

ECONOMICS (PRINCIPAL)

9772/02

Paper 2 Essays

May/June 2019

2 hours 15 minutes

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.

Write your centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **three** questions. **One** question must be chosen from Section A and **one** question from Section B. The third question can be chosen from either section.

You are advised to spend 5 minutes planning each answer and no more than 40 minutes writing each essay.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

All questions carry equal marks.



This syllabus is regulated for use in England, Wales and Northern Ireland as a Cambridge International Level 3 Pre-U Certificate.

This document consists of **2** printed pages.

Answer **three** questions. **One** question must be chosen from Section A and **one** question from Section B. The third question can be chosen from either section.

Section A

- 1 A firm had estimates of the elasticities of demand for its domestic consumer service product in the past, when the national economy was in recession, and in the current year, after the recession has ended, as follows:

	recession year	current year
price elasticity of demand	-0.30	-0.25
income elasticity of demand	-0.50	-1.50

Discuss the extent to which these estimates could be of help to the firm in its current and future decision-making. [25]

- 2 “Government should intervene on economic grounds to prevent the availability of potentially harmful goods and services such as alcohol and gambling.”

To what extent do you agree with this statement? [25]

- 3 “The so-called ‘gender pay gap’ – that the average wage of females in full-time work is only around 80% of the average male wage – does not represent discrimination against female workers. Instead, the differences between male pay and female pay merely reflect differences in supply and demand conditions in the market.”

Discuss the economic validity of this assertion. [25]

Section B

- 4 “Unemployment in Italy was measured at 11.5% in February 2017, with youth unemployment over 35%. To avoid the huge waste that these figures represent, Italy should abandon its commitment to the Euro, and instead revert to its own free-floating currency.” Discuss this view. [25]

- 5 “The UK rate of inflation, as measured by the annual change in the CPI, increased from 1.0% in August 2016 to 2.7% in August 2017.”

To what extent do you agree that when the rate of inflation is above target, interest rates should be increased? [25]

- 6 “Globalisation may have brought huge benefits but there have also been costs, including significantly increased inequality both within and between economies.”

Evaluate this statement. [25]

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