



# General Certificate of Education

## Economics 6141

*EC4W Case Study on the European Union*

# Mark Scheme

*2006 examination - June 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.

## Advanced Level Economics

June 2006

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 case for and against more flexibility in the Stability and Growth Pact’.

Your report should:

- explain how borrowing by EU governments can affect output, employment and inflation;
- suggest reasons why some EU governments might find it difficult to control their budget deficits;
- discuss whether the UK has been more successful than the rest of the EU in achieving sound economic performance;
- evaluate the costs and benefits to the EU of allowing more flexibility in the Stability and Growth Pact and make a recommendation, with justifications, as to whether the UK should support this greater flexibility.

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**

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 euro...stability and strength of the currency, developments in ‘Euroland’.*

*The reform of the EU...the implementation of...economic policies.*

*Economic problems: the European dimension, pan-European unemployment, effects of inflation targeting, interest rate policy, etc.*

Evidence of knowledge may be shown by the candidate who responds to the first two bullet points by considering some basic principles linking output, employment, inflation and budget deficits or surpluses. A good starting point would be to consider the meaning of ‘stability’ and ‘growth’. There is inevitably a certain amount of overlap between the bullet points, so we need to be flexible. Candidates showing good knowledge of the relevant principles can be expected to quickly establish understanding and, indeed, are likely to progress quickly from the knowledge criterion into application and the other skills. More perceptive candidates might realize that ‘stability’ is closely linked to inflation, and that a credible policy against inflationary expectations is necessary to convince international markets that the euro is a ‘hard’ currency.

### **Application**

The idea of a ‘trade off’ is fundamental to this case study. The case study is explicitly or implicitly relevant to several trade offs that are being managed by EU governments, including low inflation versus low unemployment, government spending on public services versus low taxation, interest rates as a weapon against inflation versus interest rates as an industrial cost; interest rates versus the exchange rate. Candidates can identify and utilize a variety of economic theories to help them in their discussion, eg the Phillips Curve, AD/AS, or an output gap diagram. Credit should be given to candidates who show an awareness of trade offs in the short run that might not be contradictory in the long run.

### **Analysis and evaluation**

Data could be analysed in order to, for example, discuss relationships between employment, inflation, interest rates and budget deficits. UK and Eurozone policy and performance can also be compared and contrasted. The best candidates might realize that fewer than half the EU’s member states currently belong to the euro, and so the question is a wider one than whether Britain should be a member. The best evaluation will include some challenge to the data. Some might comment to the effect that the employment and inflation data sets cover different time periods, but the best economists will realise that time lags are inevitable when collecting recent statistics from different sources. Some sources have a potential for bias, eg party spokespersons. When comparing UK and EU performance, it might be noted that the UK’s strong employment and inflation record is achieved with interest rates substantially higher than those of competitors, and this might well have some relation to the CBI’s concerns about manufacturing and growth.

Evaluation could also come from the discussion of costs and benefits required by the fourth bullet point and the quality of justification of the recommendation.

The last part of the last bullet point can be used at the higher end of candidate performance for discrimination. To reach the top level under evaluation, candidates need to be clear that the UK is outside the Growth and Stability Pact and yet has an interest in European growth and stability, eg through trade.

### **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.

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**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.

<b><u>Evaluation (E)</u></b>		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 and 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.
<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.