

ECONOMICS

<p>Paper 9772/01 Multiple Choice, Short Answers and Data Response</p>
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Key messages

- It remains important for candidates to answer the set question, especially in terms of how much depth is required when answering **Section B**. There is still a tendency for many candidates to write too much in this section of the paper, where short answers only are required.
- It is important for candidates, when answering the Data Response questions on Paper 1, to read the set questions and the stimulus materials carefully. Candidates are rewarded for directness in answering the question rather than trying to answer a question of their own choosing. Equally, when instructed to refer to the Extracts, candidates must do so; to omit this will limit the ability of candidates to score highly. Further, questions are often looking for explicit awareness of the 'net' effects of a change.

General comments

At the top end, candidates continued to demonstrate high order skills in applying economic principles to challenging and unanticipated contexts. Whilst some of the questions in **Section C** covered areas that have previously been examined, it looked at economic theory in a different context, and **Section B** focused on various aspects of macroeconomics. As in previous years, although most candidates managed to produce comprehensive answers, for some, getting their timing right was problematic. Candidates can continue to improve in this regard; however, the Principal Examiner believes that this is becoming less of a challenge.

Comments on specific questions

Section A

The multiple choice questions remain a good discriminator: although the examiners are trying to offer a range of questions, very high scores remain elusive and this section of the paper differentiated between candidates of different abilities. A lower mean than in previous years can, in part, be attributed to a number of new centres taking the paper and suggests that although some candidates, and Centres, are becoming more familiar with the type of question that they will face, others find the paper tough. However, there are seven live past papers, not including Specimen Papers, and practice in this area will help improve performance. In setting the paper, Examiners are looking for accessibility at the bottom and stretch-and-challenge at the top, and we always welcome comments on the questions through Form 8.

All the following comments should be read in conjunction with the published final mark scheme for this paper where greater guidance can be obtained as to what exactly it was that the Examiners were looking for or expecting – always bearing in mind that the unexpected answer is fairly rewarded, providing that it is both accurate and relevant.

Comments on specific questions

Section B

This section produced a range of answers, from full or close to full marks at the top to some very weak scripts. Questions covered a wide cross-section of the syllabus, with particular focus on macroeconomic elements of the syllabus.

Question 1

- (a) It was intended that this question would allow all candidates to get off to a reasonable start. Candidates simply needed to state that the Gini co-efficient was calculated by $A/(A + B)$.
- (b) This question rewarded clarity of explanation: at the bottom end, some candidates argued rather circularly that higher incomes lead to more wealth which might, in turn, lead to higher income in future. Better candidates often started by defining both income and wealth before highlighting that higher incomes lead to higher wealth, primarily via asset purchases. Candidates could score full marks if they looked at how higher income led to higher wealth or vice versa; some even suggested instances where the relationship between the two wasn't positive.

Question 2

There were a variety of ways that candidates could score full marks here, provided that they identified the fact that changes in the price of exports and imports were responsible for a short-run fall in net exports but that, in the long-run, net exports could be expected to increase. Good candidates found this question straightforward: good definitions, explanations of why the demand for exports and imports might be expected to be inelastic in the short- but not the long-run and clear demonstration of the J-curve effect were all rewarded.

Question 3

- (a) Candidates found this the simplest question on this section of the paper, with the vast majority being able to calculate the multiplier as 5 (i.e. $1/(1 - 0.8) = 5$).
- (b) The Examiners thought that this question would elicit responses that focused on the demand-side of the question: it was thought the candidates would appreciate the fact that the transfer of a given sum from the rich to the poor would increase consumption because the latter had a higher marginal propensity to consume. Good candidates then argued that this would mean that the size of the multiplier would be larger as a consequence.

However, candidates who argued that this might incentivise the poor to work harder, increasing productivity, and, shifting long-run aggregate supply outwards were also rewarded, despite this not being the expected response.

Question 4

This question asked for elementary definitions, an appropriate example and some comment on the difference between the two types of unemployment. However, many candidates ignored the latter element of the question, even the most able. Most candidates were able to define 'structural unemployment' and give an example, but it proved harder to define 'demand-deficient unemployment'. Some definitions argued that it resulted from a shortage of demand in a particular market, rather than a lack of aggregate demand in the economy as a whole. It was accepted that this might make the selection of a specific example difficult, but any example that referred to the effects of 'recession' were credited.

Section C

Question 5

The aim of this section is designed to test candidates' abilities to respond to stimulus material, manipulate and interpret data, and to apply economic principles to unfamiliar contexts. This year's question should have been relatively accessible, if only because the subject matter should have been familiar to many candidates, given the essay question asked in 2012. At the top end of the ability range there was a pleasing ability to be direct in answering the question, applying economic principles and to reach reasoned and balanced conclusions. In contrast, weaker responses were sometimes overly reliant on repetition of the Extracts without sufficient development of either analytical or evaluative arguments.

- (a) It was to be hoped that this part would provide a relatively simple start to the question; however, whilst good candidates found it easy, the number of candidates unable to perform a simple elasticity calculation was disappointing.
- (b) This question proved to be harder than it first appeared: often candidates went for an overly simplistic assessment of behavioural or menu cost arguments and got 2 rather than 3 marks. To get the third mark, there needed to be some assessment of the implications of not changing price within a competitive market, particularly if there were some attempt to differentiate between large supermarkets and smaller retailers.
- (c) The majority of candidates were able to draw an externality diagram – and it didn't matter whether the cause of the market failure was a divergence between MSC and MPC, or MPB or MSB. To score full marks, candidates needed to clearly highlight the form that the market failure took, identify the extent to which alcohol was over-consumed and draw an accurate diagram. It was disappointing to see some candidates struggle to draw a straightforward externality diagram.
- (d) Given the question, it was expected that candidates would start by determining whether a minimum price per unit was 'the best' way of tackling the 'problems caused by alcohol' before looking at how a minimum price could be used to do this. Most candidates were able to do this, develop an answer with reference to price elasticity of demand and supply and the size of the minimum price.

In many regards, it was thought that typical evaluative angles would consider the opportunity cost of intervention, the possibility of government failure and the likely distributional issues associated with this. However, the Principal Examiner was surprised that so few candidates offered a diagrammatic demonstration of government failure. Weaker answers often conflated a minimum price with a tax, and this led to a degree of confusion.

Given the explicit instruction to refer to Extract 3, candidates were expected to pick up on some of the policies suggested, and develop them, allowing for the time constraint of examination conditions. However, it was felt that some of the analysis and evaluation was a touch pedestrian in places.

Good candidates were aware of the complexity of the issue and wrote well on the issue, with education a popular line of argument although, typically, only the better candidates expressed doubts as to the efficacy of such schemes, relative to their opportunity cost.

- (e) As in 2015, this question was the most 'open' of the extended answers: the best answers went well beyond the scope of the original mark scheme and were quick to identify that the answer to the question was dependent upon the 'net' effect of 'boosting' the industry, given that this was also likely to increase the negative externalities associated with alcohol consumption.

The very best answers identified that the two aims – of 'boosting' the industry and simultaneously tackling the problems associated with alcohol – need not be mutually exclusive, with one answer suggesting that supporting the production of real ale and exports of Scottish whisky were unlikely to contribute to binge drinking. Similarly good answers looked at separating different classes of drinker and recognised the complexity of the question. However, the very best candidates looked at the policy implications in the context of the current fiscal position – suggesting that the current state of public finances. To score highly, candidates needed to develop a balanced argument before reaching a conclusion.

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These extended questions are looking to reward good economics, and evaluation of these ideas. If candidates are willing to engage directly with the question they will be rewarded, and the best candidates produce answers that are a delight to mark. This continues to be one of the real strengths of the Pre-U Economics examination.

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Paper 9772/02
Essays

Key messages

The most important message for candidates is that they should answer precisely the question asked. This also links to the need to choose questions sensibly. Sometimes a candidate chooses a question without fully grasping what answering it actually involves, and then answers a question which is not quite the one asked. In fact, poor question choice is often a major cause of a candidate performing less well in an essay examination than he or she is expected to do.

A second message is that it is always good examination technique to ensure that the conclusion of an answer should refer explicitly to the particular form of expression in the question asked. Most questions contain a key word or phrase that it is sensible to make reference to in a concluding paragraph of an essay.

General comments

The structure of the paper was unchanged from previous years, with the overall response by candidates also broadly unchanged. All six essays were answered by at least reasonable numbers of candidates, with **Questions 2** and **4** being the least popular.

No candidates committed rubric errors, and there was no significant evidence of problems completing the paper in the time available, though a small minority of candidates did write considerably less extensively on their third essay question than they had for their previous two.

The level of difficulty of the six questions was fairly even, even if they were perhaps slightly more challenging on average in some respects than has been the case in the past. The average standard of answers remained high, though, with again a comfortable majority of scripts being assessed as of D3 standard or better. As usual, **Section A** asked questions on micro-economics and **Section B** on macro-economics, but there was no significant difference in the overall standard of answers to each section.

Most candidates showed a good understanding of relevant economic concepts and principles, with only a small number of cases where there was serious confusion – most particularly over efficiency in **Question 1** and public goods in **Question 2**. The quality of explanation of required economic theory was almost invariably sound at least, and also generally relevant and appropriate to the context of the question being answered. Variability of performance was much more to do with the extent to which candidates answered explicitly the precise question asked.

It is vital, if candidates are to do themselves full credit, that they attempt to answer each aspect of a question, and in the precise terms in which the question is expressed. Both types of weaknesses occurred. Perhaps three particular examples will illustrate the point – but both weaknesses were apparent in some answers to all six questions. In **Question 3**, many candidates largely or entirely ignored the poverty element of the question. And in **Questions 1** and **5**, ‘necessarily’ and ‘alone’ respectively represent aspects of the issues at hand that ought to be addressed in a full consideration of the question.

Below are more detailed comments on individual questions; they should be read in conjunction with the extensive mark scheme.

Comments on specific questions

Section A

Question 1

This question was quite popular, and elicited a wide range of quality of responses. Answers needed to address the meaning of 'efficiency' explicitly, whereas there were a few weak ones that seemed not to realise that the term had technical meanings in Economics. There were also issues concerning the role of the theory of market structures in attempting to answer the question. Again, answers varied considerably in this aspect. Weaker ones seemed to take it for granted that 'small' firms operate in perfectly competitive industries whilst 'large' ones are monopolies – neither of which, clearly, is necessarily the case. What was required – and there were quite a few excellent answers that did indeed do this – was to give at least some consideration to the issue of the size of a firm separately from, even though quite possibly closely related to, the issue of the market structure of the industry in which it operates. The better answers illustrated their analysis with the appropriate use of diagrams, and indeed the very best usually used two diagrams, one showing circumstances when large firms were likely to be more efficient and the other showing a contrary situation. Many of the better quality answers also gave some consideration to the question of the possibility of non-profit maximising objectives of firms, and related this discussion to the issue of efficiency. Finally, an important element of evaluation expected was that the word 'necessarily' be addressed explicitly.

Question 2

This question was not quite as popular as the others in **Section A**, though also answered very well by some, averagely by others, and poorly by a small minority. The crucial element in determining the quality of an answer was how a candidate chose to explain the nature of the products in question – access to museums and art galleries. Some attempted to go down the public good route, and were thereby clearly in difficulty, since there is certainly excludability involved in the provision. Those who regarded them as examples of merit goods and/or as having positive consumption externalities tended to give much more convincing answers. There were, too, a few who expressed doubts about the appropriateness of such labels – and these were often the best answers of all. Most candidates who chose to answer this question showed a decent grasp of the welfare aspects of the provision of such goods, though there was greater variability with respect to arguing the merits or otherwise of providing completely free access. The better answers tended to argue the case for some form of state intervention, though in a form which fell short of completely free access.

Question 3

This was the most popular of the questions in **Section A**, and many candidates' answers showed good knowledge and understanding of the subject area. Use of different theoretical models relating to the possible impact of a national minimum wage in different labour market structures was a minimum requirement of a high quality answer, though some merely assumed a perfectly competitive market, and then often only implicitly. Good answers went further than this, of course, and in particular in addressing not just the unemployment aspect of the question but also the poverty element and the issue of the 'very group of people it is designed to help'. Many did indeed do this, of course, though there were also some that did not. As is almost always the case, the particular conclusions reached by a candidate were not really the issue; the quality of the answer is judged on the basis of the way those conclusions are explained and justified. In this case, a candidate could conclude that a national minimum wage would on balance increase, decrease or indeed have an indeterminate effect on each of the variables involved; what mattered was how that conclusion was reached in the development of the essay.

Section B

Question 4

This was the least popular question on the paper, and it was probably also the one answered least well by those who did attempt it. The problem tended to begin for the weakest answers with lack of clarity with regard to the two objectives focused on by the question, though some answers were creditably clear in this at least. More significant was a failure by quite a number of answers to realise that what was required for a decent answer was consideration of possible linkages between inequality and growth. Only if the pursuit of greater inequality is likely to be detrimental to the achievement of economic growth is there a problem, clearly, and so it was essential for a good answer that the possibility or otherwise of conflicts between the

pursuit of growth and the reduction of income inequality was explored. Relatively few candidates who attempted this question took this approach – though some did, and they tended to produce impressive overall responses.

Question 5

This was the most popular question in **Section B**, and was generally well answered. A few weak answers tended towards the purely descriptive in terms of identifying categories of unemployment, and then explaining policy aimed to reduce it, without much if any linkage between the two elements. Most candidates, though, showed an impressive grasp of the relevant macro-economic analysis. Almost all delineated a number of categories of unemployment – frictional, seasonal, structural, demand-deficient usually, though by no means always – and then, having explained to some degree at least the primary causes of each, went on to consider the policy aspect of the question. Here there was an important factor which tended to differentiate merely good answers from the best – whether or not the fact was recognised that many relevant supply-side policies involve government expenditure, and so have demand-side aspects too. It should also be said that it was good to see for this question in particular that many candidates did address the ‘alone’ element in its wording.

Question 6

This question was also answered by quite a lot of candidates, with a wide range of quality displayed. A small number confused balance of payments with the domestic balance between government expenditure and tax revenue. More common in weaker answers was a failure to make clear the precise meaning of ‘balance of payments on current account,’ or a failure to take any account of the long-term increasingly large deficit element of the question. However, there were also many that did not suffer from any of these weaknesses, and went on to consider, some very impressively, a range of possible approaches that might be taken. Most were able to analyse exchange rate change as an approach quite well, though there was rather less clarity in some cases when it came to considering other possible strategies. Many answers, though, did make an effort to consider possible short-term and longer-term implications of the different policy options they considered, which was encouraging. At the top level, there was some quite sophisticated evaluation, well-focused on the nature of the deficit identified in the question.

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Paper 9772/03
Investigation

Key messages

- The Investigations paper requires candidates to answer a relatively open-ended question but within a specific premise. Whilst we do not expect a specific response, it is expected that candidates do engage with the specific *context* offered in the question, rather than a pre-rehearsed response.
- This paper is different from Paper 2 9772/02 in that key preparation involves pursuing independent research and delving much deeper into the chosen area of research than in Paper 2. Thus, economic arguments written by candidates should go beyond the theoretical and be supported by evidence of wider research (for example by data or contextual awareness).
- Candidates cannot challenge the premise of the question without addressing the question first – in some cases, candidates thought it was acceptable to challenge the question at the outset and then create their own question and address that. This scored poorly. A challenge to the question should be completed *after* the question has been directly tackled.
- A conclusion should be more than just a summary of previous points. It should also avoid a prosaic, generic conclusion (examples are below) whereby the candidate does not actually add anything at all of substance. It may involve a final concluding judgement and justification on which side of the argument has the greatest weight in their opinion, or why any judgement is difficult, perhaps challenging the premise of the question.
- As in previous years, the lowest scoring candidates ignored the specific question, and morphed the question early on in their response, to regurgitate a different (and correct) but irrelevant response. Such responses will always score poorly on account of not engaging with the specific question that was asked. Specific comments are made below on each question in this regard.

General comments

There was a wide range of scripts marked, from some obtaining maximum marks, to others being in the low single figures. The common theme for candidates who scored well was those engaging with the specific question coupled with good independent research. Unfortunately, more candidates did this in this exam series than 2015, however.

There were two new topic areas examined for the first time in 2016 – Behavioural Economics and Government Policy, and the Post-2015 Development Agenda. Pleasingly, for the first time in a number of exam series, all 4 questions were tackled. Examiners were impressed by the quality of responses on the new topic areas in particular. Candidates produced some very high quality scripts at the top end, exhibiting the key skills for this paper – notably answering the specific question, with evidence of their own independent research in an analytical and evaluative manner. As always, the weak responses morphed the question into a different question or wrote an answer that was bereft of any evidence of investigative research and was too theoretical, lacking contextual awareness.

The best candidates on the other hand showed an impressive array of independent research to support their points, rather than making general assertions in the direction of the context or argument they were discussing - for example: weaker candidates asserted that China could liberalise its exchange rate, whereas stronger candidates understood this had already happened since 2005 and was continuing to take place. Similarly, weaker candidates talked about specific environmental taxes such as fuel duty and the rates that were used by the UK to tackle problems, whilst weaker ones talked about taxes in a more general manner. Paper 3 is specifically looking for evidence of in-depth independent investigation.

Contextual awareness is key – but should not overrule the specific question asked – some candidates spent too long explaining the contextual background to the topic area, which meant they did not have time to address the specific question.

Candidates are reminded that Examiners will notice if candidates rephrase the question early on and regurgitate a rehearsed answer. For example, on the China question, it was a very valid argument that China may not want to return to pre-2008 growth rates, or that there is still scope for growth if it addresses the supply-side constraints. But that did not mean it was valid to then spend the rest of the essay discussing the nature of these supply-side constraints. The question explicitly asked candidates to evaluate policies to achieve the change explained in the quote. Similarly, in the Transport question, it was valid to argue that there were other better ways to address the problems caused by transport, but the response still had to focus on environmental taxes, as that was the context of the question – it was not an excuse to discuss alternative policies *in isolation*. In this way, we rewarded candidates for their unique responses, but in a way that still focussed on the question asked, rather than the weakest who could not relate it back to the question. The worst cases of rehearsed answers was on the China topic where a number of candidates did not mention any economic policies at all in their answer – clearly a L1 response – though they wrote very eloquently and knowledgeably on why China was slowing down and the supply side constraints it faced. This latter response seems to be a recurring theme for the past couple of years.

Hence, across the different questions the main error was to ignore the specific question set and to write on auto-pilot for much of the essay, with little reference to the specific context asked. Good candidates always brought all their arguments back to the relevant context of the specific question set.

This Paper continues to reward thinkers who can bring together their research to justify a particularly relevant and original perspective – but put in reference to the specific context identified.

Comments on specific questions

Question 1: Transport and the Environment

Reflecting the trend from previous years, this question is not as popular as it once was, and was behind China and Behavioural Economics in terms of the number of candidates attempting it.

The candidates that did attempt it, however, did well and the general standard was a Distinction. The Transport question was attempted in a much more focussed way than in previous years, though some still did not relate their answer back to the specific context. Paper 3 is looking for more than just standard ‘theoretical textbook’ evaluation, and more context-specific awareness.

Good candidates displayed a strong contextual awareness with excellent evidence on display of the environmental problems arising from transport, e.g. they contextualised the environmental problems in terms of the UK and EU’s wider commitment to climate change. The range of environmental taxes that are currently used in the world was well documented – in particular the range of international examples (Norway and Singapore were most prominent) to compare with the UK was very good.

The main discriminator with the scripts was who could discuss a range of environmental taxes – some covered vehicle duty, fuel duty, air passenger duty, etc. The weak ones generalised environmental taxes together. This had the knock-on effect of thus not discussing different types of transport or mode. All responses focussed on cars, but only the stronger responses disaggregated ‘transport’ into cars vs rail vs aviation or freight vs passenger, and analysed these with a range of taxes / policies.

A differentiator was also those candidates who were able to go beyond a textbook theoretical discussion of a Pigouvian tax by integrating empirical evidence, on fuel duty for example. Even the theoretical analysis was done to a differing degree of success – some analysis here was very basic with poorly drawn negative externality diagrams, whilst stronger responses explained the expenditure-switching and expenditure-reducing effects of a tax.

Very few candidates engaged with both the production and consumption externality problems of transport, with all candidates focussing almost exclusively at consumption externalities. Very few responses looked at policies to address the range of environmental problems (e.g. CO₂, NO_x, PM_{2.5}), but most were well versed in the problems arising. All candidates were able to discuss negative externalities of rail expansion, but the

weakest did it in a purely theoretical sense, whilst stronger candidates had data on emissions from rail vs other modes. The best were able to then link to this where environmental taxes needed to be focussed to be most successful to tackle the environmental problems.

Some went off topic and brought in AD/AS analysis – it was unclear as to how this was very relevant to the question asked – it could have been made relevant but most went off topic with this line of reasoning instead. The weakest segued this analysis into last year's question.

Almost all candidates moved onto alternatives to environmental taxes – the weakest did this too quickly, that is before having explained how taxes work. Others moved onto other policies but they were written in isolation of the context of whether environmental taxes are the 'best'. The question was not an open invitation to discuss all policies – the best realised this and brought in other alternative policies only to offer a comparison with environmental taxes, e.g. on cost/efficiency/effectiveness/value for money grounds. Some pointed out that certain taxes in the UK had been held up or rejected in the UK Parliament, and thus other policies (carrots) would be quicker to get through the transport lobby. With regards to encouraging a modal shift to rail as the best solution, strong evaluation pointed out that rail was less polluting per km than cars (with supporting data), whereas weak evaluation just asserted it would be better.

Disappointingly, there were a few candidates who wrote in very nebulous terms – that environmental taxes can raise 'lots and lots' of revenue, and the effectiveness depends whether 'PED is inelastic or not'. But stronger responses had empirical estimates for what the PED was for different modes or how much taxes had raised in revenue. The latter was a good indicator of how to weave research into a Paper 3 essay to support judgements.

A differentiator between L2 and L3 responses was evidenced for example when discussing alternatives – a nuanced response stated that the government should focus on stopping the problem at source (renewable energy) rather than at the point of consumption (driving cars), whilst others generalised all taxes to hit the end consumers.

Although candidates read the quote carefully about whether taxes are 'always the best', there were a lot of generic prosaic conclusions – e.g. 'there needs to be a mix of policies' but often it came across as a rather generic conclusion if it was not justified in a more meaningful way. The best did this by having evidence to add weight to their final judgement.

There were not many weak responses but those that did embedded economic theory with unsubstantiated assertions and a lack of independent research to support their analysis.

The key to the question (and explicitly mentioned in the quote) was whether environmental taxes were the best way to solve problems from transport and it was pleasing to see that candidates engaged with this. Overall, this question was answered well.

Question 2: China and the Global Economy

As in previous years, this was the most popular question and at the top end, responses were well structured and demonstrated a clear awareness of the nature of global influence.

The key weakness in these answers was that question this year asked candidates to evaluate the most effective *policies* to achieve *the change* mentioned in the quote. There were two common themes to the lowest scoring scripts: (i) not mentioning any specific policies and (ii) not explaining how the policies created more open market-based economy from which to achieve higher growth rates.

The weakest responses ignored the quote offered and read the question as one purely about evaluating whether China is slowing down or not. The quote clearly highlighted the need for a more open, market-based economy and the question asked about policies that could achieve this change, but many did not come up with any policies for the change mentioned in the quote, but for other ends, e.g. reducing pollution, or continuing growth more generally, in some cases with the old economic model. The weakest discussed policies but they were more about China's general problems, e.g. inequality means China needs to offer more welfare benefits – but it was unclear how this addressed the context in the quote given of creating a more open, market-based economy and it was felt that the candidate was ignoring the specifics of the question.

Weak answers wandered onto a discussion of reform to China's growth model with no link to any specific policies, e.g. many candidates knew that China should rebalance and become more consumption-driven, but

then failed to explain the policy to do this. Others knew that China should reduce its dependence on SOEs but then failed to link to a specific policy, e.g. privatisation.

Others did mention policies but could not link it to the specific change mentioned in the quote, e.g. very few candidates were able to explain why exchange rate liberalisation would help the Chinese economy. The most common policies that were well executed was Hukuo reform / One Child Policy reform / privatisation.

The weakest candidates decided to write almost a whole essay on how China could overcome supply side constraints - and made no attempt even to begin to discuss the issue mentioned in the quote. This showed evidence of a rehearsed answer that candidates wanted to write down – and scored poorly.

Although it can be a path to strong evaluation to question the premise of the question, this cannot be done without addressing the question first – in many cases, candidates thought it was acceptable to challenge whether China *needs* a higher growth rate and *needs* to change at all, and whilst this is a relevant judgement to make, the question clearly asked for the candidates to evaluate the *policies* first and foremost. A challenge to the question is only valid after the question has been directly tackled. Some failed to do this and only evaluated broader issues.

Some candidates still spent a couple of pages giving contextual background on the history of China and how it got to its current position. Whilst this background can help answer the question, better candidates integrated this context into their policy discussion to pick up marks more quickly and efficiently. Many candidates explained China's problems rather than give solutions. Policies were rather thinly analysed whereas there was a big build up on why the policies were needed. The best essays got into the crux of the specific essay quickly.

A distinguishing feature was the willingness of candidates to **develop the analysis** for how the suggested policy helps China achieve the required change, in a way that showed sophisticated ideas to explore the transmission mechanism. For example, many candidates could not explain how the exchange rate liberalisation would help China and stopped short of adding depth. Often it was purely an assertion that it would help China by becoming more open. Others understood both the short term and long term impact it would have on competitiveness and efficiency in domestic firms. Candidates had a tendency to appeal to examples from the past rather than use economics to explain why policies would work. For instance, privatisation is good because it worked under Thatcher, or Singapore promoted trade and so it will work for China – rather than the economics behind advocates of privatisation. Candidates often fell short of explaining why a proposed policy would help China become more open and free market, instead focussing purely on how it helps to maintain high growth rates.

As mentioned in previous reports, re-reading the question every 10 minutes would be a good suggestion, to ensure candidates keep their focus. It is important to stress to candidates that they must answer the specific question in front of them, not a pre-rehearsed answer.

Evaluative discussions on the merits of policies was ignored by the weakest, but done well by the strongest. A reminder that generic brief evaluation comments such as 'time lag' will score low unless it is developed in a meaningful manner, e.g. some were able to discuss the nature of the time lag and the reason behind it when reforming the One Child Policy, perhaps citing the cultural norm and socially embedded behaviour that needs to change before Chinese families become large; or that this reform needs to be coupled with reform in healthcare/education/pension provision, before it takes off.

Many candidates understood the need to conclude with a final judgement but too many opted for a prosaic and generic conclusion such as 'we need a mix of policies', without explaining why. The best tried to add some nuance to this point, e.g. the best candidates were able to offer some kind of prioritisation to the chronology of which policies should come first and why – this offered the path to a strong conclusion in some cases. Those conclusions that summarised the points already made added very little.

Use of diagrams was relatively poor again this year for example, many used a supply and demand diagram with a min / max price to show China's exchange rate intervention – very few were able to use the diagram to help them explain their policy in respect of the question.

At the top end candidates exhibited the skills required for this Paper exceptionally well, having a clear and thorough focus on policies China could use to continue its growth rate by moving to a more open market-based economy, with an impressive display of independent research to support their assertions, analysis and evaluation.

Question 3: Millennium Development Goals and the Post 2015 Development Agenda

This was the first year this topic area had been examined in its new form (with the end of the original MDGs last year).

Key weakness: Whilst candidates had a lot of empirical evidence on development issues, few could link the PDA/SDGs to how and why they were a missed opportunity or not. Often the analysis of how the PDA/SDGs could help the LEDCs' problems was not developed fully.

Some candidates clearly had a good grasp of the MDGs but knowledge of the debate around the PDA was lacking. However, the strongest responses displayed an excellent critical awareness over the PDA and had clearly done lots of independent research surrounding the grey areas covering what should or should not be part of the new SDGs.

The context of Development was well understood by all candidates, but only the best were able to grapple with whether it was a missed opportunity or not. Good evaluation from candidates showed clear engagement with the question, e.g. some debated whether there was enough evidence to judge a missed opportunity so soon.

The most common style of response integrated lessons and experiences of the MDGs to make judgements on the PDA and SDGs – this was executed to differing degrees of success however. Some responses were more nuanced, e.g. explaining that given the poor completion rates of some of the MDGs, perhaps it would have been more sensible to focus on extending the time frames for these, rather than adopting new SDGs; whilst others were more simplistic stating that given the MDGs had failed to reach their targets, the SDGs were pointless. The best were able to support any assertions about the MDGs to SDGs link with evidence of country-specific experiences.

A differentiating feature became those who were able to go beyond a general discussion of problems that LEDCs face and engage with the specific quote of whether the SDG/PDA helped address these. Some candidates were unable to make this leap and thus offered a limited response.

The best were able to disaggregate the problems that LEDCs face – and thus discussed the need for different SDG-style aims for different countries. To differentiate a low level response from a high one, the latter gave specific examples to support their assertions.

It was good to see strong candidates understand how the SDGs/PDA was a progression from the MDG discussion in 2000-15. In this way, they were able to integrate discussions about whether specific *policies* vs specific *targets* was more important, the issues behind funding the goals, the need for a country-specific set of packages, the need for some market-oriented reforms and some more interventionist ones. This disaggregation allowed for a more nuanced discussion of where and why it was a missed opportunity.

Question 4: Behavioural Economics and Government Policy

This was the first time this topic has been examined and was the second most popular topic on the paper.

Key weakness: Not focussing on the '*improving economic policy-making*' aspects of the question.

Key strengths: The range of academically rigorous B.E. concepts discussed in the context of the question.

There was the temptation on this question by the weaker candidates to offer a summary of the behavioural literature by discussing a range of B.E concepts, but failing to address the specific question on how far the discipline can go in improving economic policy making.

A differentiator between better scripts was the extent to which they were able to explain how B.E. led to an actual *improvement* in economic policy making (e.g. value for money, effectiveness, outcomes, cost, political palatability), whilst some candidates stopped short of this, purely explaining how B.E. has been used.

A good structure adopted by the strongest scripts integrated the various strands of the question well, e.g. explaining the way in which people actually behave (irrationally), which then led onto a real world example where incorporating B.E led to a better outcome.

The strongest responses understood where B.E. itself has limitations as a discipline and in its approach. For example one candidate discussed that although humans are irrational on an individual level, on an aggregated level, there is no reason to expect these irrationalities should be biased one way or another, and thus could average out. In this respect, B.E. may not offer much improvement on a macro scale. Strong scripts looked at the part of the question that said 'how far' B.E. could go – whilst weaker scripts lacked critical awareness and just accepted all B.E. based policies were improvements.

The question asked for specific examples, and overall there was an impressive array of serious B.E studies that had been researched by candidates – pleasingly, most candidates refrained from the laboratory experiments involving sweets and monkeys, but looked instead at academically rigorous research from BIT or SBST teams such as improving retirement savings, organ donations, energy use, education take-up, etc.

The question was also specific to 'economic *policy making*' – those that engaged specifically with *policy making* scored the top marks, whilst others just looked at areas where B.E. can help, without being *policy* focussed. The weakest in this regard gave examples from the corporate world with strategies adopted by private firms, rather than economic policy making. Framing was a B.E. concept that was either done repeatedly by candidates (thus limiting their range of examples) or was done in a way that lacked development with respect to economic *policy making*.

Weaker answers also confused the nature of 'nudges,' thinking any economic policy can be called a nudge, e.g. a tax on plastic bags. Following on from this, weak scripts had lots of examples explained but they did not explain what the B.E. element of the example was, e.g. one candidate explained how a New Orleans hospital had sent text messages to patients about doctor's appointments – but it was unclear and unexplained what B.E. concept was being used to improve economic policy making. Another attempt at an example involved how prescriptions were now being typed instead of handwritten – but again, it was unclear what B.E. was involved here. These scripts had a common theme of making a lot of assertions that were undeveloped or unjustified, which limited their mark.

Strong candidates had an excellent grasp of some very advanced B.E. ideas such as Prospect Theory and Default biases, amongst others – Examiners were impressed by the quality and depth of understanding exhibited by the top scripts. Some of the high scoring scripts really engaged with the quote on offer too, regarding whether people are rational and the assumption by policy makers that they are.

As with other questions, it was important to evaluate why a B.E. policy may not lead to an improvement in outcome, e.g. cultural reasons was cited by some candidates, before evaluating the wider B.E. field, and the strongest candidates did a good mix of this.

The question was very broad and good candidates spotted this for example by discussing whether B.E. has the scope to improve economic policy making in all countries or whether in certain LEDC countries, the relevant complementarities, e.g. healthcare infrastructure, is lacking such that B.E. in medical policy making is going to have a limited effect.

Overall, the quality of the scripts on this topic was strong, with examiners being impressed with the rigour with which the discipline had been studied. The fear that candidates would focus on 'pop-behavioural economics' did not materialise.