



Cambridge Pre-U

ECONOMICS

9772/02

Paper 2 Essays

October/November 2020

MARK SCHEME

Maximum Mark: 75

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

ANNOTATIONS

The following annotations are used in marking this paper and should be used by examiners wherever appropriate.

Annotation	Use or meaning
L1, L2, L3, L4	Level seen or awarded
N0, N1, N2, N3	Evaluation <u>band</u> seen or awarded
✓	Correct and relevant point made in answering the question This paper is marked by Levels of Response but the tick may still be helpful to you as you read through an answer even though it does not indicate a mark
×	Incorrect point or error made
highlighter	Used to indicate something of significance, or referred to by another annotation or comment
[T] (text box)	A catch-all, when you need to give more detail or explanation. Please note that teachers who request a script can read your comments You may also use the text box to indicate the breakdown of marks
BOD	Benefit of the doubt given. The point has not been made quite correctly, completely or precisely, but is nearly there and the intention is clear
^	Omission mark. A term, a label, a line on a graph, an example, etc, required to make the point correctly has been missed out of the response
TV	Too vague. This part of the response is not precise enough to be worth any credit
REP	Repetition of a point already made/credited
NAQ	Not answering the question. This answer (or part of answer) is tangential or irrelevant
OFR	Own figure rule
?	The point being made is unclear or confused
SEEN	Noted but no credit given. Can also be used for blank pages

The purpose of the essay paper is to enable candidates to select appropriate economic models, theories and concepts which they then apply to the circumstances of the question and produce good, logical arguments and draw conclusions. Better essays are likely to have a conclusion that may recognise that various answers are possible, or that it is not possible to draw firm conclusions in all cases. Full justification should be given for the conclusions drawn. The questions are set deliberately to require candidates to plan and structure an answer.

Candidates should try to illustrate their arguments with recent and contemporary examples. Examiners should reward these appropriately. Certainly, a well-illustrated essay should score more highly than one which, while being sound in terms of theory used, does not draw on relevant actual events.

For each question there follows a preamble of what is expected from candidates – always remembering that an ‘unexpected but valid approach’ must be rewarded. A general list of areas that might be included is then given, followed by an example of the sort of answer that would fall into each level of assessment, both in terms of Theory and Analysis and in terms of Evaluation.

Marking criteria for Paper 2

For this paper, marks should be awarded in two categories. The first covers the knowledge and understanding of relevant economics, how this is applied and how the information/issues are analysed (Theory and Analysis) and the second covers the candidate's evaluation of the issues involved (Evaluation). Examiners should look to mark the essay holistically and decide into which relevant Levels the answer lies. The Levels achieved will not necessarily be the same for the two categories.

Theory and Analysis

Level 4 (13–17 marks) Mid mark 15	An excellent answer that shows accurate and comprehensive application of relevant theory. There will be in-depth and coherent analysis. At the top end there will be signs of real insight and/or originality, not normally expected to be seen at this level.
Level 3 (9–12 marks) Mid mark 11	An answer that logically addresses the issues involved and generally shows a correct application of the relevant theory. An attempt is made to analyse and there is some depth or coherence but not necessarily both.
Level 2 (5–8 marks) Mid mark 7	Some correct application of relevant theory will be shown but there may well be inaccuracies contained within the answer. An appreciation of the need to analyse may be demonstrated, but not much more than this. The answer is likely to lack any real coherence.
Level 1 (1–4 marks) Mid mark 3	The answer contains something of relevance to the set question. However, theory may be misunderstood, or incorrectly applied. At this level, any analysis shown will be extremely superficial.
Level 0 (0 marks)	Nothing of any relevance to the set question is shown within the answer.

Evaluation

Level 3 (6–8 marks) Mid mark 7	There is in-depth, coherent, comprehensive and well-balanced evaluation. At the top end there will be signs of real insight and/or originality, not normally expected to be seen at this level.
Level 2 (3–5 marks) Mid mark 4	There is a definite attempt to consider various points of view or outcomes for different economic agents or distinction between short-run and long-run consequences etc. but the coverage of these is less than comprehensive.
Level 1 (1–2 marks) Mid mark 2	There is some attempt at evaluation but issues are more likely to be stated than examined.
Level 0 (0 marks)	There is no evidence of any evaluation whatsoever.

Section A

Question	Answer	Marks
1	<p>‘All nations face the same fundamental economic problem. Price controls affect the working of the market mechanism, and this inevitably has damaging consequences for how efficiently the economic problem is tackled’.</p> <p>To what extent do you agree with this assertion?</p> <p>Candidates should show a clear understanding of the ‘fundamental economic problem’, in terms of the allocation of resources, that all nations have to solve, and of the ‘market mechanism’, as a method of solving it. [Note: Prices as playing roles in signalling, incentivising, rationing, allocating]. Answers should also address the implications of price controls, including both maximum and minimum prices, and the concept of ‘efficiency’ in this context.</p> <p>Answers may include:</p> <p>Knowledge and understanding should be shown of the fundamental economic problem, of the way in which it is tackled through the market mechanism, of the impact of maximum and minimum prices, and of the concept of efficiency in economics.</p> <p>Application to real world examples of maximum and minimum price controls will strengthen an answer.</p> <p>Analysis of the way in which both max. and min, price controls affect market equilibrium in different circumstances, and how such consequences can have impacts on the efficiency of the market mechanism.</p> <p>Evaluation of the issues involved might include consideration of the following:</p> <ul style="list-style-type: none"> • Does the imposition of price controls always impact on market equilibrium outcomes? • Might the reason why the price controls are used [perhaps to prevent exploitation of consumers, or to provide decent income for producers] impact upon how efficiency is affected? • Does the imposition of price controls have different effects in the short-run and the long-run? • Might the effects of imposing price controls be beneficial rather than damaging? And for whom? • Is efficiency an unambiguous concept? <p>In a well-structured answer it is likely that there will be a conclusion drawn at the end to explain the candidate’s overall response to the question ‘to what extent do you agree?’.</p>	25

Theory and analysis

Level L4 (13–17 marks) Mid mark 15	There is clear demonstration of an understanding of both the fundamental economic problem and of the market mechanism as a method of solving it. The analysis of the effects of both minimum and maximum price controls will be both precise and comprehensive, and almost certainly accurate diagrams will be used. The issue of efficiency will also be addressed, at least implicitly. At the top of this level a candidate will need to link the consideration of the effects of price controls with the efficiency of overall resource allocation.
Level L3 (9–12 marks) Mid mark 11	The candidate is likely to look at the economic problem, the market mechanism and price controls, though will probably cover at least one element rather superficially or with some errors in the analysis. There will be some consideration of the possible impact on how efficiently resources are allocated, but it is unlikely to be developed.
Level L2 (5–8 marks) Mid mark 7	The candidate is likely to focus on just one element, most probably the mechanics of the imposition of price controls . There is an appreciation of what the question is asking but the answer will fail to go into any meaningful analysis and will probably be more a collection of statements rather than any true explanation.
Level L1 (1–4 marks) Mid mark 3	Explanations are either missing or inaccurate. The answer is likely to fail to address the set question but instead be a weak or limited description of the mechanics of price controls or of the economic problem.

Evaluation

Level N3 (6–8 marks) Mid mark 7	<p>A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • Do price controls always have damaging consequences? If so, for whom? Are there gainers as well as losers? • What do we mean by 'efficiency' in this context? Can it be assessed? • Are the reasons for introducing the price controls of relevance in considering the implications for efficiency? <p>In a well-structured answer it is likely that there will be a conclusion drawn at the end to explain the candidate's overall response to the question.</p>
Level N2 (3–5 marks) Mid mark 4	One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.
Level N1 (1–2 marks) Mid mark 2	Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: 'Some people may benefit when price controls are imposed'.

Question	Answer	Marks
2	<p>‘A demerit good has a low price elasticity of demand, a low income elasticity of demand, but a high price elasticity of supply. These are the ideal characteristics for a product on which a government should impose a sizeable indirect tax’.</p> <p>To what extent do you agree with this assertion?</p> <p>Candidates should show a good understanding of the three elasticity concepts, and of the concept of a demerit good, as well as of the mechanics of the imposition of an indirect tax on a good. There needs to be consideration of the possible objectives of a government when it considers the imposition of an indirect tax, so that the relevance of each of the elasticity values can be assessed.</p> <p>Answers may include:</p> <p>Knowledge and understanding of relevant concepts and theory, such as demerit goods, price- and income-elasticities of demand, price-elasticity of supply, impact of an indirect tax.</p> <p>Application to real world possible examples relating to the different elasticities would strengthen an answer. Candidates are likely to interpret ‘low’ and ‘high’ elasticities as referring to inelastic and elastic respectively.</p> <p>Analysis: Candidates need to explain the nature of the impact of an indirect tax on the equilibrium price and quantity of a product, and possibly on total consumer expenditure, government revenue, producer revenue, and then the implications of this, given the elasticity values given in the question. Objectives of government policy in the context of the imposition of an indirect tax are central to the question. Relevant use of diagrams will be important.</p> <p>Evaluation of the issues involved. Examples:</p> <ul style="list-style-type: none"> • Are all demerit goods the same, and should they be treated as such? • Are there different reasons why the imposition of an indirect tax may be being considered? • What assumptions are likely to lie behind the given values of the three elasticities? • What may an ‘ideal characteristic’ involve in this context? <p>In a well-structured answer, a candidate will conclude with a response to the question ‘to what extent do you agree’.</p>	25

Theory and analysis

Level L4 (13–17 marks) Mid mark 15	There is a clear explanation of a ‘demerit’ good, and of the three elasticity concepts, and an assessment of the implications for the nature of the demand and supply conditions relating to the product involved. There will also be consideration of possible government objectives in imposing an indirect tax. At the top of this level there are likely to be clear links made between the demand and supply conditions and the achievement or otherwise of the objectives. Accurate diagram(s) are almost certain to be used.
Level L3 (9–12 marks) Mid mark 11	The candidate will demonstrate some understanding of both demerit goods and of the elasticities, though perhaps with omissions – eg the demand elasticities may be explored fully, but the elasticity of supply value less so. There may be some consideration of the relevance of government objectives, but it is unlikely to be well integrated within the answer. Alternatively, most aspects may be covered but at too superficial a level to enable the candidate to demonstrate a good understanding of the issues involved.
Level L2 (5–8 marks) Mid mark 7	There is likely to be some understanding shown but the answer will be superficial and the candidate will not have fully appreciated the point of the question – the answer may merely rehash some learned definitions without a clear focus on the question asked.
Level L1 (1–4 marks) Mid mark 3	A very weak answer that will merely state a few of the issues involved but with no real analysis, and the answer is likely to include a lot of confusion / inaccuracies.

Evaluation

Level N3 (6–8 marks) Mid mark 7	<p>A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • Are all demerit goods equally liable to be the subject of possible indirect taxes? • What assumptions underpin the given values of the elasticities? • What could be meant by ‘ideal characteristics’? • Might a product be ideal in some respects but not in others? <p>There is likely to be a conclusion drawn at the end to explain the candidate’s overall view – even if this is that there is no clear-cut answer.</p>
Level N2 (3–5 marks) Mid mark 4	One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.
Level N1 (1–2 marks) Mid mark 2	<p>Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example:</p> <p>‘The price elasticity of demand for a product has an important effect on how its sales might be influenced by imposing an indirect tax on it’.</p>

Question	Answer	Marks
3	<p>'In order to prevent exploitation of consumers, governments should regulate the behaviour of firms in oligopolistic markets'.</p> <p>To what extent do you agree with this assertion?</p> <p>Candidates should show a good understanding of what is meant by 'firms in oligopolistic markets'. They should address the question of whether or not all such firms behave in a way that leads to the exploitation of consumers. In addition, possible methods of government regulation in this area should be explored. Better candidates are also likely to consider the possible effectiveness of such actions, and indeed whether they may in fact make the situation worse rather than better.</p> <p>Answers may include:</p> <p>Knowledge and understanding of the market structure of oligopoly, and of the range of types of behaviour displayed by firms in such industries ; this should cover both competitive and collusive behaviour, and include such practices as limit pricing, predatory pricing, monopoly-style profit maximisation, price stability with non-price competition.</p> <p>Application: Consideration of some real world examples of firms' behaviour in oligopoly situations is desirable, as is consideration of possible methods adopted by governments to regulate oligopolistic behaviour.</p> <p>Analysis: Explanation of the way firms in an oligopoly impact on consumers, in terms of prices, quality, choice, long-run innovation, etc. There is likely to be use of a diagram or diagrams to help to explain this impact, and criteria for assessing what is 'exploitation' of consumers need to be considered.</p> <p>Evaluation of the issues involved Examples:</p> <ul style="list-style-type: none"> • Are all oligopolies the same in terms of their structure? • What constitutes 'exploitation' of consumers in the context of the behaviour of oligopolistic firms? • Might some consumers benefit whilst others lose out? • Might the situation differ between the short- and the long-run? • Do governments have sufficient knowledge in order to intervene effectively? May such intervention actually make the situation worse? <p>In a well-structured answer, there will be a conclusion reached that responds to the precise form of the question 'to what extent do you agree?'</p>	25

Theory and analysis

Level L4 (13–17 marks) Mid mark 15	There will be clear and accurate explanations of an oligopolistic market structure, and of behaviour of firms operating within such a structure. There will almost certainly be an accurate use of relevant diagram[s]. The issue of exploitation of consumers will be directly addressed, as will that of possible methods of government intervention. At the top of this level, there will also need to be some discussion of the effectiveness of regulation, and of the possibility of government failure.
Level L3 (9–12 marks) Mid mark 11	The candidate is likely to have a decent knowledge of the structure of, and behaviour of firms in, oligopoly, but may lack other than superficial explanation of either consumer exploitation or relevant government regulation.. Alternatively, not enough will be explained – merely stated. Little or no consideration will be given to the possibility of government failure.
Level L2 (5–8 marks) Mid mark 7	Any ‘analysis’ is likely to be superficial and will most likely consist of a few statements without any explanation, or the explanations are likely to contain errors. Answers at this level may touch on issues of exploitation or otherwise of consumers, or government regulation, but at a very low level.
Level L1 (1–4 marks) Mid mark 3	A very limited or incorrect grasp of the behaviour of oligopolistic firms, with little of relevance on consumer exploitation or government intervention.

Evaluation

Level N3 (6–8 marks) Mid mark 7	A good answer is likely to discuss issues such as: <ul style="list-style-type: none"> • Do firms in oligopoly always exploit consumers? • May consumers actually benefit when an industry is oligopolistic? • Might government regulation be ineffective, or indeed worse? There is likely to be a conclusion drawn at the end to explain the candidate’s overall view – even if this is that there is no clear-cut answer.
Level N2 (3–5 marks) Mid mark 4	One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.
Level N1 (1–2 marks) Mid mark 2	Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: ‘Oligopolists sometimes charge lower prices than firms operating in perfectly or imperfectly competitive industries.’

Section B

Question	Answer	Marks
4	<p>‘The benefits of economic growth always outweigh the costs of economic growth.’</p> <p>Discuss this view.</p> <p>Candidates should show an understanding of economic growth, both as increased real output over time and as increased capacity over time. There needs to be a full discussion of both benefits and costs resulting from the achievement of economic growth. Good answers will also attempt to assess the relative strengths of each, which may differ in different circumstances.</p> <p>Answers may include:</p> <p>Knowledge and understanding of the meaning of economic growth, and of benefits and costs that may accrue from it.</p> <p>Application in terms of real world examples of growth outcomes in different circumstances would enhance the quality of an answer.</p> <p>Analysis of the consequences of economic growth, acknowledging too that different causes may have different consequences, and in different circumstances – e.g. the likely benefits and costs of increased incomes resulting from demand-side causes in a high-income economy may be very different from those resulting from supply-side causes in a less developed economy.</p> <p>Evaluation of the issues involved. Examples:</p> <ul style="list-style-type: none"> • What links economic growth and standards of living? Does economic growth necessarily mean increased standards of living? • Can the benefits and costs of economic growth be quantified? • May the benefits and costs of economic growth vary according to time and place? • Are benefits and costs of economic growth always shared equally within a nation? 	25

Theory and analysis

Level L4 (13–17 marks) Mid mark 15	There will be a clear discussion of both interpretations of economic growth. Benefits and costs will each be thoroughly explained, and at the top level there will be an assessment of their relative strengths, as well as a recognition that these will vary according to circumstances.
Level L3 (9–12 marks) Mid mark 11	There will be some consideration of the meaning of econ. growth, and of both benefits and costs, though there may be some superficiality in some element[s] of the explanations. Thus there may be a good understanding shown of benefits of growth, perhaps including in different circumstances, for example, but costs of growth may be less well considered, or an answer may concentrate largely on just one interpretation of economic growth.
Level L2 (5–8 marks) Mid mark 7	There may be some appreciation of the main issues behind the question but the answer is likely to contain some misunderstandings of the meaning of economic growth, or of benefits or costs. Alternatively, there may be significant gaps in the discussion – e.g. no consideration of downsides of growth.
Level L1 (1–4 marks) Mid mark 3	There is very little evidence shown that the candidate genuinely understands what the question is about, and may concentrate on the mechanics of AD/AS analysis, for example.

Evaluation

Level N3 (6–8 marks) Mid mark 7	<p>A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • Can economic growth be unambiguously measured, or indeed defined? • How may the benefits of economic growth vary in different circumstances? Are they likely to be shared equally? • How can costs be weighed against benefits? • May there be differences between short-term and long-term costs and benefits of economic growth? <p>There is likely to be a conclusion drawn at the end to explain the candidate's overall response.</p>
Level N2 (3–5 marks) Mid mark 4	One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.
Level N1 (1–2 marks) Mid mark 2	<p>Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example:</p> <p>'The benefits of economic growth may sometimes be outweighed by its costs'.</p>

Question	Answer	Marks
5	<p>Policymakers are concerned about the overall economic effects of a sizeable and persistent current account deficit in their country's balance of payments.</p> <p>Discuss whether fiscal policy would be the most effective way to address their concerns.</p> <p>Candidates should show a good understanding of what is meant by a current account deficit, and of the likely effects on an economy if it is both sizeable and persistent. The advantages and possible downsides of the use of fiscal policy in response need to be explained, and compared to the use of at least one other alternative type of policy – e.g. interest rate or exchange rate.</p> <p>Answers may include:</p> <p>Knowledge and understanding of the meaning of a current account deficit, and of possible causes and consequences. There also needs to be understanding of how fiscal policy, and at least one other policy, can be used to address the problems resulting from a current account deficit.</p> <p>Application to different real world situations will enhance the quality of an answer – e.g. the long-standing UK current account deficit.</p> <p>Analysis of the factors leading to a current account deficit, and of the consequences of such a deficit if it is both sizeable and persistent. There also needs to be explanation of how fiscal methods, and at least one other method, can work to address the concerns that result from a deficit. [ie for fiscal policy, reduced G and/or increased t to reduce AD and so the value of M ; or reduced t to increase incentives, and/or increase targeted G, to increase productivity so as to improve the value of X-M.</p> <p>Evaluation of the issues involved. Examples:</p> <ul style="list-style-type: none"> • Do current account deficits have the same consequences whatever their cause? • What is it about such deficits that cause policymakers concerns? • Can fiscal policies always be used in the circumstances of the question? • How ought the different possible policy methods to be assessed? <p>A well-structured answer will come to a reasoned conclusion, that addresses the issue of 'most effective way'.</p>	25

Theory and analysis

Level L4 (13–17 marks) Mid mark 15	There is likely to be a clear explanation of the effects of a country having a sizeable and persistent current account deficit, and of how both fiscal policy and at least one other type of policy can work to alleviate the problems. At the top level, there will also be an explicit attempt to compare the methods identified, in terms of their effectiveness.
Level L3 (9–12 marks) Mid mark 11	There will be reasonable understanding shown of both the effects of a country having the deficit, and of how policies can work to improve the situation. However, there may be gaps – limited explanation of the effects, or exploration only of fiscal policy, for example – or, although the coverage may be sound, the analysis may be superficial in places.
Level L2 (5–8 marks) Mid mark 7	The answer is likely to be superficial and there will be very limited explanation of either the problems or the policies. Far too much will be left simply stated rather than explained.
Level L1 (1–4 marks) Mid mark 3	There will be little if any relevance. The answer may well talk about balance of payments, but with little link to problems of deficits or of relevant policies, or it may confuse with budget deficits.

Evaluation

Level N3 (6–8 marks) Mid mark 7	<p>A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • Are balance of payments current account deficits always cause for concern? • How should different policy options be assessed against each other? • Might fiscal policy be better under some circumstances but not under others? <p>There is likely to be a conclusion drawn at the end to explain the candidate's overall view – with specific reference made to 'the most effective way'.</p>
Level N2 (3–5 marks) Mid mark 4	One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.
Level N1 (1–2 marks) Mid mark 2	<p>Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example:</p> <p>'Fiscal policy is not always the best way to respond to a current account deficit.'</p>

Question	Answer	Marks
6	<p>‘Customs unions impose greater costs on the global economy than free trade agreements’.</p> <p>Discuss this view.</p> <p>Candidates should show a good understanding of the nature of both a free trade area and of a customs union, and need to explain both the benefits and the possible downsides of each as a form of international economic co-operation. There needs to be clear distinction made between the effects on participating and non-participating countries.</p> <p>Answers may include:</p> <p>Knowledge and understanding of the characteristics of both a free trade area and a customs union, and of their economic effects, on both participating countries and others not inside the grouping.</p> <p>Application: The use of examples of both FTAs and customs unions from the real world will enhance the overall quality of the answer.</p> <p>Analysis of the impact of the creation of a free trade area on both members and non-members. There also needs to be explanation of the extra impacts if the grouping is in the form of a customs union. Further, consideration should be given to how the costs to the global economy can be identified.</p> <p>Evaluation of the issues involved. Examples:</p> <ul style="list-style-type: none"> • Are all FTAs and all customs unions the same? • Do all countries benefit equally when they form a free trade area, or a customs union? • Do countries outside the grouping, of whichever form, necessarily lose from its formation? • May benefits or costs differ in the short- and long-run? • How, if at all, can ‘costs’ imposed on the global economy be aggregated? 	25

Theory and analysis

Level L4 (13–17 marks) Mid mark 15	There is a clear and accurate explanation of the nature of both free trade areas and customs unions, and of the economic effects of the creation of each on both member countries and on others outside the grouping. At the top level, there will also be an attempt to discuss how the overall costs of each to the global economy might be assessed.
Level L3 (9–12 marks) Mid mark 11	The answer will demonstrate a grasp of the two types of economic grouping and there will be at least some consideration of the possible consequences of each, though at least one explanation may be fairly superficial, and there is unlikely to be much if any discussion of impacts on third party countries.
Level L2 (5–8 marks) Mid mark 7	Any analysis is likely to be rather superficial and there will, at best, be limited knowledge shown of the effects on different countries of the two types of economic grouping – although the candidate may show that they have some idea that some countries may benefit more than others.
Level L1 (1–4 marks) Mid mark 3	There will be little if any relevance. No relevant theoretical analysis will be included, although there may be some knowledge perhaps of the characteristics of the two types.

Evaluation

Level N3 (6–8 marks) Mid mark 7	A good answer is likely to discuss issues such as: <ul style="list-style-type: none"> • Are all free trade areas or customs unions always the same? • Do they always confer the same benefits on participating countries? • Do some countries have to lose when others gain from forming either type of grouping? • How can the effects on the global economy be assessed? There is likely to be a conclusion drawn at the end to explain the candidate's overall view – even if this is that there is no clear-cut answer.
Level N2 (3–5 marks) Mid mark 4	One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.
Level N1 (1–2 marks) Mid mark 2	Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: 'Some countries suffer when others form a trading arrangement between themselves'.