



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Level 3 Pre-U Certificate
Principal Subject

ECONOMICS

9772/02

Paper 2 Essays

May/June 2012

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 a soft pencil for any diagrams, graphs or rough working.

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

Answer **three** questions. **One** must be chosen from Section A and **one** 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.

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



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

Section A

1 A national supermarket chain is thinking of introducing a new range of locally sourced, organic fruit and vegetables across its stores. Before it launches the range, it commissions a national survey for its proposed pricing strategy and the survey produced these estimates for middle income consumers:

- price elasticity of demand -2.4 ;
- income elasticity of demand $+1.9$;
- cross elasticity of demand with respect to the prices of regular fruit and vegetables $+3.7$.

Discuss how the supermarket might use this information to increase overall profit. [25]

2 With reference to examples, evaluate the degree to which oligopolistic markets will result in collusion. [25]

3 The best way to tackle the market failures associated with the consumption of alcohol is through the introduction of a minimum price.

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

Section B

4 To what extent should governments prioritise the control of inflation over the goal of low unemployment? [25]

5 Discuss the extent to which fiscal policy alone can reduce income inequality. [25]

6 Free trade creates many losers as well as winners, particularly in manufacturing. Thus, there is a strong case for protectionism in more economically developed countries (MEDCs).

To what extent do you agree with this argument for protectionism? [25]

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