

**MARK SCHEME for the May/June 2010 question paper
for the guidance of teachers**

9772 ECONOMICS

9772/01

Paper 1 (Multiple Choice, Short Answers and Data Response), maximum raw mark 80

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 must be read in conjunction with the question papers and the report on the examination.

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Section A

<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	D	16	D
2	A	17	A
3	D	18	C
4	C	19	B
5	D	20	B
6	B	21	C
7	A	22	C
8	C	23	C
9	B	24	B
10	C	25	B
11	C	26	A
12	C	27	D
13	D	28	A
14	C	29	B
15	B	30	C

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Section B

1 Real GDP per head is often used as an indicator for the standard of living.

(a) Why do we use 'real' values for this purpose? [2]

For an answer that recognises that 'real' values take inflation into account (1) and hence it makes figures more comparable (or similar explanation) (1)

(b) With the use of an example, explain why the distribution of income is also of relevance when comparing the standard of living in different countries. [3]

For an answer that explains that per head just gives the average value but does not consider inequalities within a country (2)

For providing an example of this – e.g. oil rich states or a numerical example (1)

No mark if wealth used instead of income.

2 (a) Using an example, explain the term 'seasonal unemployment'. [2]

For an accurate definition that it is unemployment that only occurs at certain times of the year/season (1). For providing an example of this – e.g. fruit pickers only employed in the summer months (1)

(b) Using an example, explain what can give rise to *structural* unemployment. [3]

For a clear understanding that events such as 'de-industrialisation/globalisation/out-sourcing can lead to the loss of a certain type of job within an economy – up to (2). For the use of a suitable example – e.g. decline in UK steel industry (1)

3 (a) Explain the likely implications for the price competitiveness of UK exports and imports if the sterling exchange rate appreciates. [2]

For a correct explanation that exports are likely to become less price competitive and imports more price competitive (2). Need to mention both for both marks.

(b) Explain why time lags are important when considering the effect that such an appreciation will have on the current account of the balance of payments of the UK. [3]

An explanation that for several goods that are exported and imported, orders have to be placed well in advance of delivery (1) and hence it takes time for changes in price competitiveness to feed through into changes in quantity (1) and hence into total export earnings/spending on imports (1)

Note – any answer that mentions inverse J curve effects should receive a minimum of two marks. If answer follows through from incorrect answer to part (a) then marks for (b) still available if consistent.

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4 (a) Explain the phrase 'fiscal deficit'. [2]

For an accurate definition of government expenditure being greater than the revenue from tax receipts in a particular year.

(b) With the use of examples, explain why a government's fiscal position is likely to worsen during a recession. [3]

During a recession, revenue is likely to be lower (1) due to less income earned, less profits made and fewer goods being bought and at the same time government expenditure on transfer payments e.g. income support and Job Seekers Allowances will be higher (1). Final mark (1) only to be awarded if at least two examples are used in the answer – even if both explain the same thing – i.e. either higher expenditure or lower tax receipts. Examples must aid explanation. Also accept any relevant discretionary changes as examples – e.g. reduction in rate of VAT

[Total: 20]

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Section C

5 (a) According to the article, what was the cause of the peak in demand for allotments? [2]

	Knowledge
2 marks	Demonstration of use of allotments to get around the problem of food shortages and rationing in the post-war years
1 mark	A recognition that it was something to do with either shortages or rationing
0 mark	No relevant understanding shown

No credit should be given for any answer that just states that people wanted to grow their own food, with no mention as to 'why'

(b) (i) Using Table 1, calculate the effect on the demand for allotments if the price of food rises by 10%. [1]

(ii) Explain why a change in the price of food has an effect on the demand for allotments. [2]

	Knowledge Q5 (b) (ii)	Application Q5 (b) (i)
2 marks	Clear understanding demonstrated of the fact that food and allotments are, in effect, substitute goods; if food bought in shops costs more, then the demand for allotments, upon which to grow one's own food, rises	
1 mark	Some understanding of the link shown but not precise and clumsy or inaccurate use of terminology, e.g. just stating that they are substitutes	Cross elasticity of demand : $= \frac{\% \text{ change in quantity demanded of allotments}}{\% \text{ change in price of supermarket food}}$ $\% \text{ change in } Q_a / \% \text{ change in } P_f = +0.8$ As $\% \text{ change in } P_f = +10\%$, $\% \text{ change in } Q_a =$ <u>+8%</u> Mark still given for +8% or 8% increase or just 8% even if working is not shown
0 mark	No knowledge shown	Failure to reach correct answer, regardless of any accurate intermediate working

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- (c) The article mentions two possible 'market solutions' to the problem of excess demand for allotments (lines 21–22). With the aid of a diagram, analyse how *one* of these solutions could be used to reduce this problem. [5]

	Knowledge	Application	Analysis
2 marks		Good, accurate application to this case Must consider excess demand	Good explanation of solution through use of diagram showing excess demand
1 mark	Identification of either annual rents or auctions	Either some application to allotments or general application to cases of excess demand	Partial explanation but too much is likely to be left just stated
0 mark	No or very limited understanding of either term	No attempt to apply the market solutions	No relevant analysis as to how solution will reduce the problem

Candidates should consider only one of the two suggestions of a raise in annual rents or an auction to allocate the allotments. If they cover both then credit only the better answer of the two.

- (d) Consider how far the 'non-market' approaches (lines 12–20) may provide an effective solution to the problem of excess demand. [10]

	Analysis	Evaluation
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 summary
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	Unsupported assertion
0 mark	No relevant explanation	No evaluation

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The article discusses the idea of:

- waiting lists
- sub-dividing current allotments
- the similar but not identical suggestion of giving new allotment holders smaller plots.

If only one suggestion is considered then the maximum mark available is 6 marks, regardless of the depth of analysis or evaluation.

The following issues might be addressed

Analysis

- Explaining how the suggestion will reduce current excess demand

Evaluation

- Discuss possible problems in terms of 'secondary markets' etc.
- Consider the effects on existing plot holders and new plot holders
To achieve four marks or more for evaluation, there must be some consideration of the relative merits of the policies considered
Credit can also be awarded under evaluation if the candidate dismisses all proposals and puts forward one of their own, but this idea can achieve no marks for analysis

(e) To what extent do you agree with the proposal of the author in the final paragraph that more land should be made available for allotments? [10]

	Analysis	Evaluation
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 summary
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	Unsupported assertion
0mark	No relevant explanation	No evaluation

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Candidates will be expected to examine both the effectiveness of providing more land and also consider whether this is a sensible use of the land. Candidates may wish to briefly revisit the issue of other alternative solutions as well as considering the other possible uses of the land and to open the whole issue of whether we need/should have more allotments.

Issues that may be considered include:

Analysis

- Explain how more land will address the issue of excess demand – possibly through the use of a supply and demand diagram
- Analyse why this is claimed to be the only long-term solution – as opposed to a short-term solution

Evaluation

- Discussion of whether use of scarce land for allotments is for the best, even if it were to solve the problem of excess demand for allotments
- Consideration of the phrase '**must be** to make more land available' in the article
- Consideration of whether an increase in supply might not actually lead to a further increase in demand and hence exacerbate the problem of excess demand
- Discussion of whether, in the last paragraph, the author is looking to solve the problem of excess demand or merely to achieve greater output of home grown fruit and vegetables

[Total: 30]