



## **General Certificate of Education**

# **Economics 6141**

**EC4W    Working as an Economist:  
The European Union**

## **Mark Scheme**

*2008 examination - January series*

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 2008****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: 'The economic implications of roaming charges'.

Your report should:

- explain how imperfect information and a lack of competition have enabled mobile phone companies to charge 'unjustifiably' high roaming prices to European citizens;
- give examples of the types of evidence that the European Commission could collect in order to show that mobile phone network companies operate in oligopolistic markets;
- suggest ways in which a lack of competition in the market for international mobile phone calls could affect the efficient working of the Single European Market;
- discuss whether mobile phone call prices should be left to market forces or whether there should be intervention at a national government or EU level;
- make a recommendation, with justifications, as to the most effective way in which the European Commission could intervene in the market to reduce roaming mobile phone call prices.

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. (84 marks)

#### SPECIFIC INSTRUCTIONS TO EXAMINERS

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

*The opportunities of the single market...its effects on efficiency, e.g. economies of scale...the threats of the single market to citizens...e.g. from monopoly power; EU aspects of global problems...competition policy.*

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.

Points that could be raised by candidates include the following (it is stressed again that the suggestions put forward here are by no means exhaustive):

- ***explain how imperfect information and a lack of competition have enabled mobile phone companies to charge 'unjustifiably' high roaming prices to European citizens***

There are several possibilities:

- In practice the Single European Market has internal barriers as far as this particular service is concerned **(k)**
- There is a lack of competition, and the possibility of collusive oligopoly **(Extract C)**. Some candidates might include a competition/ monopoly diagram **(ap)**.
- Complicated pricing structures, and a lack of transparency **(Extract H) (an)**.
- There is also the possibility of weaknesses in competition policy. The extracts hint that strong words from the commissioner eventually get watered down as legislation approaches (the ban on charging for calls received, mentioned in **Extract A**, appears to have been modified when we get to **Extract D**) **(an, ap, e)**.

Very perceptive candidates might ask whether there is an overlapping and hence diluting of responsibilities, between the telecoms commissioner on the one hand, and the competition commissioner, who curiously does not figure in any of the extracts **(e)**.

- ***give examples of the types of evidence that the European Commission could collect in order to show that mobile phone network companies operate in oligopolistic markets***

**Extract C** shows details of five producers in the UK, which might be taken to suggest 'oligopoly' **(an, ap)**. However, the fact that the low end of the price range (£2.37) is slightly below the lowest price of the five companies shown (£2.38), indicates that there are other providers operating. A distinction is made between 'wholesale' and 'retail' providers in the data, but candidates would have to be very much on the ball to pick up on this, and since the 'big names' in selling wholesale network time are shown in **Extract C**, candidates can legitimately discuss these in terms of oligopoly. Further evidence that might be suggested could include the relative sizes (concentrations) of these five (and any others), and also evidence of collusion/ cartels **(k)**. **Extract A** mentions profit margins, and the phrase 'normal profit' could be discussed fruitfully in this context **(an, ap)**. **Extracts A and B** show some signs of **bias**, pre-judging the prices and therefore profits to be a 'rip-off' **(e)**. There might be some mileage in comparing the price ranges in **Extract C**, and comparing, say, Estonia and Lithuania with Denmark and Finland. This might indicate that as the mobile phone market matures, prices become lower **(an, e)**. Candidates might speculate on possible reasons for this **(ap)**. Other evidence that could be collected include costs, and the protestations of network spokespersons in **Extracts A, B, and E** could be examined critically **(e)**.

- ***suggest ways in which a lack of competition in the market for international mobile phone calls could affect the efficient working of the Single European Market***

Candidates could respond to this bullet point with reference to economic principles such as efficiency, competition and economic growth **(k)**, and could, for instance use a production possibility curve to back an argument that efficient telecommunications are a component of economic development **(ap)**. The effects of lower prices can be discussed in micro or macro economic terms, and looked at from different points of view: the costs, revenues and profits of the producer, the welfare of the consumer, and/ or the effects on the whole economy, e.g. on inflation rates. More evaluative answers might avoid the tendency to discuss the effects on mobile phone network companies, but on all other companies **(e)**; perceptive answers might note from **Extract D** that, contrary to the impression given by the press (**Extracts A, B**), the

business sector is a larger customer of the mobile networks and their roaming charges than the tourist sector (**e, an**).

- **discuss whether mobile phone call prices should be left to market forces or whether there should be intervention at a national government or EU level**

- **Extract A** contains a statement from Vodafone that pricing should be left to 'market forces' (**an**). Candidates might describe how market forces would work in order to achieve this (**k, ap**) and/ or they could note that there might be barriers to entry mitigating against market forces (**ap, e**). On the other hand, **Extracts F and G** suggest that changes in technology might be working towards considerably reducing entry barriers and, depending on how quickly new developments come on stream, the days of artificially high roaming process might well already be numbered by market forces (**an, ap, e**). **Extract H** reinforces this argument, from an industry perspective, albeit from a manufacturing and retailing point of view as opposed to the network service provider's angle (**an, e**). Candidates who read the extracts carefully and critically enough to recognize that manufacturers and retailers might have slightly different interests to network providers (a pre-emptive strike recommended in **Extract H**, 'anger' reported in **Extract E**, with the possibility of some **bias** in the views expressed) are likely to be on target for higher level evaluation marks (**e**).
- Candidates could refer again to the benefits of a Single European Market, and assert that **Extract C** shows that European citizens and businesses are in fact exposed to 25 different markets in mobile phone charging (**an, e**). They could make the point that by their nature, international roaming services are cross-border, and this makes it difficult for national regulatory authorities to deal with them (**k**). In effect, the Commission's proposals are aimed at one of the last borders within the EU's internal market (**k, e**). This is supported by the quote from Ofcom in **Extract A (an)**.

- **make a recommendation, with justifications, as to the most effective way in which the European Commission could intervene in the market to reduce roaming mobile phone call prices**

**Extract D**, published by the European Commission, could be evaluated for **bias**; it hints at price-capping, but it specifies the desired ends rather than the means (**an, e**). Candidates could discuss different policies, which are mentioned in **Extracts A, B and E**, for achieving the commission's aims, such as an outright ban on charging for calls received, or a maximum price control or 'cap' on charges - a maximum price control diagram would be relevant (**ap**) and advantages and disadvantages could be weighed (**e**). They could also discuss some possibilities which are not mentioned in the extracts, such as legislation, taxes on 'excessive' profits or subsidies aimed at reducing entry barriers (**k, ap e**).

Candidates wishing to boost their evaluation (**e**) marks through challenging the data could mention that the scenario is set in 2008, while all the data is from 2006, and the scenario is necessarily a little vague on what happened in 2007. Such a comment would be more impressive if the candidate indicated awareness of the time scales involved in question setting. They could suggest some further data that might have been included, for example: have the networks ever been investigated by any of the national competition authorities, and if so what were the findings on costs, collusion, etc? Possible **bias** in some of the extracts has already been mentioned above.

## 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>
<b>Total</b>		<b>84 marks</b>

### 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 and/or arguments and/or 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.

- 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.