

Economics

Advanced GCE **F583**

Economics of Work and Leisure

Mark Scheme for June 2010

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Question			Expected Answer	Mark	Rationale/Additional Guidance
1	(a)		<p>Distinguish between the short run and the long run.</p> <p>2 marks for a clear distinction e.g. the short run is the period of time in which at least one factor of production is in fixed supply (1), the long run is the period of time when it is possible to alter all factors of production.(1) 1 mark if candidate fails to clearly distinguish between the two periods. E.g. gives only one correct definition.</p>	[2]	<p>Reference to short run and long run in the context of Economic growth can earn up to 2 marks if both elements are correctly and clearly distinguished i.e. SR growth occurs within a fixed capacity, LR growth occurs when the capacity is capable of increase. SR must have mention of fixed factor/factors for the mark to be awarded in the micro context.</p>
1	(b)	(i)	<p>Explain what is meant by unit labour costs.</p> <p>2 marks for an accurate explanation of unit labour costs, i.e. the labour cost per unit of output (2) or Total labour costs divided by Total output. (2) If answers lack such a concise definition giving only a partial explanation, then a 2nd mark may be awarded if candidate indicates that labour costs include the whole range of costs employers incur when employing labour, i.e. wages plus recruitment and training costs, national insurance contributions, benefits in kind etc.</p>	[2]	<p>No marks for saying it is the cost of employing one more labour unit. Clear reference must be made to the cost of producing a unit of output.</p>
1	(b)	(ii)	<p>State and explain two reasons why unit labour costs may change.</p> <p>6 marks for an answer that offers 2 reasons fully explained. 1 mark for each reason plus up to an extra 2 for the quality of explanation i.e. 2x3. The cost of labour is made up of a number of elements at least 80% of which is normally wages. These costs, together with productivity, are the two key influences on unit labour costs. It is expected that both element should be mentioned to gain the full range of marks. An answer that for example concentrates on two cost elements should be awarded a maximum of 4 marks, i.e. 2 marks for two stated reasons plus a maximum of 2 more marks for an explanation of what would then be the same element.</p>	[6]	<p>Changes in the cost of employing labour. Changes in the productivity of labour.</p>

1	(c)	(i)	<p>Using the information in Fig. 1;</p> <p>describe the relationship between unit labour costs and productivity between 2004 and 2008.</p> <p>There is some evidence of a negative relationship between unit labour costs and productivity. After the first quarter of 2004 until mid 2005 productivity rate of growth falls, during which time for the most part wage costs are increasing at an increasing rate. This suggests that a slowing rate of productivity growth may increase upward pressure on unit labour costs. From mid 2005 to 2007 the productivity rate is increasing while there are significant fluctuations in unit labour costs suggesting less of a relationship may exist. From mid 2007 onwards there is clear evidence again of the negative relationship as the productivity rate falls rapidly, eventually becoming negative, and unit wage costs rise significantly.</p>	[2]	<p>As the relationship appears to change 2004-2008, 2 separate references to the evidence provided in Fig 1. Reference to two separate time span examples of the same relationship is sufficient for both marks.</p> <p>It is important that candidates focus on the relationship rather than just repeat in words the pattern of the graph. Year by year regurgitation of changes in rates without suggestion of a relationship or otherwise should score zero. E.g. one goes up and one goes down is not enough.</p> <p>Reference needs to be made to positive, negative, varying or perhaps no distinct relationship.</p> <p>NB Productivity does not fall until mid 2008, only the <u>rate</u> of growth. Unit labour costs rise throughout.</p>
1	(c)	(ii)	<p>comment on the likely impact on the UK economy of this relationship from mid 2007.</p> <p>For the most part increases in labour costs are greater than increases in productivity. This is especially exaggerated after mid 2007. The immediate implication of this is the impact this will have on average cost of production and consequently our international competitiveness and domestic wage cost-push pressures. The longer the situation remains as illustrated in the data from 2007 onwards, the more negative the impact of these trends is likely to be on the UK economy. Longer term consequences are likely to be increased unemployment, slowing economic growth, increasing inflationary pressure and deterioration of the balance of payments position, i.e. all the KPO's hit</p>	[5]	<p>2 marks for a one sided analysis/explanation of the likely impact. Up to 3 further marks can be gained by acting upon the directive word "comment". 1 mark for a qualification of the analysis or an evaluation of the strength of a one sided commentary. 1 mark for an elaboration of a qualification. 1 mark for an evaluative summary or conclusion. Therefore a one sided answer that concludes with a judgement can score 2 marks for explanation plus one for evaluation, i.e. 3 max.</p>

		<p>badly. This is the kind of answer that would secure the 2 analysis marks for the question. On the other hand short lived movements of this nature need not be too disastrous. A depreciation of the currency and the maintenance or improvement in the quality of UK exports may more than compensate for the negative trend displayed in fig 1. Also it will depend on what is happening to such statistics in other competitor economies at the same time. This type of qualification could then pick up a further 2 marks for evaluation, with the final AO4 mark coming from a summary comment e.g. It is particularly worrying that the distance between the two measures is so exaggerated in the second half of 2008, a trend that is totally at odds with the picture from 2004 to mid 2007.</p> <p>Up to 2 marks for an answer that passes some comment about the trends displayed in fig1 from 2007 and the potential impact this could have on the UK economy. Up to a further 3 marks for a candidate that qualifies commentary made in the first part of the answer and rounds off with an evaluative summary or conclusion.</p>		
1	(d)	<p>Discuss the extent to which the use of supply-side policies can help to improve productivity in the UK economy.</p> <p>Failure to achieve significant productivity gains of the kind that many of our competitor nations have experienced has been almost a perennial problem in the UK since the end of WW2. Consequently this area has often been the focus of government policy for many years. To this end in more recent times the government has turned to supply-side policies to effect the necessary improvements. Among the key influencing factors affecting productivity would be:</p> <ul style="list-style-type: none"> • the standard and availability of capital equipment. 	[8]	<p>Up to 5 marks for an answer that analyses two differing views of the usefulness of supply-side policy to this end.</p> <p>6+ For answers that offer the above plus a clear evaluated judgement.</p>

		<ul style="list-style-type: none"> • productivity incentives. • increasing competition within individual markets. • improved skills of the workforce. • greater labour flexibility. <p>Government policies might include: Public sector investment programmes especially into new capital and infrastructure. Taxation policy to encourage increased output e.g. lower income tax rates. Subsidies. Tax breaks for re-investment of profits. Deregulation. Increased spending on education and training. All policies should be directed to increasing output from the available input. It is perhaps difficult to see how government can achieve short term improvement except perhaps with good use of taxation policy. However, long term gains depend on correct focusing of policy and the ability to encourage enterprise, technical innovation, change workers attitudes etc.</p> <p>1 to 3 marks for a one sided approach. This may be just a simple explanation of supply-side policy.</p> <p>4 to 5 marks if the answer is clearly two sided.</p> <p>6 to 8 marks if the answer offers discussion followed by a clearly evaluated judgement as to the extent to which supply-side policies can help to improve UK productivity in the short and the long term.</p>		
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2	(a)	<p>Analyse, using examples, how trade unions may be responsible for labour market failure.</p> <p>Candidates might be expected to build up an answer along the lines of the example offered below.</p> <p>Labour market failure occurs when the market forces of supply and demand do not produce an efficient allocation of resources. Evidence of such failure occurs in a number of forms and for a number of reasons. One reason pertinent to the question is the abuse of market power. A trade union can develop a monopoly in the supply of labour to a particular market and as a consequence begin to abuse that power in such a way as to cause market failure. The clearest example of this can be illustrated using a market diagram demonstrating how a monopoly trade union can raise the wages being paid to a level above the market clearing wage. This can cause a redistribution of income in favour of union members, but at the cost of an inefficient allocation of resources, and a rise in production costs above the productively efficient level.</p> <p>Level 3 (9-15) For an explanation of how trade unions may be responsible for failure in labour markets. For a 13+ mark candidates must offer clear analysis of trade union manipulation of the free play of the market.</p> <p>Level 2 (5-8) For an application of knowledge as to how trade unions may be responsible for failure in labour markets. For a 7+ mark candidates must offer a clear real world application.</p> <p>Level 1 (1-4) For knowledge and understanding of how trade unions may be responsible for failure in labour markets.</p>	[15]	<p>Up to 12 marks for an analysis of the question. This may well be an answer accompanied by a diagram showing how trade union action can lead to higher than equilibrium wages in a labour market. The diagram must be fully explained to secure all the marks.</p> <p>In order to secure a 13+ something extra to the above is required. e.g. Reference to demarcation and its impact on efficiency. Reference to staffing requirements in addition to higher than equilibrium wages. Again this could be clearly illustrated by diagram. Reference to additional benefits being requested by unions. E.g. BA staff using heavily discounted flight tickets.</p>
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2	(b)	<p>Discuss the extent to which trade union activity may still be seen to be a significant cause of labour market failure in 2010.</p> <p>A valid approach is to consider the strength of other causes of market failure in 2010 which may now be seen as more significant than Trade Unions. Candidates might be expected to build up an answer along the lines of the example offered below.</p> <p>Following on from the likely analysis of union activity in part a) it is necessary to consider the important points in the question and avoid repetition of arguments already made. Although reference to the above analysis may be useful, it is not necessary to repeat the explanation, and indeed this would be time wasting. The pertinent element of the question is union activity and its influence in 2010. The trend in trade union membership in the UK has been in decline for many years, as has the number of trade unions. The last 30 years or more have seen a marked decline in industrial action and labour disputes. The labour markets in the UK have become very flexible in comparison with both the past and other member countries of the EU. Trade union power has, it is thought by many, been greatly weakened by legislative steps taken by previous government administrations. The consequence has been a weakening of trade union bargaining power. All this evidence points to a reduction in the influence trade unions have on the labour market and consequently the likelihood that they may be causing the market to fail. On the other hand unions have made great strides to get employers to improve the conditions of work for many of their members in terms of safer working conditions, better structured training programmes and improved communication links between workers and management.</p>	[20]	<p>A one sided answer can achieve a maximum of 10 marks if well analysed.</p> <p>A two handed approach short on analysis and/or lacking balance can gain up to a maximum of 13 marks.</p> <p>15 marks can be awarded for a balanced analysed discussion that is lacking in overall judgement.</p> <p>For 16+ marks a candidate must offer balanced analysis and a clear evaluated judgement of the question set.</p> <p>NB If a candidate produces an answer that fulfils the requirements for a level 4 (a) mark and it is the best that could be expected given the examination time constraint, then FULL marks must be awarded.</p> <p>Analysis can be identified in 3 basic forms.</p> <ul style="list-style-type: none"> i) Diagrammatic analysis. ii) Numerical analysis. iii) Analysis in prose form which makes use of terms and concepts contained in the Economist's toolkit, which clearly illustrates the direction and links in a chain of causation. <p>It is important that analysis is clearly flagged up by the</p>
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	<p>Such improvements have come at some cost to employers. The unions have amalgamated on a fairly large scale and consequently in theory increased their potential to exercise monopoly strength. The unions also still have a very important role to play in establishing work practices within many firms in the UK economy and as a consequence have the potential to impact on labour markets both positively and negatively.</p> <p>In conclusion, although it is unlikely that all trade union activity of a market failure nature has been eradicated, it would appear from the evidence, that the number of times unions who do abuse their power, has reduced considerably. Today we have much better labour relations. Although the cost of hiring, training and protecting labour at work has risen, it may be argued that those costs pay dividends in terms of greater productivity and flexibility. Labour markets do continue to fail, but as a significant reason for that failure trade unions appear to be much less responsible and consequently must be considered less of a threat to efficiency.</p> <p>Level 4 (a) (16-20) For a discussion that includes a judgement of the extent to which trade union activity may still be seen as a significant cause of labour market failure in 2010. The judgement must be clear as to the degree of disruption that still may be caused by trade unions.</p> <p>Level 4 (b) (11-15) For a balanced discussion of trade union activity in labour markets in 2010. A discussion lacking balance should receive no more than 13 marks.</p> <p>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant,</p>	<p>use of the L3 annotation.</p> <p>Without the evidence of at least some attempt at economic analysis, candidates can score only a maximum of 4 marks for knowledge and application on the b section of the essay question.</p>
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		<p>have been well constructed, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 (5-10) For an analysis of how trade union activity may still be seen as a cause of labour market failure in 2010. For 8+ marks there should be an in-depth analysis of one activity still seen as potentially significant.</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (3-4) For an application of knowledge and understanding of how trade union activity may still be seen as a cause of labour market failure in 2010.</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling punctuation and grammar, some of which may be noticeable and intrusive.</p> <p>Level 1 (1-2) For a knowledge of how trade union activity may still be seen as a cause of labour market failure. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may lack legibility.</p>		
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3	(a)	<p>Analyse the factors which determine the demand for labour.</p> <p>Candidates might be expected to build up an answer along the lines of the example offered below. The demand for labour is of course a derived demand, so the number of workers a firm wishes to employ depends principally on the revenue that can be earned from the sale of what is produced. A number of factors may be analysed, these include:</p> <ul style="list-style-type: none"> • Demand and expected future demand for the product produced. • The price being paid for the product produced. • The productivity of labour. • Wage rates. • Complementary labour costs. • The price of other factors. <p>A good approach to the question might be to consider the marginal revenue product explanation of the demand for any factor of production. This would then allow candidates to focus on the key elements of labour cost and productivity. In addition, this approach would also allow the candidate to demonstrate sophisticated analysis of the factors, perhaps including some diagrammatic illustration.</p> <p>Level 3 (9-15) For an explanation and analysis of the factors that determine the demand for labour. For a 13+ mark candidates must offer clear analysis of the MRP theory.</p> <p>Level 2 (5-8) For an application of knowledge as to the factors that determine the demand for labour. For a 7-8 mark candidates must offer explanation of at least two factors.</p>	[15]	<p>A maximum of 11 marks can be gained for an answer that offers analysis without reference to the MRP approach. 12-13 marks for a basic use of MRP theory. For 13+ candidate must <u>thoroughly</u> analyse using the MRP theory.</p> <p>Increase in $P \times MPhP =$ Increased MRP therefore Increased demand for labour, and/or Increase in output per labour unit (MP) $\times P =$ increased MRP therefore increased demand for labour. A diagram or set of diagrams could be usefully employed to illustrate the analysis, but equally a numerical example or a very well worded account could also secure full marks.</p>
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			Level 1 (1-4) For knowledge and understanding of factors that determine the demand for labour.		
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3	(b)	<p>Discuss the extent to which the ease of factor substitution may influence the price elasticity of demand for labour.</p> <p>Candidates might be expected to build up an answer along the lines of the example offered below.</p> <p>The price elasticity of demand (ped) is a measure of demand for labour's response to a change in the price of labour i.e. the wage. The elasticity is also known as the wage elasticity of demand. There are a number of factors that influence the elasticity of demand for labour including:</p> <ul style="list-style-type: none"> The price elasticity of demand for the product The proportion of wage costs in the total costs The elasticity of supply of complementary factors The time period involved and of course the ease of factor substitution. <p>If it becomes easier to substitute capital or indeed any other factor for labour the demand for labour will become more elastic. A rise in wages will cause workers to be more readily replaced by machines and eventually demand for labour may fall by a greater percentage than the rise in wages, i.e. the ped becomes elastic. Illustrative diagrams would help at this point. Consequently if a new technological breakthrough e.g. the development of robotics was to be brought to the production line then suddenly the labour force would find themselves in a much less strong position when it came to wage bargaining as a result of a change in the ped for labour. However, once the firm becomes more capital intensive and the shift in make-up of total cost changes, the ped of remaining workers may become a lot more inelastic.</p> <p>On the other hand if we are dealing with a firm that only employs a small number of labour units, and this makes up only a minimal fraction of total cost, the impact would be greatly reduced. Equally if the ped for the product is</p>	[20]	<p>A one sided answer can achieve a maximum of 10 marks if well analysed.</p> <p>A two handed approach short on analysis and/or lacking balance can gain up to a maximum of 13 marks.</p> <p>15 marks can be awarded for a balanced analysed discussion that is lacking in overall judgement.</p> <p>For 16+ marks a candidate must offer balanced analysis and a clear evaluated judgement of the question set.</p> <p>NB If a candidate produces an answer that fulfils the requirements for a level 4 (a) mark and it is the best that could be expected given the examination time constraint, then FULL marks must be awarded.</p> <p>Analysis can be identified in 3 basic forms.</p> <ol style="list-style-type: none"> i) Diagrammatic analysis. ii) Numerical analysis. iii) Analysis in prose form which makes use of terms and concepts contained in the Economist's toolkit, which clearly illustrates the direction and links in a chain of causation. <p>It is important that analysis is clearly flagged up by the use of the L3 annotation.</p> <p>Without the evidence of at least some attempt at economic analysis, candidates can score only a maximum of 4 marks for knowledge and application on the b section of the essay question.</p>
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		<p>inelastic, or we are considering only a short time period then the impact of such a change in substitutability will be a lot less influential in elasticity terms.</p> <p>Clearly then in order to consider the extent to which the ease of factor substitution will impact on ped for labour we will need to look at examples on a case by case basis.</p> <p>Factor substitution has the potential to significantly change the ped for labour. However this is likely to be due to a change in technology which may take some time to come to fruition.</p> <p>In the shorter run therefore factor substitution may be less influential than we might at first think.</p> <p>Level 4 (a) (16-20) For a discussion that includes a judgement of the extent to which ease of factor substitution influences the price elasticity of demand for labour. The judgement must be clear as to the degree of influence factor substitution can have.</p> <p>Level 4 (b) (11-15) For a balanced discussion of factor substitution and the way it may or may not influence the price elasticity of demand. A discussion lacking balance should receive no more than 13 marks.</p> <p>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well constructed, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 (5-10) For an analysis of how factor substitution can influence the price elasticity of demand. For 8+ marks there should be an</p>		
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		<p>in-depth analysis the impact of factor substitution.</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (3-4) For an application of knowledge and understanding of how factor substitution can influence the price elasticity of demand.</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling punctuation and grammar, some of which may be noticeable and intrusive.</p> <p>Level 1 (1-2) For a knowledge of how factor substitution can influence the price elasticity of demand.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may lack legibility.</p>		
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4	(a)	<p>Analyse, using examples, how barriers to entry may determine the degree of competition in leisure markets.</p> <p>Candidates might be expected to build up an answer along the lines of the example offered below.</p> <p>One area of leisure industry activity is the spectator sports market.</p> <p>The spectator sports industry covers a multitude of activities; amongst the most popular we could list are football, rugby, horse racing, cricket and tennis. These sub markets have very different legal and regulatory structures, but all display evidence of barriers to entry.</p> <p>A barrier is any obstruction, artificial or real, that would prevent a new firm entering an industry in pursuit of perceived abnormal profit. Common barriers to entry may include high sunk costs, e.g. advertising, high fixed capital costs e.g. maintenance of stadia, economies of scale e.g. bulk purchasing and patents or access to limited membership e.g. the Football League or the County Cricket Championship. Competition can be viewed in a number of ways, but most commonly in terms of the number of firms in the industry, the ease with which that number can change, and price and non-price competition. The most competitive market form an economist may consider is Perfect competition, however, this is clearly a theoretical model against which to judge the real world. In practise the most competitive systems would be Monopolistic competition and Contestable markets. The former being an industry made up of many firms with little or no barriers to entry and the latter can be a small number of suppliers but critically again with the absence of entry and exit barriers.</p> <p>The spectator sports industry has changed much in recent years and its promotion via television, especially pay TV, has raised its profile greatly, and its revenue earning capacity hugely. Consequently in some senses barriers to entry have become more formidable as the more successful</p>	[15]	
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		<p>teams receive a greater and disproportionate share of television income e.g. the top 2 Formula One teams, the top 4 Premiership football teams or the Grand Slam venues on the Tennis circuit. Consequently, these firms can invest a great deal more back into their respective sports and make it far more difficult for outsiders to break through the ever stronger barriers to entry now being created, eg branding, fixed capital investment, team/squad enlargement. On the other hand there still remains a great deal of competition on many levels lower down the pecking order within the top spectator sports market. There are another 88 football teams outside the top 4, Formula One is normally made up of at least 10 teams beside the top 2 contenders and Tennis tournaments abound throughout the world. Indeed sports which may be considered less high profile, remain spectator supported, particularly at major events e.g. athletics, hockey, snooker and swimming are extremely devoid of barriers.</p> <p>In summary barriers to entry clearly exist in the spectator sports industry but are perhaps more obvious in the high profile sectors than in the less popular sporting activities. These barriers limit effective competition, promote dominance by a few and move these markets towards a more oligopoly like structure.</p> <p>Level 3 (9-15) For an explanation of how barriers to entry may determine the degree of competition in the leisure industry. For a 13+ mark candidates must offer clear analysis of how barriers influence competition.</p> <p>Level 2 (5-8) For an application of knowledge as to how barriers to entry may determine the degree of competition in the leisure industry. For a 7-8 mark candidates must offer a clear real</p>	<p>Lack of barriers to entry increases the degree of competition in any market and is reflected by an absence of Long run profits. This can be analysed using the Monopolistic Competition market structure and/or the Contestable market model. To achieve a 13+ mark in depth analysis must be displayed using at least 2 separate market forms; one being competitive and one being less competitive due to high barriers to entry. Monopoly compared with Perfect Competition is totally acceptable as an approach. Monopolistic competition compared with Oligopoly is equally valid, as would be Contestable market with Monopoly or Oligopoly.</p> <p>An explanation of different barriers to entry without analysis regarding LR profits/losses can score a maximum of 8 marks.</p>
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		<p><u>world application.</u></p> <p>Level 1 (1-4) For knowledge and understanding of barriers to entry.</p>		
4	(b)	<p>Using a leisure market of your choice, discuss the extent to which it may be considered to be an oligopoly.</p> <p>The choice of industry is likely to come from the recommended areas of study, holidays and leisure travel, spectator sports, broadcasting and cinema admissions. However, any leisure industry example will be accepted.</p> <p>Candidates might be expected to build up an answer along the lines of the example offered below based on Premiership football.</p> <p>An oligopoly market is one dominated by a few firms who have a significantly high concentration ratio i.e. a high proportion of the total market share lies in the hands of just a handful of firms. In the case of Premiership football the top four teams that regularly appear to dominate the league, Manchester United, Liverpool, Arsenal and Chelsea may well be considered to fit this description. Between them they certainly have a significant share of the total revenue earned in the UK market, and each of them regularly appear in the top 10 money earning clubs in the world. They each provide a product that is in many senses generic, yet is so heavily branded it clearly provides evidence that significant non-price competition exists between the businesses. This is probably more important in the worldwide market for Premier League merchandise, replica shirts etc, than at home where partisan allegiances might play a more significant part. Barriers to entry into this top echelon may also be said to exist as continued success in the top division of the English league yields handsome financial rewards.</p>	[20]	<p>A one sided answer can achieve a maximum of 10 marks if well analysed.</p> <p>A two handed approach short on analysis and/or lacking balance can gain up to a maximum of 13 marks.</p> <p>15 marks can be awarded for a balanced analysed discussion that is lacking in overall judgement.</p> <p>For 16+ marks a candidate must offer balanced analysis and a clear evaluated judgement of the question set.</p> <p>NB If a candidate produces an answer that fulfils the requirements for a level 4 (a) mark and it is the best that could be expected given the examination time constraint, then FULL marks must be awarded.</p> <p>Analysis can be identified in 3 basic forms.</p> <ul style="list-style-type: none"> i) Diagrammatic analysis. ii) Numerical analysis. iii) Analysis in prose form which makes use of terms and concepts contained in the Economist's

		<p>These payments represent a significant proportion of the money television stations around the world pay to the Football Association who manages the league. This allows these top teams to buy the services of the best players, denying them to other teams, and consequently perpetuating their dominance. Year on year these top four then qualify for the equally lucrative European champions league, which becomes increasingly inaccessible to the rest of the clubs in the league and once again the barriers to entry grow. Surely the case for considering Premiership football as an oligopoly market has solid foundations. The top 4 are the biggest earners repeatedly and the most successful on the field.</p> <p>On the other hand there are 16 other teams in the division who could grow their businesses through success on and off the field. Also each year due to promotion and relegation 3 new teams join the league and 3 exit; consequently there is the potential for change to occur especially over a number of years. The rise and fall of Wimbledon FC being an exaggerated example of the potential to break through perceived barriers. Certainly there is no convincing evidence that any of the top 4 clubs are making abnormal profits as the Chelsea FC final accounts of the last couple of seasons will testify. The apparent willingness of clubs to immediately re-invest funds into playing staff purchase and salaries is testament to the rejection of the idea that profit maximisation is the main goal of these top clubs. Thirdly, in recent times, there is evidence that price competition is beginning to enter the market, with discount tickets on offer at an increasing number of Premiership grounds. Admittedly these are less apparent at the homes of the top 4 teams but even there signs are that to attract support to matches against less popular opposition, lower ticket prices are on offer.</p> <p>To conclude we have conflicting evidence as to the extent to which Premiership football has become an oligopoly market.</p>	<p>toolkit, which clearly illustrates the direction and links in a chain of causation. E.g. in this case reference to concentration ratios would be considered valid.</p> <p>It is important that analysis is clearly flagged up by the use of the L3 annotation.</p> <p>Without the evidence of at least some attempt at economic analysis, candidates can score only a maximum of 4 marks for knowledge and application on the b section of the essay question.</p>
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		<p>In theory with sporting success any team could rise up the league and challenge the top 4 clubs. The changing economic climate of the present time may even lend itself more favourably to such an occurrence. However, the hard evidence would appear to support the view that the market is increasingly dominated by the top 4 clubs. Only once since the 1992/93 season has the league been won by a team outside the top 4 clubs, indeed since the 2000/2001 season only once has a team from outside finished in the top three places, Newcastle in the 02/03 season. This surely illustrates the increasing stranglehold this oligopoly has gained on the market. They have secured financial dominance and won support on the world stage due to the highly successful marketing of the league. Abnormal profits are not necessarily in evidence, but that could just be due to the curious nature of the product and the apparent reluctance of the owners of these clubs to follow their natural entrepreneurial instincts when it comes to maximising profits. In football the top 4 are getting richer and more dominant in terms of success at the game, if not in terms of profitability, due to their reluctance to take cost of production seriously.</p> <p>Level 4 (a) (16-20) For a discussion that includes a judgement of the extent to which the chosen market may be considered oligopolistic. The judgement must clear as to the degree to which the market is an oligopoly.</p> <p>Level 4 (b) (11-15) For a balanced discussion of a chosen leisure market re the evidence of oligopoly activity. A discussion lacking balance should receive no more than 13 marks.</p> <p>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject</p>		
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		<p>matter. Sentences and paragraphs, consistently relevant, have been well constructed, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 (5-10) For an analysis of how the chosen market may or may not be considered an oligopoly. For 8+ marks there should be an in-depth analysis of the market in terms of its competitive nature or otherwise.</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (3-4) For an application of knowledge and understanding of the market structure in the chosen leisure market .</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling punctuation and grammar, some of which may be noticeable and intrusive.</p> <p>Level 1 (1-2) For a knowledge of the market structure in the chosen leisure market.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may lack legibility.</p>		
		Total	[60]	

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