

# ECONOMICS

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**Paper 9772/01**  
**Multiple Choice, Short Answers and**  
**Data Response**

## Key messages

- Given the growth of the cohort, it was pleasing to see that there was an increase in the number of candidates who scored highly on Section A, although it remained challenging for weaker candidates.
- It remains important for candidates to answer the set question, especially in terms of what 'depth' is required when answering Section B. There is still a tendency for many candidates to write too much in this part of the paper, especially when they are struggling with the question.
- It is important for candidates, when answering the Data Response questions, to read the set questions and the stimulus materials carefully, if they wish to score highly. 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. For example, **Question 5(e)** asked specifically about 'nominal national debt'; a large number of candidates simply referred to 'national debt' and this limited their answers.

## General comments

At the top end, candidates continue to demonstrate high order skills in applying economic principles to challenging and unanticipated contexts, in this case the Greek crisis. Section C covered areas that have not been examined previously – fiscal policy and the state of the public finances. Section B focused on various aspects of microeconomics. As in previous years, for some candidates, getting the timing right was a problem.

## Comments on specific questions

### **Section A: Multiple Choice**

The multiple choice questions remain a good discriminator: the examiners are trying to offer a range of questions and this section of the paper is a good differentiator between candidates of different abilities. There were more high scores than in previous years but other candidates still find Section A difficult. However, there are an increasing number of past papers, and practice in this area will help improve performance.

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.

### **Section B: Short Answers**

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

### **Question 1**

- (a) This was intended to be a straightforward introduction to this Section of the paper. However, whereas the vast majority of candidates could identify and draw the point of profit maximisation

(MC = MR), a number struggled with revenue maximisation (producing where  $MR = 0$ ) and often plumped for the point where  $MC = AR$ .

- (b) This question proved surprisingly taxing. Candidates needed to explain 'profit satisficing' with reference to a firm making a level of profit that was 'acceptable' – normally to shareholders – and then being able to pursue other objectives. However, weaker candidates were confused as to whether this was associated with supernormal or normal profit, and the issue of other objectives was often overlooked.

### Question 2

- (a) Almost all candidates identified two relevant features.
- (b) This question proved taxing for some. The best answers talked about the issues of 'non-rivalry' and 'excludability'. The mark scheme is deliberately non-prescriptive. Answers which suggested that technology had made public goods less pure, by increasing excludability and rivalry could get full marks, as could responses that argued the opposite.

### Question 3

- (a) Candidates found this a relatively straightforward question, with the vast majority able to identify two features of oligopoly.
- (b) This question produced a range of responses. Good answers used pay-off matrices effectively in explaining why firms might choose to act competitively or not, highlighting the gains from collusion relative to competition. To get full marks there needed to be an explanation of how a collusive outcome was reached, with a focus on the incentives of the agents to collude and their agency, rather than simply stating that collusion could be better for a firm. Weaker candidates struggled, in some cases to draw accurate pay-off matrices, and then to explain them.

### Question 4

This question proved to be a stronger discriminator than anticipated.

- (a) Candidates either knew the key determinants of price elasticity of supply, or didn't. However, one or two used some intuition to gain a mark.
- (b) Similarly, many candidates struggled here, although again, given the products chosen – fresh flowers and manufactured goods – stronger candidates were able to formulate responses that merited a mark.

### Section C: Data Response

#### Question 5

The aim of this section is to test candidates' ability to respond to stimulus material, manipulate and interpret data, and to apply economic principles to unfamiliar contexts. This year's topic is not specifically referred to in the subject guide but the syllabus states within the content section *The national economy* (page 17) that 'Candidates should develop a good knowledge and understanding of recent trends and developments in the UK economy over the past ten years,' so the concept of 'austerity' should have been familiar to all candidates, given the nature of fiscal policy in the aftermath of the global financial crisis.

Further to this, one of the assessment objectives, AO2, is to apply economic theory to real-world problems. This includes showing comprehension skills and the ability to read an economic text and use acquired knowledge and understanding to make sense of it. In this question, candidates were expected to read the extracts and identify the ways in which 'austerity' is referred to, then use straightforward economic concepts learnt over the Pre-U course to show they have understood the term. There are a number of references in both extracts to give sufficient evidence for candidates to identify that austerity is about reducing a budget deficit through cuts in government spending, even if, somehow, they had not been introduced to the precise term before.

At the top end of the ability range there was a pleasing ability to be direct in answering the question, to apply economic principles and to reach reasoned and balanced conclusions. In contrast, weaker candidates were sometimes overly reliant on repetition of the Extracts without developing of either analytical or evaluative arguments. A good rule of thumb would be to make use of the information given in the question; when a specific economic term is used, candidates would be well advised to make sure that they refer to it, rather than an alternative that they would prefer to use.

- (a) It was to be hoped that this question would provide a relatively simple start to the question; for full marks, candidates needed to refer to government expenditure or government receipts and the overall position of the public finances.
- (b) Candidates largely understood what the question was after but sometimes failed to provide direct evidence of reference to the data given in the question. To get full marks there needed to be direct reference to the data, and the correct conclusion needed to be drawn.
- (c) Almost all candidates were able to draw a diagram. Full marks could be gained for a variety of responses, provided that the underlying economics was correct in the appropriate diagram, showing the relevant AD-AS curves shifting and establishing a new equilibrium. The best candidates were capable of explaining that the short-run effects of austerity were likely to reduce AD but that the longer-term effects were more complicated and depended upon whether or not austerity had the desired effects upon consumer and business confidence. Weaker candidates could get confused and some argued that austerity was likely to increase AD. This could be true in the longer term but was highly unlikely in the short term.
- (d) This question allowed candidates to adopt a range of positions and as the introductory comments in this report suggest, if candidates were uncertain about which position to adopt they should start by adhering to the instruction to refer to the Extracts. The impact of Greek austerity on growth, inflation and unemployment in the short-run might allow for discussion of the appropriateness of the policy before other perspectives could be considered.

For the ablest candidates, this allowed them to compare the short-run costs with the potential long-run implications of the policy, before reaching an evaluative conclusion. Good candidates argued that whether the policy was appropriate or not depended upon its net effect. Some argued that the question of whether austerity was appropriate or not was largely redundant in the case of Greece because they said that there were no alternative policies available for it to adopt. The better answers also looked at the fact that the distributional effects of the Greek crisis were unevenly distributed.

Another view was to consider the appropriateness of the policy in a wider Eurozone context, with many concluding that the state of the Greek economy was a necessary price to pay to deter other EU member states from adopting similar policies, and to enforce fiscal discipline in the Eurozone. However, this was a high order point that eluded weaker candidates.

- (e) This was another question that allowed for a variety of responses. The key to doing this question well was in close reading of the question. Candidates who simply wrote a response looking at the impact of 'national debt' on growth necessarily produced weaker answers than those who dealt with the specific term in the question: 'nominal national debt'. At the very least, the latter term points towards 'real national debt' as an obvious area for investigation, and better responses recognised this.

Other areas that better candidates spotted as pertinent included a comparison of the rate of economic growth against the rate of growth of debt, and the debt-to-GDP ratio. Candidates who looked at these issues were rewarded, and some of the answers contained sophisticated analysis of the relationship between public finances and the rate of growth.

That said, many candidates were able to analyse the effects of 'national debt' on growth in the short- and long-term and were able to pick up Analysis and Evaluation marks for this. However, the better answers necessarily answered the specific question set.

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, and would represent good undergraduate standard economics. This continues to be one of the real strengths of the Pre-U Economics examination.

# ECONOMICS

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Paper 9772/02  
Essays

## Key messages

The most important messages for candidates are, first, that they should answer precisely the question asked, and secondly that they should attempt to ensure that each essay that they write has a clear beginning, middle and end.

The first also links to the need to choose questions sensibly. Some candidates chose a question without fully grasping what answering it actually involved; they then answered a question which was 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.

The second message emphasises in particular 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. But it also helps the candidate when the answer is actually being written to keep the form of the question in mind; it helps to keep a clear focus to an answer, and also to avoid answers wandering off into irrelevance.

## General comments

The structure of the paper was unchanged from previous years, with the overall standard of response by candidates also broadly unchanged. This was the case even though there was a very significant rise in the number of candidates in 2017. Each of the six essays was answered by at least a reasonable number of candidates, with **Questions 1** and **3** being perhaps slightly the less popular; no candidates committed rubric errors, and there was overall no significant evidence of candidates experiencing problems completing the paper in the time available.

The level of difficulty of the six questions was fairly even, and they were all challenging in some respect, though not significantly more so on average than has been the case in the past. The general standard of answers remained high, 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 the two sections.

Most candidates showed a good understanding of relevant economic concepts and principles, with only a small number of cases where there was serious confusion. 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. Diagrams too were generally accurate and relevant, and used within candidates' explanations rather than merely drawn with the Examiner left to interpret what they demonstrated. Variability of performance was, as usual, 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. For example, in **Question 1**, a number of answers did not address the 'significance' aspect; in **Question 3**, the 'interests of consumers' was sometimes ignored; and in **Question 5**, a number of answers failed to make reference to 'recent experience', in spite of this being explicitly asked for in 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

### Question 1

A small number of answers were weak in that either they failed to grasp that both income and substitution effects are components of a price change, or they confused the two effects. Others seemed to understand the two correctly in their explanation, but then failed to draw a diagram that reflected this. However, most answers showed a good understanding of the two effects and explained how they can be used to explain how quantity demanded might change as a result of a price increase, usually for more than just a 'normal' good or service. Some, though, decided to answer entirely in terms of a price fall, even though they did usually show accurate understanding. The major difference between sound and good answers lay in the extent to which they addressed the question of 'significance'; some provided very impressive responses that demonstrated a mature grasp of the issues involved, whereas others made little if any reference to the subject.

### Question 2

This question was the most popular in **Section A**, and was answered at least reasonably well by most and extremely well by some. The topic area is clearly one that candidates find amenable, and are generally very well prepared for. Thus, almost all answers were able to give a decent explanation of 'market failure', to select relevant examples to illustrate, and to explain how governments might choose to intervene in the market to attempt to improve resource allocation. It was only a small minority that demonstrated confusion in at least one of these three elements, or whose answer tended to explain types of government intervention without specifying clearly the nature of the market failure the intervention was supposed to be addressing. The crucial element in determining the quality of an answer then was how convincingly a candidate tackled the question of whether governments 'inevitably' make the situation worse when they do choose to intervene. The weaker ones usually merely stated that 'government failure' was inevitable and therefore that all intervention would make things worse, but others were much more sophisticated in their assessments, differentiating between different modes of intervention and different categories of market failure.

### Question 3

This was the question that was least well done by the candidates who attempted it. The best answers made a clear distinction between actual competition and the threat of it, examined the likely/possible outcomes in appropriate market structures, with relevant examples, and then considered the impact on consumers of these different situations. Further, they used diagrams to help their explanations, often with highly relevant consideration of the cost structures faced by the firms, and also touched on the 'now' element of the question. Finally, they came to a justified conclusion with reference to the issue of 'powerfulness'. However, there were many answers that did not do this, usually primarily because they failed to differentiate clearly between classical models of market structures and the behaviour likely to occur when firms faced different degrees of threat of entry. Some candidates chose to use the question as a means of showing all they knew of the theory of market structure, with only a passing reference to the question actually asked – and the weaker ones among these often showed confusion between models, for example between perfect and monopolistic competition, or between the latter and monopoly. Several weaker answers, too, included sections on the kinked demand curve and/or game theory, without making clear their relevance to the question. Finally, as previously stated, there were quite a few answers that failed to address the issue of the impact on the interests of consumers.

### Question 4

This was another popular question, and it was also generally quite well answered. Most candidates showed a good awareness of different macroeconomic objectives, and were also able to outline why governments have them as goals – though, strangely, a number of answers in fact failed to explain the benefits of economic growth to any but a very perfunctory extent, and more did not pay much attention to possible downsides of growth. The generally weaker answers, though, tended to look at various different objectives in relative isolation. Some also spent time unnecessarily explaining policies governments might adopt in order to achieve each objective identified. The better answers looked at linkages between different possible objectives, and the extent to which other objectives may or may not be compatible with the achievement of growth at a satisfactory level. In addition, good answers also considered the 'most important' element of the question, and indeed there was some excellent discussion of, for example, different importance to be attached to growth in different societies and at different times.

### Question 5

This was the least popular question in **Section B**, though still answered by large numbers, and answers covered a wide range of quality. Most were able to explain very adequately the operation of both fiscal and monetary policy, though explanation of supply-side policies generated a greater degree of variability of quality; all stated that they are policies that cause the AS curve to shift to the right, but by no means all went much further than that. And, more significantly in terms of differentiating between quite good and very good answers, many failed to consider the fact of overlap between fiscal, and indeed possibly monetary, and supply-side policies, which is of considerable significance when it comes to actually addressing the question as to which type is 'more effective'. Two further issues in quite a number of answers relate to the stated objective, of 'achieving price stability', and the instruction 'with reference to recent experience'. Weaker answers generally attempted a purely theoretical answer, with little if any reference to recent experience; and they took the achievement of price stability to be an objective so straightforward as not to be worthy of the careful consideration that, of course, it is.

### Question 6

This was another question answered by lots of candidates. There was again a wide range of quality displayed, though only a few answers were not of at least reasonable quality; these tended to be extremely descriptive, and impressionistic, full of assertions not supported by reasoning or evidence. Most answers, however, showed a good understanding of what protectionism involves, and, within limitations, of some reason or reasons put forward to justify it; the limitations here were that the weaker answers tended just to present labels of reasons for protectionism, without going into much if any of the relevant analytical underpinning behind them. However, the more common area of weakness of quite a number of answers was a failure to explain in much detail the reasons against protectionism, perhaps surprisingly. Many answers produced a well-labelled 'impact of introducing a tariff' diagram, but seemed to feel that this was sufficient in itself to win the argument, and thus to agree with the view expressed in the question, whereas better answers put the case in considerably greater detail, and were then able to come to a much more convincing, and often much more nuanced, conclusion. Indeed, at the top level, there were some excellent answers to this question, with evaluative comment in particular a pleasure to read.



# ECONOMICS

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**Paper 9772/03  
Investigation**

## **Key messages**

- While Paper 3 requires significant independent research prior to the examination, candidates must avoid arriving to the exam with a rehearsed answer or an area of their research they feel they must include. It is crucial that candidates engage with the specific question and the context it provides.
- Successful candidates ensure they interweave strong economic theory and deep contextual understanding. A 'standard essay' response that contains economic theory without application to the research area will be lacking critical awareness. Equally, a deep description of the context and evidence of significant research must be supported by economic analysis.
- Candidates should avoid twisting the question early on to answer a different question that they are more comfortable with. While challenging the assumptions underlying a question is encouraged, the premise of the question must be thoroughly dealt with. Candidates who simply dismiss the question early on to pursue their own line of reasoning will score poorly.
- Candidates are always advised to get directly into the specific question set. Overly long introductions often provide no more than interesting background and had little bearing on the marks candidates received. Candidates are advised to relate any contextual detail and research directly to the question from the outset.
- Conclusions and summative judgements can happen throughout an answer. Conclusions should contain a justification for an angle taken on the question – they should not simply summarise previous arguments. Conclusions should also attempt to answer the question directly, to whatever degree that may be, rather than summarising the issues the question raises.
- The lowest scoring answers either ignored the question set or lacked any real appreciation of the context that would be expected from an independent investigation. Failing to deal with key concepts in the question or showing little ability to apply economic concepts to the area of investigation will result in a low mark.

## **General comments**

There was a wide range of scripts marked, from some obtaining maximum marks, to others in low single figures. The common theme for candidates who scored well was engagement with the specific question, coupled with good independent research.

All of the questions hinged on a key concept: Question 1's key concept was integrated transport; Question 2's was the Chinese economic model and policies pursued; Question 3's was the role of aid and trade in development and Question 4's was the assumption of rationality in policymaking. If candidates ignored the key concept or grappled inadequately with its definition and implications they were unable to reach the higher-level mark bands. It is essential candidates directly address the economics in the question asked.

All four questions on the paper were tackled. Examiners were impressed by the quality of responses across the range of topic areas. Candidates produced some 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 in previous years, the weak responses morphed the question into a different one, or wrote an answer that was bereft of any evidence of investigative research and was too theoretical, lacking contextual awareness.

Independent research and a high level of contextual awareness distinguishes the top candidates on Paper 3. The best responses showed appreciation of the subtleties involved in the questions and directly defined the key concepts that required analysis and evaluation. An example of this was on the transport question where those who did not identify what an integrated transport system meant and would look like were unable to access higher marks. Similarly, a summary of Chinese economic history since 1979 or a background on the

rise of behavioural economics in policymaking is not helpful unless it shines light on the specific question. A beginning which is directly related to the question is required.

It is often the case that Paper 3 questions will contain more than one area of analysis that should be dealt with. Mid- and lower-level scripts were often guilty of ignoring a particular area of the question. In the transport question, a number of answers dealt with alternative transport priorities and not the importance of integration. For the China question, candidates tended to favour an analysis of the Chinese economic model over its replicability for other economies. Post-2015 development agenda responses were much stronger on their analysis of aid rather than trade. Finally, behavioural economics answers dealt well with whether the government should include a behavioural approach but many gave only cursory attention to the usefulness of the rationality or non-rationality assumption, particularly for firms. The single-question nature of Paper 3, with 75 minutes to construct an answer means that all elements of a question are expected to be adequately addressed.

Paper 3 rewards original thought and candidates will always be credited for taking the question in different directions, provided that arguments are consistently related back to the specific question asked. Examiners are not looking for a specific approach to questions, or any one particular conclusion: credit will be given to any candidates who answer the question set, using clear economic analysis with consistent application to the research context.

### **Comments on specific questions**

#### **Question 1: Transport and the Environment**

This question had an increased number of attempts this year and it was good to see Centres bringing new perspectives to the topic. Although the third most popular question, transport continues to be attempted by a good proportion of candidates.

The standard of answers was more polarised than recent years with candidates falling into those who either did or did not directly address the topic of integrated transport systems. While the Examiners took into account the potential for candidates to have not directly come across the issue of integration in their research, the quote at the start of the question went a long way to explaining the concept of integration for those candidates who may have been unsure.

Disappointingly, too few candidates appeared to have read or absorbed the quote from Norman Baker MP and instead went on either to incorrectly describe the nature of integrated transport systems or simply ignore integration as a potential priority for UK government policymaking. However, there were excellent examples of how integration may be applied ranging from the Manchester Metrolink, bus and train integration; the connectivity provided by Crossrail to the tube and Heathrow airport and also the ability for integration to support modal shifts as seen with the introduction of London Cycle Hire which has increasingly integrated walking, cycling and public transport. The London Oyster card was also used as a reasonable example of integrating payment methods across modes of transport. Too often, however, candidates misconstrued integration as a single project that could create a modal shift rather than integrating different modes or connecting constituent parts of a journey. Examples such as HS2, Heathrow's third runway, Mexico's rapid transit system and Crossrail or the London Cycle Hire Scheme as single entities are not valid examples of integrated transport; candidates were only rewarded if they explained how these projects made the transport system more integrated as a whole.

Only a few candidates considered the concept of integration more widely, with the most impressive responses thinking about integrating transport with workplaces, housing and leisure demands.

A second important part of the question which was generally dealt with far more competently was the extent to which integration should be the UK government's highest priority. Weaker responses took this as an opportunity to completely dismiss integration from consideration in a couple of sentences and then spend the whole essay discussing what should be the UK government's highest priority. Stronger candidates deeply considered the merits of integration and then went on to evaluate the prioritisation of integration against other policies – both transport and non-transport.

There were some excellent discussions on the need to look at how transport is powered rather than the extent of integration and candidates also produced good analysis of the importance of either focusing on a modal shift from road transport or improving the efficiency of road transport. Some candidates then moved on to discuss the priorities in the wider UK fiscal and international competitiveness context.

Responses stayed in Level 1 for theory and analysis if there was no appreciation of the need for change and of transport problems in general. Most were able to do this, but those who failed to clearly show they understood the concept of integration did not move out of Level 2. A distinguishing feature of strong Level 3 and 4 analysis was the ability consistently to link integration and other priorities back to economic theory. Candidates who moved from explaining how a policy would work to its economic effects at the micro and macro level were rewarded for showing the key Paper 3 skill of mixing application with economic analysis.

Level 1 evaluation was obtained by picking out other transport priorities and simply evaluating them, without relating this back to the question. For example, a deep discussion of the effectiveness of a policy to promote electric cars was not considered directly relevant to the question – unless it was couched in relation to integration and other priorities. Level 2 evaluation was given to those who genuinely tried to weigh up competing transportation policies and also attempted to judge the importance of integration, even if this was done superficially. Level 3 candidates not only showed real originality and depth of research but were also able to grapple with the pros and cons of integration and judge its place in wider transport policy.

## Question 2: China and the Global Economy

This was again the most popular question on the best answers showed a deep understanding of both the Chinese economic model and its applicability as a set of policy responses for other economies.

Those scripts with lower marks did not score highly on this question for two main reasons. Firstly, a number failed adequately to explain and focus on the *Chinese Model*, instead referring to a narrow range of policies, many of which were either outdated or explained simplistically. Secondly, some struggled to apply the Chinese model and its policies to other countries. The topic for this area of the specification is *China and The Global Economy* – however Examiners frequently came across answers that failed to give any reasonable detail on how other economies may or may not benefit from replicating the Chinese model.

Some candidates simply took the question as an invitation to describe China's successes and failures in general rather than attributing these successes or failures to a particular economic model or set of policies. Examiners read a number of scripts that described China's successes in terms of growth and poverty reduction or failures in terms of debt, inequality and pollution yet did not analyse how the Chinese economic model had created these outcomes. This then made it difficult for candidates to discuss the replicability of policies for other economies.

In Level 3 for theory and analysis were those candidates who explained a narrow range of policy successes that China had used such as exchange rate manipulation, investment-led growth and Special Economic Zones with varying levels of depth and accuracy. Some policies were described simplistically or lacked critical awareness with some candidates suggesting that China had a fixed exchange rate, one child policy and rigid Hukou system still in place. Towards the top of Level 3 policies had greater depth of economic analysis and clear use of independent research. Top Level 3 and Level 4 answers did a better job at trying to tie policies together within a broader conception of a Chinese economic model. Candidates used this as an opportunity to describe the political economy of the Chinese model. The best scripts acknowledged the stages of economic growth and development within China and more theoretically. There were some excellent answers that explained the dynamism of the Chinese model and thus the varying applicability of this model to other countries depending their own stage of development.

A distinguishing feature at the Level 2/3 boundary for theory and analysis was between those candidates who shied away from trying to apply the Chinese model to other countries and those that made an attempt to analyse how the model and its policies could be applied. Some candidates attempted this part of the question relatively simplistically making sweeping generalisations about whether the policies could be adopted by others. For example, candidates would argue that China grew through export-led growth and exchange rate manipulation and therefore other countries should try the same approach. The problems Examiners observed here were either that application was too generic or the actual policies were not adequately described. For example, having cheap exports is not a policy in itself and candidates were more highly rewarded for explaining what China had done and therefore other countries could do to achieve export competitiveness. The best scripts went beyond generic application and instead looked at individual economies and the extent to which they could replicate China. The approaches here were either to disaggregate by stages of development – the extent to which the Chinese model is appropriate for a very poor country, an NIC or MEDC; or to look at specific economies. Valuable comparisons were made with the economies of Vietnam, Ethiopia and India, although these were so widely used that evidence of true independent research would be supported by a wider range of case studies.

The sophistication of application to other economies was a distinguishing factor across Levels 2–4. These ranged from simplistic comparisons – such as the common incorrect assertion that only India can copy China’s export-led growth due to its large population and therefore potentially lower labour costs – to analysis that looked at Ethiopia’s model of state capitalism and high levels of investment. The political context of India was used well with candidates suggesting that more democratic countries may struggle to implement a cohesive, state-led model of growth. The best answers looked at the stage of development a country was at and selected policies from the Chinese experience over time that best fitted the current stage of economic growth. Theoretical aids used for this included the Swan-Solow growth model and Rostow’s stages of growth.

Some attempts at analysing the possibility of replication included a misinterpretation of outcomes of the Chinese model for the model itself. A number of scripts quite rightly described China’s struggles with debt, pollution and inequality however some answers took these outcomes to be the model itself. China’s model is not ‘pollution’ or ‘inequality’ and thus arguments that suggested China has had pollution issues and so other countries should not copy it did not score as highly as answers that explained the policies that had caused excessive pollution to come about. Again, candidates who had a nuanced understanding of how China is addressing issues of inequality and pollution and is moving to a new stage of development were rewarded.

Some candidates wrongly interpreted replicability of the model as the ways in which China is influencing the global economy. Candidates got no credit for discussing the impact of China’s FDI and currency policies on other countries unless they then went on to discuss how other countries may pursue similar policies.

Level 3 evaluation was achieved by candidates who not only deeply judged the success of the Chinese model but also tried to evaluate the policies and type of economies that could most reasonably be judged to be able to apply these policies. The very best evaluations acknowledged that no policy can simply be transposed but instead economic policymaking should take account of the specific characteristics of an economy.

### **Question 3: The Millennium Development Goals and the Post-2015 Development Agenda**

This question was least popular of the four on this year’s paper.

The key weaknesses in the answers to this year’s question stemmed from lack of depth of understanding of the overall Post-2015 Development Agenda (PDA). Very few candidates could succinctly explain what the PDA is trying to achieve and thus when talking about trade or aid did not do a good enough job at explaining how they achieve the various PDA aims. The highest scoring candidate was clearly able to articulate what aid or trade may need to do in order to meet the PDA and was then able to smoothly flow into a deep evaluation of the effectiveness of these approaches.

The question allowed candidates to apply free trade and protectionist theories from the syllabus to the development context, yet it was disappointing to see scripts failing to include concepts such as comparative advantage, export-led growth, infant-industry development and the terms of trade in their answers. With the prominence of protectionist arguments in economics coverage over the last year it would be expected that candidates can apply trade debates to the development context.

The responses on trade generally veered away from explaining how trade can promote development and instead became poorly focused on the Lewis model of industrialisation, or a cause of rising investment, without adequately explaining trade’s role in this process. The best response looked at the impact of trade and FDI and used growth theories and AD-AS analysis to support how it promotes development.

The answers were better at dealing with aid as a way of promoting the PDA. Candidates were comfortable in explaining the standard arguments for and against aid as a method of promoting the PDA. Analysis stayed in Level 2 for many candidates because it was overly generic and lacked deep examples and case studies how various forms of aid have promoted or harmed development. The best script showed acute awareness of not only the variety of forms aid can take but also the contexts in which it is and is not successful with clear country-specific examples of where the SDGs and PDA have been supported with aid. The interventionist versus non-interventionist and market-led approaches to development that a question on aid allows to be discussed were touched on and candidates who developed arguments around the whole ideological approach to development were rewarded.

The question presented an opportunity for candidates to move beyond the ‘aid versus trade debate’ and unpack alternative ways to achieve the PDA. Again, only one took this opportunity, entering into an excellent



discussion on endogenous growth and bottom-up solutions to development. This then naturally led to deep evaluation that disaggregated solutions in terms of the specific country context.

Teachers are advised that for the 2019 examination onwards – hence affecting candidates starting the course in September 2017 – this topic will be updated to ‘The Sustainable Development Goals and the Post-2015 Development Agenda’.

#### **Question 4: Behavioural Economics and Government Policy**

A new topic in 2016, behavioural economics continues to grow in popularity with Centres and a good number of candidates attempted the question this year. It was pleasing to see the wide variety of behavioural policies that had been researched by candidates.

Candidates choosing to answer on this topic should be acutely aware that it is not an invitation to simply regurgitate a comprehensive list of interesting behavioural interventions that have been attempted by governments. The weakest answers this year saw this question as an opportunity to explain what governments have done with behavioural economics. These scripts scored poorly because the question clearly asked candidates to consider the rationality assumption and the extent to which it should be taken into account when trying to influence both consumers and firms.

Thus, an answer that explained the 5p tax on plastic bags, Thaler’s ‘Save for Tomorrow’ scheme, opt-out pension and organ donation schemes or the use of social norms for tax collection failed to move beyond low Level 2, no matter how well the policies were explained. Answers moved up the levels as soon as they explained how these policies take problems with assuming rationality into account. For example, if the use of the ‘Save for Tomorrow’ scheme was explained as a response to the fact that consumers are myopic and suffer from present bias and thus behave irrationally, the response received more credit. Additionally, answers moved into Level 4 when they then compared this with a traditional approach that would assume rationality. A number of candidates entered into good discussions as to how assumptions of rationality still have use and therefore make traditional policy prescriptions of taxation, subsidies and regulation a valid tool for policymakers.

Candidates benefitted from defining and explaining the concept of rationality early on. The candidates that took time to do this in an early paragraph then found it easier to relate their answer back to the crux of the question throughout the essay. This setting-up of the rationality model then naturally flowed into the various behavioural biases and heuristics which could then be taken into account by policymakers. Those responses that glossed briefly over rationality at the beginning tended to jump straight to an analysis of behavioural policies without explaining how they come about due to a failure of the rationality assumption.

Very few candidates addressed the assumption of rationality for firms as profit maximisers in any great depth. Answers generally either solely focused on rationality amongst consumers or gave only brief consideration to the issues surrounding firm behaviour. A small number of candidates entered into excellent discussions which considered how the rationality assumption in terms of firm behaviour may affect policymakers looking to improve competition and reduce externalities. Furthermore, there was also some consideration of whether firms themselves use the rationality assumption about consumers and competitors when price setting and engaging in other forms of competition. This understanding of how firms expect consumers to behave can then be used by policymakers to predict and change how firms treat consumers.

Many candidates moved into low Level 2 or top Level 1 evaluation for generic comments on the effectiveness of behavioural economics. Most candidates had at their disposal good arguments around the problems of laboratory-style experiments and their unrepresentative, WEIRD samples meaning their wider applicability may be limited. Candidates also favoured evaluation that suggested behavioural approaches may work better for micro rather than macro problems. Candidates then moved into top Level 2 and Level 3 for evaluation when they judged the extent to which rationality as an assumption is useful for governments to take into account. Very few candidates grappled with how policymakers may need to continue to use rationality in some contexts, yet also supplement this with a nuanced understanding of consumer and firm behaviour provided by the field of behavioural economics. Some candidates displayed a deep appreciation of this issue with a handful deciding that rationality was still the most valuable and useful assumption upon which to base public policy. The weakest conclusions simply asserted that behavioural policies have been used with some success and therefore should be part of policymaking.