of consumer debt on the UK economy. Quality of written communication is of a high standard.

[15]

**AVAILABLE  
MARKS**

30

**Section C**

**30**

**Total**

**90**