Mark Scheme (Results)

Summer 2013

GCE Economics & Business (6EB04/01)
Unit 4B: The Wider Economics Environment and Business

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.

- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.

- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.

- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.

- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.

- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Unit 4b: The Wider Economic Environment and Business

Marking Scheme

Question Number	Question	
1.	What is meant by the term '**protectionism'** (see Additional Evidence J, line 7)?	**2 marks**
	Answer	Mark
	Knowledge up to 2 marks: A valid definition of protectionism e.g. The practice of shielding a country's domestic industries (1 mark) from foreign competition. (1 mark) **Note:** 1 mark for partial or vague definition (but a valid example such as reference to the case study or knowledge of quota or tariff/ tax lifts to 2 marks).	**1-2 marks**

Question Number	Question	
2.	What is meant by the term **'share capital'** (see Additional evidence J, line 14)?	**2 marks**
	Answer	Marks
	Knowledge/understanding up to 2 marks: A valid definition of share capital e.g. The funds raised by a company (1 mark) by issuing equity/shares (1 mark)	**1-2 marks**

Question Number	Question	
3.	Explain **one** possible reason why the French Government intervened in the Eurostar contract (see Additional Evidence J).	**4 marks**
	Answer	Marks
	Knowledge 1, Application 2, Analysis 1 **Knowledge/understanding: 1 mark** for a reason eg protect jobs/ increased employment.	**1 mark**
	Application: up to 2 marks Protection of railway jobs. (1 mark) and Alstom lost contract (1 mark) 674m Euro contract (1 mark) otherwise Siemens gets the job. (1 mark)	**1-2 marks**
	Analysis: 1 mark increased taxation revenue/reduce benefits/ multiplier effect.	**1 mark**

Question Number	Question	
4.	Explain **one** possible reason why SNCF resisted pressure from the French Government regarding the Eurostar contract.	**4 marks**
	Answer	Mark
	Knowledge 1, Application 2, Analysis 1 **Knowledge and understanding: 1 mark** product quality/lower costs/Siemens more efficient/Siemens more experienced **Application: up to 2 marks** Some reference to the data e.g. SNCF profitable (1 mark) Siemens trains might be better (1 mark) and a cheaper option than Alsthom (1 mark) **Analysis: 1 mark** Getting involved in a trade war could undermine Eurostar expansion plans (1 mark) German retaliation could hinder SNCF international expansion (1 mark).	**1 mark** **1-2 marks** **1 mark** **Total (4 marks)**

Question Number	Question	
5.	Analyse **two** possible reasons for the regulation of the European rail industry.	**8 marks**
	Answer	Mark *per reason*
	Knowledge 2, Application 2, Analysis 4	
	Knowledge and understanding: 1 mark per reason e.g. competition and safety. Do not reward definition of regulation.	**1 mark**
	Application: 1 mark for applying each reason e.g. rail industry is a natural monopoly (1 mark) SNCF is the only rail company in France (1 mark) Importance of maintenance (1 mark) Health and safety laws such as IGC regulations(1 mark) Reference to EU directive 91/440 (1 mark)	**1 mark**
	Analysis: upto 2 marks e.g. lack of competition puts public interest at risk (1 mark), the IGC regulates the safe running of channel tunnel rail traffic to minimise chance of accidents (1 mark).	**1-2 marks** **Total 4 marks x2 =8 marks**

Question Number	Question		
6.	Assess the possible trade-offs involved in making the policy choice of investment in UK High Speed Rail. **(10 marks)**		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows some knowledge and understanding.	e.g. Compromise that can lead to opportunity cost Some awareness of investment. e.g. funds put into a business with a view to profit.
Level 2	3-4	Some relevant awareness in context.	eg faster travel, improved infrastructure, HS2 estimated cost £32bn/ £42bn, only 12% regularly use trains, 40,000 jobs created
Level 3	5-6	Valid development in context Reasons/causes/costs and/or consequences are outlined. Either pros or cons could be addressed. **Answer will be one-sided** **5 marks not in context** **6 marks in context**	eg Links major cities to London, Heathrow and Channel Tunnel, so more trade. e.g. Regeneration programmes in inner cities, so more jobs. e.g Less congestion. Relieves pressure on existing system/ reduces environmental damage
Level 4	7-10	Evaluation: Expect to see evaluative points based on analysis of the economics/ business situation. **Both pros and cons required.** **7 marks one side in context** **8 marks both sides in context** **9-10 marks both in context demonstrating depth or breadth** Answer is coherent, has some balance, is related to the context and makes good use of concepts, theories and/or methods.	**OR/AND** e.g. on alternative public transport projects such as current rail network/improved road network/airport developments postponed e.g. reducing tax burden instead of this investment project helping to reduce public deficit.

Question Number	Question		
7.(a) QWC i-iii	Assess the likely value of cost benefit analysis to the UK Government in deciding whether to expand the rail network. **(20 marks)**		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	Candidate shows knowledge of CBA. Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text.	e.g. private costs, externalities, social costs
Level 2	4-8	Some application of CBA to expansion of the rail network. If candidate answers out of CBA context(e.g. evaluates of rail network) 4 marks for context 5 marks analysis 6 marks evaluation <u>Low level 2: 4 marks</u>– application is weak <u>Mid level 2: 5-6 marks</u> - some use of context <u>High Level 2: 7-8 marks</u> - effective use of context The candidate may use some Economics and Business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.	e.g. expensive at £32bn, long term (2026), only 12% use rail (candidate may refer to evidence H) difficult to assess costs and benefits in this case
Level 3	9-14	Analysis must be present. Valid development in context of the likely economic effects of using CBA and/or the mechanisms involved. Reasons/causes/costs and/or consequences. Either pros or cons could be addressed. **Answer will be one-sided.** <u>Low level 3: 9-10 marks</u> Analysis weak: only one reason/cause/cost or consequence is outlined. Cap at 9 if no context. <u>Medium level 3: 11-12 marks</u> Analysis is more developed: two of	e.g. Likely to improve UK Government decision making because it provides a systematic method for evaluating a project such as rail network expansion. e.g. better decisions about the railway expansion are made because future costs and benefits are considered, forward looking using best available data means long term consequences considered e.g leads to better government decisions because external costs and benefits are considered such as

		reasons/causes/costs and/or consequences are outlined.	reduced road congestion, damage to environment
		<u>High Level 3: 13 – 14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are at least partially developed. **Answer will be one-sided.** The candidate uses Economics and Business terminology quite well/style of writing is appropriate for the question/reasonable to good spelling, punctuation and grammar.	
Level 4	15-20	Evaluation must be present. Expect to see evaluative points based on analysis of the economics/ business situation. **Both pros and cons required.** <u>Low Level 4: 15 – 16 marks</u> Some evaluative points are made, based on analysis of the economy and / or case study information without arriving at a conclusion/ judgement. <u>Medium Level 4: 17-18 marks</u> A judgement is attempted with some balance **showing the consequences of inaccurate CBA**. Expect an attempted conclusion. <u>High Level 4: 19 – 20 marks</u> Works to convincing evaluative conclusion. At this level, some economic theory is expected e.g. social costs/ benefits, macro-economic consequences etc. Candidate uses Economics and Business terminology fluently with good spelling, punctuation and grammar.	e.g. Valuation of externalities difficult. such as valuation of loss of countryside/ human life, environmental issues, safety considerations, so analysis may be flawed. e.g. Risk and uncertainty. Forecasts may be inaccurate, future passenger numbers, so analysis may be flawed. e.g. Time and discounting issues. Costs and benefits do not occur at the same time, many years of environmental damage before new lines open. e.g. May not include all stakeholders such as taxpayers who rarely use trains, so should a weighting be applied to costs and benefits?

Question Number	Question		
7.(b) QWC i-iii	Evaluate the likely economic effects of reduced government subsidies to the rail industry. **(30 marks)**		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	Candidate shows knowledge and understanding. To achieve a mark of 1 – 3 the candidate will have struggled to use Economics and Business terminology legibly with frequent errors in SPG and / or weak style and structure of writing.	e.g. an economic effect was identified such as higher prices e.g. a grant or contribution of money paid to increase output.
Level 2	4-6	Candidate applies information in evidence to raise points in context. Candidate uses some Economics and Business terms but the style of writing could be better. There will be some errors in SPG. Legibility of the text could have been better in places.	e.g. Only 12% of the population use trains. e.g. £5.2bn-a-year state subsidy e.g. train fares are rising
Level 3	7-16	Analysis must be present. Valid development in context. Reasons/causes/costs and/or consequences. Either pros or cons could be addressed. **Answer will be one-sided.** Low level 3: 7 – 9 marks Candidate will attempt very basic analysis of the link between government subsidies to rail and economic impacts. One or two reasons/causes/costs and /or consequences are outlined. Cap at 7 for no context. Medium level 3: 10 – 12 marks Candidates looks at a range of reasons/causes/costs and/or consequences of reduced government subsidy. Answer will be in context. High Level 3: 13 – 16 marks Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.	e.g. Rail demand increasing (other than long distance), reduced subsidy may reverse this because of increasing train fares e.g. Environmental benefits of displacing road travel, reduced subsidy may block these. e.g. People need to commute to work, so removal of subsidy will increase their cost of living e.g. subsidies encourage inefficiency because the price signal is distorted e.g. Journey times not reducing and overcrowding getting worse. Reduced subsidy may worsen these. e.g. Fiscal economists may say spending on public works is appropriate in downturn. Reduced subsidy may extend downturn

		Answer will be clearly in context. **Answer will be one-sided.** The candidate uses Economics and Business terminology quite well/style of writing is appropriate for the question/reasonable to good spelling, punctuation and grammar.	
Level 4	17-30	Evaluation must be present. Expect to see evaluative points based on analysis of the economics/ business situation. **Both pros and cons required** Threshold Level 4: 17-18 marks One limited attempt to evaluate arguments made. Low Level 4: 19-21 More than one limited attempt to evaluate arguments made. Mid Level 4: 22-24 Detailed evaluation of arguments made, which will be based on a range of sources. At this level, some economic theory is expected. High Level 4: 25-30 Balanced conclusions and/or recommendations based on sound analysis of the economic situation and case study information. Candidate will make a clear conclusion as to whether government should reduce subsidies to the rail industry. Candidate uses Economics and Business terminology precisely and effectively with good to excellent spelling, punctuation and grammar.	e.g. High demand indicates fares probably price inelastic, so passengers may well be prepared to shoulder more of Rail costs. e.g. Door-to-door deliveries are still needed so spending money on roads might be more effective e.g. 88% of population rarely use trains, so unconcerned about impact. e.g. SNCF makes profits without subsidy, so UK train companies should be able to as well. e.g. there are still trains that are not running at full capacity e.g. Can we afford to subsidise in times of budget deficit?

Assessment Objectives

Question No.	Knowledge	Application	Analysis	Evaluation	Spec
1	2				4.3.2ba
2	2				Synoptic
3	1	2	1		4.3.4bb
4	1	2	1		4.3.4bc
5	2	2	4		4.3.2ba
6	2	2	2	4	4.3.3bb
7 (a)	3	5	6	6	4.3.1bc
7 (b)	3	3	10	14	4.3.4bc
Total	16	16	24	24	

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