



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme January 2004

GCE

Economics

Unit EC4W

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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.

K	Knowledge and Understanding
AP	Application
AN	Analysis
E	Evaluation
C	Quality of Written Communication

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

You are to write a report entitled: ‘Economic Reasons for, and Consequences of, the Common Agricultural Policy’.

Your report should:

- explain why agricultural products are often regarded by governments as products requiring intervention in the market;
- explain what the CAP was intended to achieve, and why it has caused problems such as ‘butter mountains’;
- evaluate the benefits and costs of the CAP;
- conclude by recommending reforms to the CAP, giving reasons to justify your recommendations.

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: reform of the EU, use of economic principles to analyse the Common Agricultural Policy. Also relevant are the sections referring to regional economic development and free trade versus protection.

Evidence of knowledge may be shown by the candidate who considers the general features of CAP. Understanding could be demonstrated by evidence of the candidate’s ability to distinguish between direct payments to farmers and expenditure on rural development in general. More sophisticated answers could distinguish between price support and income support.

Application

The first two bullet points should lead candidates towards the application of supply and demand theory, and it is hoped that this might include some diagrams. Good approaches could also include elasticity concepts to show why

- agricultural products (low price elasticity of demand, unstable supply curve) have larger price fluctuations than, say manufactured products (high price elasticity of demand, stable supply curve);
- a target price above equilibrium creates a surplus that then has to be purchased by an intervention authority if the target price is to be maintained.

We might also see some attempts at ‘cobweb’ explanations, which are not specifically in the syllabus, but not from the general run of candidates. Extremely good economists could, perhaps, focus on references to ‘distortion’ of markets and explain what this means.

There will be some candidates who provide some good applications, but do not accompany these with diagrams; they will find it necessary to work harder for any credit, but credit should be given for a logically developed verbal approach.

Analysis and Evaluation

While all aspects of the data can be analysed by candidates, the numerical material in the tables and chart provides some particular potential for analysis. Candidates might, for example, comment on the fact that in Table 1, the expenditure on direct subsidies falls only slightly, while the ‘new idea’ of rural development attracts a relatively small percentage of the total, and increases only slightly over the time series.

Various issues are raised in the extracts, some (but certainly not all) of which might be commented on in reports of good quality. As well as the more obvious aspects of CAP, there are references to income distribution (rich landowners versus poor farmers), the environment and the Third World.

Extract C (from an EU source) could be challenged for asserting a new ‘second pillar’ which, on the basis of the extract, appears relatively weak. Candidates might also question the lack of joined-up government whereby tobacco production is subsidised by a branch of the EU, while health and education budgets across Europe deal with the costs of smoking.

More perceptive candidates might pick up a theme that is often overlooked: Extract A, for example, conveys the suggestion that the CAP is a protectionist policy, with a distinction between the treatment of member states and non-members.

Whereas the tone of the extracts is generally critical of EU policy as it is currently constituted, Table 2 presents an opportunity for good evaluation from candidates who can put forward a slightly alternative view, and point out that the EU is not necessarily the world’s greatest villain, on this measure at least. However, countries above the EU in the league table are smaller economies (e.g. Norway), or have smaller agricultural sectors (Japan) than the EU, and so have less impact on world trade in agriculture. By the same token, the USA is lower in the list than the EU, but its dominance of world markets in certain commodities (especially cereals) means that its impact might be greater – and as a ‘free-trade’ advocate it really has no business being in the table at all.

Chart 1 confirms a thread that is discernible within the extracts: that the EU as an institution favours reform, as do certain member countries (the extract from DEFRA indicates that the UK at least speaks the rhetoric of reform), and the EU certainly has very progressive wishes (organics, countryside conservation, the greening of policy). If it is the case that vested national interests are blocking reform, it is unfair to blame the European Commission for lack of progress, since its supranational authority (or lack of it) derives from member states.

There is some potential for challenging assumptions in Chart 1: the contributions to CAP are difficult to identify, and are estimated from contributions to the whole EU budget. Benefits from CAP are easier to identify; however, countries also receive economic benefits from other aspects of the EU budget (such as regional structural funds) and there are wider political and social benefits of membership. It might not be correct to assume that the greatest CAP beneficiaries are against reform; their attitude will also be influenced by these and other considerations.

There are some clues in the extracts to suggest that candidates could usefully consider the wider picture, such as environmental effects, and the way in which CAP impacts on Third World countries whose exports are not allowed into the EU because they are too cheap (diametrically contrary to what economics tells us about the benefits of free trade). Better candidates might pick up and run with one or more of these themes.

Candidates who are very alert and have good economic awareness might note that agriculture has many problems apart from price instability: BSE, foot and mouth, and the general economic environment in rural areas are all problematic. The new stress towards the holistic approach to rural development at least makes a start in addressing the big picture. As was discovered in Britain during the FMD crisis, the rural economy consists of much more than agriculture; there are other vital interests, not the least of which is the tourist industry. There has been talk of treating farmers as guardians of the landscape as much as food producers. The imbalance between the magnitudes of figures in the last two columns of Table 1 indicate that policies are currently only scratching the surface of such issues.

Overall, it is valid to question whether an industrial sector which employs a small fraction of the population of the EU should attract nearly half of the organisation's budget.

Enlargement of the EU is a topic which is current with the examination, and this can be referred to in a relevant way by candidates. Although it is not referred to in the Case Study, some candidates might be aware that in the 10 acceding countries approximately 20% of the population works in agriculture, compared with 4% in the existing 15. They could make the point that without reform, the CAP would bankrupt the EU budget after enlargement.

Specific evidence of analysis and evaluation is most likely to be present when candidates address the last two bullet points. However if these skills are demonstrated elsewhere in the report, the candidate should of course be rewarded.

Overall Assessment

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.

Generally, stronger candidates should be writing closely to the scenario and giving specific analysis of the reasons for and consequences of having a CAP, rather than allowing market forces to operate in this industry to the same extent as they are now encouraged to operate in most other sectors.

Assessment Criteria

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

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

Level 5:	8-10 marks <i>Mid-Point: 9</i>	Candidates are expected to demonstrate knowledge and understanding of economic concepts and theories which are relevant to the problem/issue being investigated.
Level 4:	5-7 marks <i>Mid-Point: 6</i>	An accurate, comprehensive and appropriate use of a range of relevant knowledge and understanding of economic concepts or theories.
Level 3:	3-4 marks <i>Mid-Point: 4</i>	Use of relevant knowledge and understanding of economic concepts or theories.
Level 2:	1-2 marks <i>Mid-Point: 2</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.
Level 1:	0 marks	Limited knowledge or understanding of economic concepts or theories.
		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.
Level 5:	16-20 marks <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.
Level 4:	11-15 marks <i>Mid-Point: 13</i>	Selection of appropriate economic concepts and theories which are appropriately applied to the problem or issue.
Level 3:	6-10 marks <i>Mid-Point: 8</i>	Some use of economic concepts and theories which are superficially or partially applied to the problem or issue.
Level 2:	1-5 marks <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.
Level 1:	0 marks	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.
Level 5:	16-20 marks <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.
Level 4:	11-15 marks <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.
Level 3:	6-10 marks <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.
Level 2:	1-5 marks <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.
Level 1:	0 marks	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.
Level 6:	25-30 marks <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.
Level 5:	19-24 marks <i>Mid-Point: 22</i>	Conclusions are reached with accurate reasoning with sound, critical examination of the validity of the data, arguments and findings.
Level 4:	13-18 marks <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.
Level 3:	7-12 marks <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.
Level 2:	1-6 marks <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.
Level 1:	0 marks	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.

4 marks	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.
3 marks	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.
2 marks	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.
1 mark	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.
0 marks	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.