

**EC4****GENERAL MARKING GUIDANCE****Positive Marking**

It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

Each question in Section B will be marked using a Levels of Response mark scheme.

For each question there is a list of indicative content which suggests the range of economic concepts, theory, issues and arguments which might be included in candidates' answers.

In addition, in Section B, candidates will be assessed on their Quality of Written Communication. Levels of response are used for QWC and these levels will help to determine where in a level a candidates' response lies.

## GCE ECONOMICS – EC4

Summer 2013

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Mark allocation                       | Assessment objective   |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------|
| Q.1 (a)  | <p><b>With reference to the data, explain possible reasons for the changes in Orange's charges since March 2010.</b></p> <p><b>Level 1</b> Identification of rising prices</p> <p>e.g. 4.34% January 2011;<br/>32% since merger;<br/>75% for pre-pay customers;<br/>below inflation rate 5.4%.</p> <p><b>Level 2</b> Development using data</p> <p>e.g. merger creates monopoly power;<br/>possible cartels/tacit or explicit collusion/<br/>interdependent pricing strategies;<br/>had to cut termination rates;<br/>charging more for handsets and other calls falling in real terms in January;<br/>Some charges rose faster than inflation (e.g. prepay);<br/>inflation increased production costs;<br/>phone companies taking advantage of customer loyalty.</p> | <p><b>8</b></p> <p>1-4</p> <p>5-8</p> | <p>AO1 4<br/>AO2 4</p> |
| Q.1 (b)  | <p><b>Explain what the data suggests about the market structure of mobile phone networks the UK.</b></p> <p><b>Level 1</b> Identification of basic structure using figures</p> <p>e.g. high level of concentration/3 firms dominate industry (3-firm CR 92%);<br/>oligopoly (or EE/O2 monopolies 41% &amp; 27% market share).</p> <p><b>Level 2</b> Development</p> <p>e.g. interdependence in pricing;<br/>arguably a monopoly situation (2 firms above 25% threshold);<br/>offer similar services;<br/>market concentration;<br/>market shares;<br/>benefit of economies of scale/national;<br/>Ofcom as regulator.</p>                                                                                                                                             | <p><b>8</b></p> <p>1-4</p> <p>5-8</p> | <p>AO1 4<br/>AO2 4</p> |

| Question              | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mark allocation                         | Assessment objective   |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------|
| <p><b>Q.1 (c)</b></p> | <p><b>Discuss whether customers of Orange and T-Mobile were likely to benefit from the proposed merger.</b></p> <p><b>Level 1</b> Explanation of possible benefits</p> <p>e.g. firms cutting duplication costs;<br/>customers should benefit from lower prices;<br/>economies of scale should lower costs;<br/>more retail outlets, wifi spots etc.;<br/>T-mobile customers may get new services e.g. residential broadband;<br/>higher profits may create capital for new investment.</p> <p><b>Level 2</b> Evaluation of benefits</p> <p>e.g. prices have rise/consumer surplus falls;<br/>still keeping separate brand names;<br/>not removing duplication;<br/>fewer customers/customers spending less;<br/>suggests that customers have not benefitted.</p>                                                                                                                                                    | <p><b>12</b></p> <p>1-6</p> <p>7-12</p> | <p>AO3 6<br/>AO4 6</p> |
| <p><b>Q.1 (d)</b></p> | <p><b>To what extent is it desirable to regulate the market for mobile phone services?</b></p> <p><b>Level 1</b> Explanation of case for price control</p> <p>e.g. monopoly power present;<br/>customers may be exploited;<br/>termination rates far above costs suggesting abnormal profit;<br/>to reduce X-inefficiency;<br/>appropriate diagrammatic analysis;<br/>control quality of provision;<br/>can protect poorer consumers;</p> <p><b>Level 2</b> Evaluation of case</p> <p>e.g. will cut profits and reduce investment;<br/>still a lot of competition e.g. more phones than people, customers can move between networks (high churn rate);<br/>unnecessary networks have to cut prices because of fierce competition;<br/>may discourage new entrants;<br/>possible diseconomies of scale/loss of benefits of natural monopoly in network;<br/>companies are large-scale producers &amp; employers.</p> | <p><b>12</b></p> <p>1-6</p> <p>7-12</p> | <p>AO3 6<br/>AO4 6</p> |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Mark allocation                       | Assessment objective   |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------|
| Q.2 (a)  | <p><b>Explain what evidence there is to suggest that “standards of living have increased significantly since 2000” in Ghana</b></p> <p><b>Level 1</b> Identification of indicators of improved standard of living.</p> <p>e.g. GDP growing<br/>HDI rose<br/>Life expectancy increased<br/>Child mortality fell<br/>More access to clean water<br/>Higher service employment</p> <p><b>Level 2</b> Explanation of how indicators demonstrate improved standard of living.</p> <p>e.g. GDP growth means more goods &amp; services available;<br/>HDI rising means better health &amp; education etc.</p> | <p><b>8</b></p> <p>1-4</p> <p>5-8</p> | <p>AO1 4<br/>AO2 4</p> |
| Q.2 (b)  | <p><b>Explain why investment in education and training was seen as important for the economy of Ghana</b></p> <p><b>Level 1</b> Identification of role of education and training in making workforce more skilled.</p> <p>e.g. need literacy and numeracy for work skills will be more productive;<br/>28% of men and 42% of women not literate;<br/>unemployment rising.</p> <p><b>Level 2</b> Theoretical development</p> <p>e.g. reference to international competitiveness, importance of human capital, growth of service sector;<br/>use of AS/AD analysis (e.g. LRAS/PPC moves to right).</p>   | <p><b>8</b></p> <p>1-4</p> <p>5-8</p> | <p>AO1 4<br/>AO1 4</p> |

| Question              | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Mark allocation                         | Assessment objective   |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------|
| <p><b>Q.2 (c)</b></p> | <p><b>To what extent is the Government’s claim of “considerable success in managing the Ghanaian economy” (lines 35-36) justified?</b></p> <p><b>Level 1</b> Explanation of arguments for success.</p> <p>e.g. high growth rate;<br/>falling inflation;<br/>high export receipts;<br/>terms of trade have risen;<br/>increase in FDI;<br/>rising consumption and investment;<br/>growth in services;<br/>Government repaying debt;<br/>debt service ratio has fallen.</p> <p><b>Level 2</b> Evaluation of arguments for success.</p> <p>e.g. balance of trade negative/current deficit increasing;<br/>imports rising;<br/>growth rate fell in 2011;<br/>rising unemployment;<br/>high growth rate may be inflationary;<br/>deforestation/environmental damage;<br/>still dependent upon gold &amp; cocoa;<br/>widening income distribution.</p>                                                                                                                                                                             | <p><b>12</b></p> <p>1-6</p> <p>7-12</p> | <p>AO3 6<br/>AO3 6</p> |
| <p><b>Q.2 (d)</b></p> | <p><b>Discuss whether being “well-endowed with natural resources” (lines 3-4) is beneficial to Ghana’s economy.</b></p> <p><b>Level 1</b> Explanation of benefits of natural resources.</p> <p>e.g. contribute to GDP growth;<br/>important source of export revenue;<br/>create employment;<br/>attracts FDI;<br/>not dependent upon single commodity.</p> <p><b>Level 2</b> Evaluation of benefits of natural resources.</p> <p>e.g. relies upon oil for exports, trade, tax revenue, GDP etc.;<br/>prices fluctuate;<br/>oil may eventually run out;<br/>only small proportion of population benefit;<br/>vulnerable to ‘shocks’ e.g. strikes;<br/>may create uncertainty in economy/makes it difficult for business and Government to plan;<br/>takes away resources from other industries e.g. agriculture;<br/>sudden changes in employment and GDP;<br/>economy vulnerable to falling oil price;<br/>world environmental pressures;<br/>other countries may find oil increasing world supply;<br/>use of figures.</p> | <p><b>12</b></p> <p>1-6</p> <p>7-12</p> | <p>AO3 6<br/>AO4 6</p> |

**SECTION B**  
Answer **one** question

**The following levels should be applied to each question**

| <b>LEVEL</b> | <b>MARK BAND</b> | <b>DESCRIPTOR</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1      | 1-5              | <p>Candidate makes few, if any, relevant points. There may be some attempt to draw conclusions, but understanding of connections between different areas of subject content is limited or not demonstrated.</p> <p>Information is poorly organised. There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar.</p>                                                                                                                                                                               |
| Level 2      | 6-10             | <p>Candidate makes some valid points using relevant economic concepts and theories. There may be some application with valid conclusions drawn. Some ability to make connections between different parts of the subject content is demonstrated.</p> <p>Information is well organised and ideas are expressed in a logical manner. There is good use of specialist terms/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive.</p>                                                                               |
| Level 3      | 11-15            | <p>Candidate shows good knowledge and understanding of economic concepts and theories. There is good application and analysis with sound logical conclusions drawn. The ability to make connections between different parts of the subject content is demonstrated on several occasions.</p> <p>Information is very well organised and argument is expressed clearly and coherently. There is good use of specialist terms/vocabulary and spelling, punctuation and grammar are generally accurate.</p>                                                   |
| Level 4      | 16-20            | <p>Candidate demonstrates excellent knowledge, understanding, analysis and evaluation using economic concepts and theories. The ability to synthesise and make connections between different parts of the subject content is fully demonstrated throughout the answer.</p> <p>Information is very well organised and the form and style of communication is highly appropriate, using specialist terms/vocabulary with facility. There is very good use of specialist terms/vocabulary with few, if any, errors in spelling, punctuation and grammar.</p> |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Mark allocation | Assessment objective             |
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| Q.3      | <p><b>“It is essential for the government to cut public spending and raise taxes to reduce the public sector deficit.” Discuss</b></p> <p>Definition/explanation of reasons for Government debt<br/>e.g. spending consistently higher than taxes<br/>Cost of rescuing banks<br/>Recession</p> <p>Explanation and evaluation of arguments for cutting spending/raising taxes</p> <p>e.g. debt may be unsustainable in the long-run;<br/>lower consumption in future years;<br/>cost of interest payments;<br/>difficulty of meeting pension liabilities;<br/>may make recession worse;<br/>possible mass unemployment;<br/>social costs of cutting spending/raising taxes;<br/>high taxes discourage domestic investment;<br/>high taxes discourage FDI/may lead to tax avoidance;<br/>effects depend on types of spending and taxes changed;<br/>use of AS/AD analysis to illustrate possible problems.</p> <p>Level 4 answers should evaluate effect of spending cuts/higher taxes on macroeconomic objectives.</p> <p>e.g. deflationary policy may reduce employment, growth, personal incomes etc.</p> | <b>20</b>       | AO1 4<br>AO2 4<br>AO3 6<br>AO4 6 |

| Question   | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Mark allocation | Assessment objective             |
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| <b>Q.4</b> | <p><b>In early 2012 UK unemployment rose to 2.8 million, 8.4% of the workforce. Discuss the view that reduction of unemployment should be the Government's main priority</b></p> <p>Definition/explanation of unemployment.</p> <p>e.g. ILF/claimant count measures</p> <p>Explanation and evaluation of arguments for prioritising reduction of youth unemployment.</p> <p>e.g. waste of resources;<br/> reduces AD -may further increase unemployment;<br/> young unemployed do not develop work skills/may become unemployable;<br/> social problems e.g. crime, poor mental health may lead to higher taxes and Government spending<br/> economy may suffer long-term stagnation/difficult to break out of downward cycle;<br/> use of appropriate theory e.g. AS/AD analysis in long-run economy will return to full employment without Government intervention.</p> <p>Level 4 answers should evaluate effect of policies on macroeconomic objectives.</p> <p>e.g. reflationary policy may create higher inflation, increase imports etc.</p> | <b>20</b>       | AO1 4<br>AO2 4<br>AO3 6<br>AO4 6 |



| Question   | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Mark allocation | Assessment objective             |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------|
| <b>Q.5</b> | <p><b>To what extents are free market policies the best way for developing countries to raise their living standards?</b></p> <p>Definition and explanation of free market policies.</p> <p>e.g. Privately-owned firms producing for profit/less Government intervention.</p> <p>Explanation &amp; evaluation of possible arguments for free market policies.</p> <p>e.g. private firms will minimise costs/use of resources; creates incentives for innovation &amp; enterprise; consumer sovereignty will be maximised; taxes and government borrowing can be reduced; will encourage inward investment; increased international competitiveness; firms will only produce what is profitable; will not produce public goods; merit goods may be 'under-produced'; may ignore externalities; may lead to monopoly power; domestic firms will be unable to compete; Government spending may be needed to make infrastructure suitable for private enterprise; may have to cut spending on education and welfare services; may widen distribution of income/have regressive effect.</p> <p>Level 4 answers should make a reasoned judgement referring to issues such as economic growth and living standards/differences between different countries' situations, etc.</p> | <b>20</b>       | AO1 4<br>AO2 4<br>AO3 6<br>AO4 6 |



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