



ECONOMICS (PRINCIPAL)

9772/01

Paper 1 Multiple Choice, Short Answers and Data Response

May/June 2018

MARK SCHEME

Maximum Mark: 80

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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This document consists of **11** printed pages.

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.

Question	Answer	Marks
Section A: Multiple Choice		
1	D	1
2	B	1
3	C	1
4	A	1
5	C	1
6	C	1
7	B	1
8	D	1
9	B	1
10	C	1
11	D	1
12	B	1
13	C	1
14	A	1
15	C	1
16	C	1
17	B	1
18	B	1
19	C	1
20	D	1
21	B	1
22	C	1
23	B	1
24	D	1
25	C	1
26	D	1
27	C	1

Question	Answer	Marks
28	D	1
29	A	1
30	A	1

Question	Answer	Marks
Section B: Short Answers		
1(a)	<p>1 mark for identification of the market clearing price as £1.</p> <p>2 × 1 mark for calculation of consumer and producer surplus:</p> <ul style="list-style-type: none"> • Consumer surplus ($£1.00 + £0.50 + £0.25 + £0.10$) = £1.85 • Producer surplus ($£0.60 + £0.40 + £0.20 + £0.10$) = £1.30 	3
1(b)	<p>1 mark for drawing the diagram accurately, with the minimum price correctly placed above the original equilibrium.</p> <p>1 mark for correctly showing the fall in the quantity consumed from 'Q1' to 'Q2'.</p>	2

Question	Answer	Marks
2(a)	<p>1 mark for definition of positive externality as a benefit to a third-party (not the direct user or social media company).</p> <p>Up to 2 marks for explanation of its application to social media use, for example a retail company mentioned in a positive light by a social media user will receive 'advertising' which can be spread widely at no cost to the retailer.</p>	3
2(b)	<p>1 mark for each of two reasons, for example:</p> <ul style="list-style-type: none"> • Maximising access to consumers/awareness/gain market share • Marginal cost of supplying to an additional consumer is extremely low • Act as a barrier to entry • Make profit by charging for a more advanced version of the app once consumers appreciate its value (cross-subsidy/loss leader idea) • Make profit from other firms advertising on the app • Competitors offer for free. 	2

Question	Answer	Marks
3(a)	<p>Up to 2 marks for an explanation of the type of integration.</p> <ul style="list-style-type: none"> • 1 mark for 'same stage of production' or horizontal integration. • 1 mark for 'same industry (beer)'. 	2
3(b)	<p>1 mark for each of any three relevant factors, such as:</p> <ul style="list-style-type: none"> • Impact on the ability of the merged company to use a dominant position/market share. • Impact on price. • Impact on collusion. • Impact on contestability. • Impact on the quality of the goods/service provided. • Impact on consumer choice. • Impact on the ability of the merged company to exploit a monopsony. • Impact on jobs – i.e. the level of employment in the sector. • Impact on other firms. 	3

Question	Answer	Marks
4(a)	<p>1 mark for each of any three possible reasons, for example:</p> <ul style="list-style-type: none"> • Women occupy more part-time positions than men. • Women may be less likely to be promoted than men. • Women may take a maternity break in their career whilst men are less likely to take a paternity break. • Women may be less likely to work in industries with 'bonuses'. • Women may be less likely to be unionised than men. • Women may receive fewer years of schooling, reducing their earning potential • Women may be discriminated against/work place culture of inequality. <p>Candidates should be rewarded for good economics.</p>	3
4(b)	<p>Up to 2 marks for explaining one way this could affect pay differentials, for example:</p> <ul style="list-style-type: none"> • On the demand-side, firms known for paying women less than men are likely to see pressure from less demand for their goods/services, or receive pressure/lobbying and this pressure might induce them to reduce gender-based pay differentials. • On the supply-side, firms known for paying women less than men might see fewer women willing to work for them/leave their firm and might thus struggle to attract/retain the highest quality labour. As a result, this might reduce gender-based pay differentials. • It may bring to light a previously unknown pay differential that the firm addresses voluntarily. As a result, this reduces gender-based pay differentials. 	2

Question	Answer		Marks	
Section C: Data Response				
5(a)	Knowledge		2	
	2 marks	Definition of globalisation highlighting two of greater freedom of movement of goods and services, factors of production and financial capital. OR a process of ever increasing integration between national and regional economies towards a single international market.		
	1 mark	Definition of globalisation in more general terms, highlighting increased free trade, increased power of multinational corporations or economic integration without specific detail.		
	0 mark	No relevant understanding of the nature of globalisation.		
5(b)	Knowledge		3	
	2 marks			Identification of the different groups/percentiles who have done well out of free trade (e.g. 10th–70th) and those who have done less well (e.g. 77th–87th.)
	1 mark	Ability to identify the different percentiles who have gained/lost from free trade.		Identification of one of the above.
	0 mark	No ability to identify the different percentiles who have gained/lost from free trade.		No relevant or very limited explanation.

Question	Answer			Marks
5(c)		Application	Analysis	5
	3 marks		Explanation of the tariff diagram, noting the rise in domestic output and employment which might protect domestic workers at the expense of other economic agents: domestic consumers domestic firms foreign firms foreign workers foreign governments.	
	2 marks	Accurate drawing of a tariff diagram showing that tariffs increase domestic output but at the cost of higher prices.	Explanation of the tariff diagram, noting the rise in domestic output and employment which might protect domestic workers.	
	1 mark	An attempt to draw the above, albeit imperfectly.	Explanation of the tariff diagram, although some of the explanation might not be clear.	
	0 mark	An inability to draw an accurate tariff diagram.	No meaningful analysis of the tariff diagram.	

Question	Answer			Marks
5(d)		Analysis	Evaluation	10
	6 marks		Clear evidence of evaluation and excellent awareness of the relative strengths of the arguments given.	
	5 marks		Clear evidence of evaluation and very good awareness of the relative strengths of the arguments given.	
	4 marks	Good explanation of a suitable range of relevant issues within a clear structure.	Clear evidence of evaluation and good awareness of the relative strengths of the arguments given.	
	3 marks	Reasonable explanation of a limited range of relevant issues: some structure to the answer.	Some evidence of evaluation and/or limited awareness of the relative strengths of the arguments given; may well have no final conclusion.	
	2 marks	Partial explanation given: a limited or unstructured answer.	Some evidence of evaluation but no clear conclusion.	
	1 mark	Partial explanation given; a very limited answer.	Limited evaluation.	
	0 mark	No relevant explanation.	No evaluation.	
<u>Analysis</u>				
Answers without direct reference to the issues raised in the data will be awarded a maximum of 4 marks. There are a number of leads in the data to pursue. The issues that might be analysed include:				
<ul style="list-style-type: none"> • The extent to which there is a positive relationship between reduction in tariffs rates and growth. • The extent to which globalisation between 1988 and 2008 has seen incomes rise for the vast majority of the global population. • Analysis of the distributional consequences of globalisation, with the IMF report noting that ‘the gains from growth often have not been broadly shared’, but that the vast majority of people have gained. • Consideration of the ‘Case Against Globalisation’ highlighted in Table 1. 				
<u>Evaluation</u>				
Good candidates are likely to consider a number of points:				
<ul style="list-style-type: none"> • The relative merits of the ‘Case For’ and the ‘Case Against Globalisation’ in Table 1 – for example, is there empirical evidence of a ‘race to the bottom’ in developing economies? • Whether the use of ‘unfair trading practices’ (Extract 2, Line 15) justifies rolling back globalisation. 				

Question	Answer	Marks
5(d)	<ul style="list-style-type: none"> • The extent to which any rollback of globalisation is feasible, given the extent of global economic integration. This might refer to multi-stage production processes or the integration of global capital markets. • Whether or not ‘globalisation’ has actually occurred – candidates might suggest that we largely have the free movement of goods and services and financial capital, but that factor mobility, especially with regard to labour, lags behind. • The extent to which the uneven distribution of the gains from globalisation have been offset by other factors such as greater product choice and improvements in product quality. • Evaluation of the fact that your view of whether or not globalisation should be rolled back is dependent upon your perspective – domestic firms that are out-competed by foreign competition, and the workers subsequently made redundant will have a different view to those people lifted out of poverty. • An awareness that rising incomes are only one measure of the standard of living, and that globalisation might be associated with other costs – longer working hours, poor working conditions and the costs of dislocation as rural workers migrate in search of work. <p>For each of the areas mentioned above, a clear and full appreciation of the relative merits of at least two of the issues mentioned above, or similar, is needed for an award of all 6 evaluation marks. This question is open-ended and allows candidates to adopt a range of approaches to answering it. Good economics should be rewarded.</p>	

Question	Answer			Marks
5(e)		Analysis	Evaluation	10
	6 marks		Clear evidence of evaluation and excellent awareness of the relative strengths of the arguments given.	
	5 marks		Clear evidence of evaluation and very good awareness of the relative strengths of the arguments given.	
	4 marks	Good explanation of a suitable range of relevant issues within a clear structure.	Clear evidence of evaluation and good awareness of the relative strengths of the arguments given.	
	3 marks	Reasonable explanation of a limited range of relevant issues: some structure to the answer.	Some evidence of evaluation and/or limited awareness of the relative strengths of the arguments given; may well have no final conclusion.	
	2 marks	Partial explanation given: a limited or unstructured answer.	Some evidence of evaluation but no clear conclusion.	
	1 mark	Partial explanation given; a very limited answer.	Limited evaluation.	
	0 mark	No relevant explanation.	No evaluation.	
<p><u>Analysis</u></p> <p>Good answers to this question will immediately identify that a definition of ‘inclusive growth’ is important and that the case for supply-side policy reflects the dynamic nature of trade. Empirically, globalisation has generated growth: however, factors of production are not perfectly mobile and this might necessitate supply-side intervention. Equally, candidates might argue that supply-side policy need not involve intervention but might see an increasingly laissez-faire approach, because existing policies might impede the process of adjustment.</p> <p>Some of the issues that might be considered include:</p> <ul style="list-style-type: none"> • Consideration of the extent to which globalisation generates inclusive growth as a matter of course. • Candidates might highlight the final paragraph of Extract 1 (Line 15 onwards) and note that for many developed economies there has already been considerable supply-side reform, but that this might not be true of developing economies. • Examples of the type of supply-side policies that might foster more inclusive growth, such as successful education and training programmes, or more sophisticated healthcare systems. 				

Question	Answer	Marks
5(e)	<p><u>Evaluation</u></p> <p>Candidates are likely to look at a range of issues. A clear and full appreciation of the relative merits of at least two of the issues mentioned below, or similar, is needed for an award of all 6 evaluation marks.</p> <ul style="list-style-type: none"> • Evaluation of the extent to which pursuing inclusive growth is likely to mean lower growth, and whether this is a worthwhile trade-off. • Assessment of the extent to which supply-side policy is ‘essential’; some candidates might argue that it is desirable but the opportunity cost of such policy might be too high for some economies. • The extent to which markets adjust to the dynamic effects of trade without any need for supply-side interventions. • The extent to which we should be concerned by ‘inclusive growth’ – should we pursue growth and assume that trickle-down effects will improve the living standards of all because ‘a rising tide lifts all boats’? • An assessment of whether the supposed losers from globalisation can attribute their position to ‘globalisation’ or whether other factors, such as technological advances have played more of a role. <p>Other valid points such be rewarded; however, the examiner should be sure that the candidate is directly answering the question. Again, candidates should be rewarded for genuine engagement with the question: they should be capable of reaching some form of conclusion as to whether supply-side policy is essential or not, but might suggest that the extent to which it is needed depends upon context.</p>	