

# GCE 2005

## *January Series*



# Mark Scheme

## Economics

EC4W

**Working as an Economist: The European Union**

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Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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**Advanced Level Economics****January 2005****EC4W****Mark Scheme****General Instructions**

Marks awarded to candidates should be in accordance with the following mark scheme, and examiners should be prepared to use the full range of marks available. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required. Conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, telephone the Senior Examiner to discuss how to proceed.

**Quality of Written Communication**

The marks awarded for Quality of Written Communication are included in this mark scheme.

The Case Study paper is marked holistically using the same marking criteria as are used for marking coursework. When marking the report, examiners should identify evidence of the skills being assessed by using the following key.

<b>K</b>	Knowledge and Understanding
<b>AP</b>	Application
<b>AN</b>	Analysis
<b>E</b>	Evaluation
<b>C</b>	Quality of Written Communication

**Case Study: The European Union****Requirements of the Report**

You are to write a report entitled: ‘Competition and monopoly policy in the EU’s single market’.

Your report should:

- outline the main economic arguments that can be put forward for government control of monopoly and intervention against anti-competitive practices;
- explain why such controls should be implemented at the European level, and not just at the national level;
- identify and discuss problems that the European Commission might have in deciding whether particular industries are acting competitively;
- evaluate the likely costs and benefits of the proposed merger between the US and EU components manufacturers, and make a recommendation, with reasons, as to whether it should be allowed.

Use economic concepts and principles where appropriate. You will be given credit for demonstrating your ability to analyse, comment critically on, and make effective use of, the data provided.

**SPECIFIC INSTRUCTIONS TO EXAMINERS**

Examiners should use the following notes as guidance on what the question-setters expected to elicit from candidates as evidence of particular skills and levels of performance. This guidance should **NOT** be regarded as a ‘straitjacket’ and examiners should approach the work they are marking with an open mind, giving credit where it is justified by the evidence before them. Credit should always be given in circumstances where candidates respond in an unanticipated, but economically valid, way.

**Knowledge and Understanding**

Guidance for the Case Study in the subject specification mentions the following issues that are particularly relevant to this question:

*The deepening of European integration: the opportunities of the single market...the threats of the single market to citizens, employees, consumers, e.g. from monopoly power; EU aspects of global problems...competition policy in the EU context.*

Extract A has been selected in order to have some impact on any candidates who, having studied the EU, might still doubt that the Commission has a significant role in competition policy. The idea of Commission officers rifling through company files for evidence of anti-competitive practices that can result in huge fines is reinforced by later extracts which suggest that the EU intends to become as proactive as the US authorities in this field.

Evidence of knowledge of theories and concepts may be shown by the candidate who responds to the first bullet point by considering the general case against monopoly: that, in the absence of economies of scale, it results in reduced output at higher prices than competition. A deeper understanding could be demonstrated by candidates who pick up on various items in the data and relate them to theory, e.g. the idea of fixing prices and colluding to share out the market.

### **Application**

The second bullet point is *intended* to elicit some comments on the existence of a Single Market, and the resulting need for pan-European policy. Extract B refers briefly to the way that competence is allocated to the national and European levels. Concepts such as economies of scale are relevant to the single market, and such concepts can be rewarded under this criterion if they are discussed and explained. Similarly, any diagrams introduced by the candidate to criticise and/or defend monopolies should be credited here.

### **Analysis and Evaluation**

In answer to the third bullet point, it is *anticipated* that candidates will pick up some clues from the data, and comment on the difficulty of actually measuring monopoly. Market shares are shown in Figure 1: to what extent does such a measure indicate monopoly power? When does collaboration between companies become collusion? Are cross-channel ferry prices similar because competition has driven them down or because secret collusive deals have driven them up?

The main cases in the data refer to transport and software, while the fourth bullet point refers to a manufactured product, and more perceptive candidates might ask whether policy towards manufacturers needs to be different to that towards service providers (Extract F, Table 2 hints at this). There are a number of other issues in the data which the good economists among the candidates can pick up and run with. For example, there are some trends that can be identified, e.g. the increasing involvement of the EU in this field, and perceived changes in competition amongst manufacturers as opposed to service providers.

Candidates capable of very high marks for evaluation might well focus on the EU versus USA aspect, and the data here has been designed to enable some comments to be made about possible bias. The old saying goes that ‘tariffs are the mother of monopoly’, and it is just possible that some very well prepared candidates have enough economic awareness to suggest that the possible existence of a EU external tariff on components might have some relevance to the scenario. Such an approach would soon spill over into evaluation.

In answering the final bullet point, good evaluative skills could also be demonstrated by candidates who recognise that neither competition nor monopoly are wholly good or bad; depending on the type of product and the circumstances of the market, a case can be made for either. For example, monopolies can be justified and competition suspended on public interest grounds; candidates who read the scenario carefully might mention, for example, the fact that monopolistic practices might be protecting inefficiency, but they might equally be protecting a source of employment that would be difficult to replace.

### **Overall Assessment**

Stronger candidates should be writing closely to the scenario. Weaker candidates will simply copy chunks out of the data. This approach would suggest lower level performance. However, if the data is appropriately selected and re-ordered to be relevant to an aspect highlighted in the scenario, this should tend to put a candidate’s work in the middle levels. To move higher, the candidate should go beyond the selection and re-ordering of material from the case study.

**Assessment Criteria**

Examiners are to mark the report using the following assessment criteria, which are divided into five sections.

<b>K</b>	Knowledge and Understanding (AO1)	<b>10 marks</b>
<b>AP</b>	Application (AO2)	<b>20 marks</b>
<b>AN</b>	Analysis (AO3)	<b>20 marks</b>
<b>E</b>	Evaluation (AO4)	<b>30 marks</b>
<b>C</b>	Quality of Written Communication	<b>4 marks</b>
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	<b>Total</b>	<b>84 marks</b>
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**Knowledge and Understanding (K)**

Candidates are expected to demonstrate knowledge and understanding of economic concepts and theories which are relevant to the problem/issue being investigated.

<b>Level 5:</b>	<b>8-10 marks</b> <i>Mid-Point: 9</i>	An accurate, comprehensive and appropriate use of a range of relevant knowledge and understanding of economic concepts or theories.
<b>Level 4:</b>	<b>5-7 marks</b> <i>Mid-Point: 6</i>	Use of relevant knowledge and understanding of economic concepts or theories.
<b>Level 3:</b>	<b>3-4 marks</b> <i>Mid-Point: 4</i>	Some knowledge and understanding of economic concepts or theories but these are used inappropriately or may not be relevant to the problem or issue.
<b>Level 2:</b>	<b>1-2 marks</b> <i>Mid-Point: 2</i>	Limited knowledge or understanding of economic concepts or theories.
<b>Level 1:</b>	<b>0 marks</b>	No knowledge or understanding of economic concepts or theories is demonstrated.

**Application (AP)**

Candidates are expected to demonstrate their ability to apply economic concepts and theories to the problem/issue being investigated.

<b>Level 5:</b>	<b>16-20 marks</b> <i>Mid-Point: 18</i>	An accurate, clear and sophisticated use of a relevant range of economic concepts and theories which are used to demonstrate an impressive grasp of the problem or issue.
<b>Level 4:</b>	<b>11-15 marks</b> <i>Mid-Point: 13</i>	Selection of appropriate economic concepts and theories which are appropriately applied to the problem or issue.
<b>Level 3:</b>	<b>6-10 marks</b> <i>Mid-Point: 8</i>	Some use of economic concepts and theories which are superficially or partially applied to the problem or issue.
<b>Level 2:</b>	<b>1-5 marks</b> <i>Mid-Point: 3</i>	Limited attempt to apply economic concepts and theories and these are applied inappropriately or may not be relevant to the problem or issue.
<b>Level 1:</b>	<b>0 marks</b>	No attempt to apply economic concepts and theories.

**Analysis (AN)**

Candidates should be able to present and analyse relevant economic data that relates to the problem/issue being investigated.

<b>Level 5:</b>	<b>16-20 marks</b> <i>Mid-Point: 18</i>	An appropriate range of relevant economic data is logically analysed to produce outcomes that relate directly to the problem/issue. Results are presented clearly using a range of formats as appropriate.
<b>Level 4:</b>	<b>11-15 marks</b> <i>Mid-Point: 13</i>	A range of economic data is presented and analysed with some relevance to the problem or issue. Results are presented clearly with a reasonable attempt at using appropriate formats.
<b>Level 3:</b>	<b>6-10 marks</b> <i>Mid-Point: 8</i>	Some attempt is made to present and analyse economic data which is limited in scope but has some relevance to the problem or issue.
<b>Level 2:</b>	<b>1-5 marks</b> <i>Mid-Point: 3</i>	A very limited attempt is made to present and analyse economic data which has little relevance to the problem or issue.
<b>Level 1:</b>	<b>0 marks</b>	No attempt to present and analyse economic data.

**Evaluation (E)**

Candidates should be able to demonstrate a critical approach to economic models and methods of enquiry. They should demonstrate the ability to produce reasoned conclusions clearly and concisely and to assess the strengths and weaknesses of economic arguments and the value and limitations of the data used.

<b>Level 6:</b>	<b>25-30 marks</b> <i>Mid-Point: 28</i>	Conclusions are reached with accurate and valid reasoning showing originality and insight, combined with a thorough and critical evaluation of the validity of the data, arguments and findings.
<b>Level 5:</b>	<b>19-24 marks</b> <i>Mid-Point: 22</i>	Conclusions are reached with accurate reasoning with sound, critical examination of the validity of the data, arguments and findings.
<b>Level 4:</b>	<b>13-18 marks</b> <i>Mid-Point: 16</i>	Conclusions are reached with reasoned explanation and/or with some critical examination of the validity of the data and/or arguments and/or findings.
<b>Level 3:</b>	<b>7-12 marks</b> <i>Mid-Point: 10</i>	Conclusions are reached with some reasoned explanation and/or with some examination of the validity of the data and/or arguments and/or findings.
<b>Level 2:</b>	<b>1-6 marks</b> <i>Mid-Point: 4</i>	A limited attempt is made to draw conclusions and to make reasoned judgements, but these are largely generalised and unsupported.
<b>Level 1:</b>	<b>0 marks</b>	No attempt is made to draw conclusions.

**Quality of Written Communication Marking Criteria (C)**

The following marks are to be awarded to candidates for the Quality of Written Communication they have demonstrated when writing the report.

<b>4 marks</b>	Complex ideas have been expressed clearly and fluently. Sentences and paragraphs have followed on from one another smoothly and logically. Arguments are consistently relevant and have been well structured. There are few, if any, errors of grammar, punctuation and spelling. There is extensive use of specialist vocabulary which is applied adeptly and with precision.
<b>3 marks</b>	Moderately complex ideas have been expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and have been well structured. There may be occasional errors of grammar, punctuation and spelling. A wide range of specialist vocabulary is used with facility.
<b>2 marks</b>	Straightforward ideas have been expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments have strayed sometimes from the point or have been weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas. There is a good range of specialist vocabulary which is applied appropriately.
<b>1 mark</b>	Simple ideas have been expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive and may suggest a weakness in these areas. Some use of specialist vocabulary is made but this is not always applied appropriately.
<b>0 marks</b>	Ideas have been expressed poorly and sentences and paragraphs have not been connected. There are errors of grammar, punctuation and spelling, showing a weakness in these areas. There is very limited use of specialist vocabulary.