

ECONOMICS

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

Key messages

- Please note that from next year (June 2020), the 9772/01 examination paper will be printed in a question-and-answer booklet.
- There will be boxes next to the options for candidates to indicate their answers to the multiple choice section, and there will be lined answer spaces for the responses to the other two sections. The Case Study information for **Section C** will be in a separate insert.
- The Specimen Paper has been re-published in the new format for 2020 onwards and can be accessed from the Cambridge International website at: <https://www.cambridgeinternational.org/programmes-and-qualifications/cambridge-pre-u-economics-9772/past-papers/>
- It remains important for candidates to answer the set question, especially in terms of what 'depth' is required when answering and in particular for **Section B**.
- It is important for candidates, when answering the Data Response questions on this paper, to answer the set questions having read the source materials carefully.
- Candidates are rewarded for directness in answering the question rather than trying to answer a related question of their own choosing. For example, **Question 5(e)** asked specifically about firms in the 'supply chain' but a large number of candidates wrote with reference to the supermarkets themselves and this limited their answers.
- Equally, when instructed to refer to the Extracts, candidates must do so to score highly; this was particularly relevant with respect to **Question 5(d)**.

General comments

At the top end, candidates continued to demonstrate high order skills in applying economic principles to challenging and unseen contexts. Whilst some of the questions in **Section C** covered areas of microeconomics that have previously been examined, it tested economic theory in a different context, and **Section B** focused on various aspects of macroeconomics. This paper expected familiarity with a range of theoretical principles across the syllabus, and the ability to apply them. Some candidates showed a tendency to move away from the specification in their answers to include more 'general knowledge' that is unlikely to score marks. **Question 5(d)** is an example of this. Although most candidates managed to produce comprehensive answers, there were a number of candidates for whom getting timing issues right was problematic.

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 many high scores but it appears 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

Question 1

- (a) Almost all candidates gained full marks in this relatively straightforward starter. A small minority who missed out on marks specified £600m or £105m, or the reference to 'million' was missing.
- (b) Most candidates achieved both marks here. A small number specified a static scenario rather than a change e.g. a *reduction* in interest rates was required for credit rather than simply *low* interest rates. Rather surprisingly, the more obvious answers to this question were frequently not included and there were numerous relatively contorted answers relating to FDI.

Question 2

- (a) The vast majority of candidates gained two marks here for a correct definition in line with the mark scheme.
- (b) Deflation is harmful in several ways and candidates were rewarded for identifying and developing an argument well. A majority of candidates understood the consequences of deflation and were able to specify the macroeconomic impact. Weaker responses showed confusion between deflation and depreciation.

Question 3

- (a) Most candidates were able to identify two clear reasons for taxation. Some weaker answers did not gain one of the marks for an answer that was unclear or too vague, whilst others used redistributing income – the debarred reason that was given in the question.
- (b) A majority of candidates were able to make the link between the type of taxation and inequality. A significant proportion used the terminology of regressive and progressive and some gained a mark for a correct example, although this was not required. Very few candidates clearly defined Direct and Indirect Taxation losing one mark.

Question 4

- (a) Most candidates were able to identify a Customs Union as a group of countries with reduced trade barriers though not necessarily identifying free trade in particular. A significant minority did not specify a common external tariff (CET) or only made a vague reference to the notion of a CET thus not achieving the second mark.
- (b) This question was well answered with most candidates able to draw a reasonable version of the tariff diagram required. Many candidates did not clearly specify the price change although most were able to identify the increased level of domestic output. Weaker candidates inaccurately identified the reduction in imports. It is worth the general note here that all the marks were available from drawing and labelling the diagram. Some candidates unnecessarily over-explained the diagram causing a loss of time.

Section C: Data Response

Question 5

The aim of this section is designed to test candidates' abilities to respond to source material, manipulate and interpret data, and to apply economic principles to unfamiliar contexts.

At the top end of the ability range there was a pleasing ability to be direct in answering the question, applying economic principles to reach reasoned and balanced conclusions. In contrast, weaker responses were sometimes overly reliant on general knowledge of the subject matter without sufficient development of either analytical or evaluative arguments.

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 relate their answers to competition in the supermarket industry and associated issues then use straightforward economic concepts learnt over the Pre-U course to show they have understood these issues.

- (a) This item filled its aim of providing a relatively simple start to the question. However, whilst many candidates were able to identify the 'three-firm concentration ratio' as the proportion of market share held by the three largest firms and provide the correct calculation of the three-firm concentration ratio as 65 per cent, too many were confused by the word 'ratio' and attempted to make a ratio-based calculation appearing unfamiliar with the key term in the question.
- (b) Candidates largely understood what the question was asking but a few failed to provide direct evidence of reference to the data. Very few candidates gave an accurate definition of monopolistic competition and missed out on one mark. The vast majority of candidates were able to identify a monopolistic characteristic from the extract and develop it sufficiently for two of the three marks. A very small number of weaker answers confused 'monopolistic' with monopoly.
- (c) This question was set to allow candidates to look at either the cost or revenue (or both) implications of the intervention of the Grocery Code Adjudicator.

In the case of the former, the intervention of a fine is likely to increase costs. However, very few candidates suggested that the imposition of such a fine would only affect fixed costs and therefore might have no effect on equilibrium output but would simply reduce supernormal profit. The adverse publicity of prosecution under the terms of the Grocery Adjudicator Code might be to reduce the level of demand and therefore reduce revenue or increase demand elasticity, with consumers becoming more likely to alter their shopping habits away from a supermarket that has attracted such negative interventions.

The diagrams provided could, therefore, legitimately either represent an increase in cost or decrease in revenue (or both) The actual diagrams provided were of greatly varying quality and sophistication with weaker candidates becoming confused through an initial poor-quality attempt at shifting the cost curves. Relatively few candidates achieved two marks for application. However, almost all candidates understood, and were able to explain, that demand might be reduced leading to a lower level of sales. Candidates were somewhat less successful at linking their diagrams to a correctly analysed decrease in profit. Moreover, only a handful of candidates clearly defined profit.

- (d) There were relatively obvious leads for the direction of this question contained in the source material. Examiners agreed that good answers should put a case either for or against as to whether 'price matching' is evidence of a high level of competition in terms of the 'extent'. This is because the question allowed candidates to adopt a range of positions in relation to the comments in the text.

However, this proved to be a challenging question, perhaps because many candidates did not appreciate the extent to which the supermarket sector could display both monopolistic and oligopolistic characteristics, depending on their circumstances, location etc.

A significant number of students drew a kinked demand curve diagram but, despite this, they failed to make the potential link between price matching and price rigidity and the possibility of tacit collusion. A significant number of candidates included irrelevant theoretical analysis and failed to make thorough use of the information provided in the extract. In extreme cases this limited a candidate's mark to a maximum of four out of ten for this question.

Stronger responses were able to identify that the level of competition would be linked to the presence of different supermarkets in local areas for example. Moreover, that price matching could be taken as evidence of market control within the existing collusion to keep prices high rather than evidence of overt competition lowering prices.

The best evaluation drew on evidence from the text and for example considered whether Sainsbury's taking Tesco to the Advertising Standards Authority (ASA) is in fact indicative of their genuine desire to compete with Tesco rather than to collude. Also, the extent to which we would expect there to be a rise in non-price competition between supermarkets if there is widespread competitive 'price matching'.

Some weaker candidates wrote unsophisticated answers drawing more on general knowledge and made some interesting assumptions about supermarket customers rather than engaging in clear economic analysis.

- (e) This question proved to be relatively difficult. Many failed to interpret the content accurately; this was either through misreading the direction or an attempt to answer a different question that they felt better able to answer.

Candidates who had otherwise done well on the paper often missed the context of the 'supermarkets' supply chain' in the question, with some providing a full-blown analysis of the benefits or otherwise of competition between the supermarkets themselves.

Many candidates were able to gain marks for identifying the benefits to consumers of competition between supermarkets and indeed the possible downsides of excessive competition. Some scripts digressed into natural monopoly or research and development type analysis which earned few relevant marks as the applicability to grocery retail was not justified. Although few in number, the best analyses used evidence from the text with respect to the 'fiercest competition... at the other end of the supply chain' – implying that supermarkets can use their market power to drive prices below those in perfectly competitive factor markets, harming firms in their supply chains.

The quality of evaluation was an issue with answers to this question; this reflects the struggle that many candidates experienced with their analysis of the key issues. Weaker responses presented basic statements around the need for a Grocery Code Adjudicator implying that supermarkets might be able to abuse a dominant position. Again, only the very best candidates considered the extent to which competition between supermarkets will always benefit both consumers and firms in the supermarkets' supply chain.

Candidates need to be reminded to read the question carefully. A significant number of candidates failed to make good use of the information provided and, in some cases, once they had embarked on theoretical analysis, seemed to forget about the source material completely. Therefore, a relatively limited number of candidates were able to progress beyond a maximum of 6 marks overall for this question.

It should also be noted that a clear and full appreciation of the relative merits of at least two clear issues is required for an award of all 6 evaluation marks. Some apparently otherwise able candidates were restricted by their lack of scope in this respect.

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<p>Paper 9772/02 Essays</p>

Key messages

Similar key messages apply to those pointed to in previous years. In particular:

- It is very important to answer precisely the question asked. This is vital if an answer is to gain its full potential mark. Neglecting to do this is one of the main reasons why candidates underachieve relative to their ability, particularly in essay-based papers. Sometimes it seems that a weak answer deliberately ignores either some aspect of the question or what the question actually asks; on other occasions, a candidate seems genuinely not to understand fully what a question is asking.
- Although candidates sometimes do not feel they have time to write a formal plan of their proposed answer, nevertheless it is important that they attempt to write essays with a clear structure. This is not just in order to maximise performance in terms of how the examiner makes their assessment, but more importantly perhaps because it invariably helps the candidate to answer all aspects of a question.

General comments

The structure of the paper remained the same as in previous years, with **Section A** consisting of three primarily microeconomic questions and with three primarily macroeconomic questions in **Section B**. There were no cases of candidates infringing the paper's rubric, and no evidence of candidates experiencing problems in completing the paper in the time available.

Each of the six questions was answered by sizeable numbers of candidates, with **Question 2** being the most popular one – indeed, it was answered by almost all candidates. Although all six questions set similar challenges, the average standard of answers to **Question 3** and **Question 6** was slightly lower than answers to the other four. However, the general standard of answers was again high.

Candidates generally showed a sound understanding of relevant economic concepts and principles, with very few cases of serious confusion, and generally impressive explanation of relevant elements of economic theory. Diagrams were often used, usually appropriately, and tended to be well integrated within answers. Weaker answers generally tended to fall down either in that they failed to address the question asked explicitly, or because they only answered it partially. Examples of such weaknesses were in **Question 2**, where several answers failed to address the stated option of 'prevent the availability', and in **Question 5**, where a number of answers rather ignored the 'above target' element in the question.

Comments on specific questions

Question 1

The question was answered quite well by most candidates who attempted it, with a sound understanding generally being shown both of the meaning of the two elasticities of demand, and of the implications of the four particular values given for the relative sizes and directions of change of quantity demanded in response to price or income changes. Only a few made incorrect statements – for example, that the demand was more income-inelastic in the current year than in the recession year – and similarly only a few did not say that the product was an inferior one. The quality of responses with regard to the possible help these values might be to a firm's decision-making was more variable, but at least virtually all answers attempted to address the issue. Only the best, however, showed some awareness that other factors influencing demand were also of relevance to a firm, or that any estimates of elasticities are bound to have a degree of uncertainty attached to them.

Question 2

This question was easily the most popular, and answers generally showed good understanding of the relevant economic concepts, though not all explained the demerit and the negative externalities aspects of the goods in question. There was generally a good grasp shown of the market failure/over-provision justification for government intervention; some credit was given when candidates explained the market failure in terms of differences between MPC and MSC, though of course differences between MPB and MSB were more appropriate in the cases specified. One area of relative weakness in some answers concerned the way in which they explained types of government intervention – most assessed the use of indirect taxes and/or minimum prices, but some ignored the ban-on-supply option that the question actually specified.

Question 3

This question resulted in the greatest variability in quality of answers in **Section A**. At the top level, answers gave a clear explanation of what ‘discrimination’ in this context might imply, and also of the process by which supply and demand forces in general operate in the labour market, before considering possible reasons for there being a ‘gender pay gap’ as specified in the question. They then assessed whether or not such pay differences might or might not be regarded as being caused by discrimination. Weaker answers, though, tended to be rather descriptive, often failing to address what discrimination might imply in this context, and merely putting forward a number of possible factors influencing male and female pay without really analysing them in the terms asked for by the question.

Question 4

This was not a typical premise for a question, as it made explicit linkages between exchange rates and employment. However, most candidates had no difficulty in making appropriate connections as they constructed their responses. Not all made reference to the ‘huge waste’ element in the wording of the question, but they did show a good grasp of advantages and disadvantages of fixed as against floating exchange rates in general. Many, too, were able to apply their understanding well to the Italy/Euro context, and the best also linked their responses to the possible different causes of the unemployment identified in the question – though it needs also to be said that specific knowledge of the contemporary Italian economy was not required.

Question 5

This was marginally the most popular question in **Section B** of the paper. Most answers showed a good grasp of how an increase in rates of interest will affect elements of Aggregate Demand, and the better ones also of how this in turn is likely to affect the current rate of inflation. Some concentrated largely on domestic mechanisms, others on changes contingent on changes in the foreign exchange market, and some covered both. Many answers too considered possible downsides of using interest rates to reduce inflation, and some considered other options, such as longer-term supply-side policies. However, there was some variability in the extent to which answers addressed the issue of the relationship between interest rate policy and the target rate of inflation, which was the actual question.

Question 6

This question was also tackled by many candidates, though it, rather like **Question 3**, produced quite a number of answers which tended towards the descriptive. Most began by attempting to explain the meaning of globalisation, though the weaker ones tended to regard the term as synonymous with ‘international trade’ – and this inevitably reduced the quality of the overall answer. Benefits and costs of globalisation were generally solidly covered, though some merely asserted them rather than explained them. However, the greatest variability related to the extent to which answers addressed the increased inequality aspect of the question; many were quite good on possible implications for inequality within countries, but less so when it came to considering possible implications for inequality between countries.

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Paper 9772/03
Investigation

Key messages

- More so than in previous years, there was a great disparity between candidates that directly addressed the question asked and a significant number of candidates who did not specifically tackle the question. Candidates who attempted to return to the question throughout their essay and address the question as a whole, rather than a section of the question, were able to access the higher levels of the mark scheme.
- Paper 3 is an independent economic investigation. The highest levels on the mark scheme are reserved for candidates able to demonstrate this independence. Equally, answers lacking sufficient, detailed examples scored poorly as they did not reflect the level of research required for Paper 3.
- Successful candidates ensure that they interweave strong economic theory and deep contextual understanding. A Paper 2 style 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 spend time re-reading the question and looking for the issues that will be crucial in distinguishing at the top end. All of the questions were accessible to candidates who had studied the topic in significant depth; however they required candidates to spend time understanding the crux of the question.
- Conclusions and summative judgements can happen throughout an answer. Evaluation must hark back to the specific question asked rather than be generic evaluation applied to the topic as whole. Nuanced evaluation that challenged the premises of the question was rewarded strongly. Conclusions should also attempt to directly answer the question, to whatever degree that may be, rather than summarising the issues the question raises.
- Evaluation in Paper 3 should be sustained and justified. While only two points are required to move into Level 2, these points must be extended and not unsupported assertions or generic.
- The lowest-scoring answers either failed to address the question asked – instead giving a very general topic essay – or lacked evidence of the contextual awareness that would be expected from a single-topic investigation.

General comments

There was a wide range of marks obtained, with some scoring close to maximum marks and others with single figures. The common theme for candidates who scored well was engaging with the specific question coupled with good independent research.

While the questions this year were reasonably broad, they also had a key issue or concept that needed to be identified and addressed for answers to reach the higher levels. Both 'Transport' and 'China' required candidates to attempt to define a core idea: 'transport policy' and 'China's ongoing economic transformation' respectively. Both questions were also predominantly forward-looking; a failure to write about future implications meant that candidates missed a core area of the question. The Sustainable Development Goals (SDGs) question hinged on the word 'solely'; is it sufficient for governments to take responsibility for the SDGs on their own? Finally, the 'Behavioural' question focused on 'improved decision making'; candidates had to explain how behaviour economics or other policies changed decision making. It was how well addressed these fundamental parts of the question were that clearly distinguished answers.

All four questions on the paper were tackled. China was again the most popular topic area, with Transport, SDGs and Behavioural having a similar number of responses. The best answers kept a focus on the question from the start, clearly attempting to define the core ideas in the question and then cover all parts of the question. Transport candidates needed to cover both environmental and other objectives in a forward-looking manner; China candidates had to consider the future impacts of China's most recent transformation

on both developing and developed economies; the SDGs question required a considered of government and market-based approaches; Behavioural answers had to make a link from biases to decision making and then how policy could affect that decision making. Some candidates did this well and as a result scored strongly for theory and analysis, however they then either failed to evaluate completely or gave a series of more generic, pre-rehearsed evaluation points that showed little evidence of truly trying to tackle the question posed.

The best scripts were awarded the highest marks for showing truly independent research on a topic. It became clear as some scripts were marked that some candidates were overly reliant on the initial insights or examples that centres may have provided when introducing candidates to the topic. A failure to go beyond these examples or to not use them in an original way suggested that candidates had not fully independently researched the topic and were instead relying on pre-provided material. The answers this year particularly suffered from a narrowness of data and examples. Transport scripts often analysed one or two examples of policies in reasonable depth, without a nod to wider 'current transport policy'; Some China scripts stuck to a US-China trade war example that had little relevance; the SDGs scripts often failed have country-specific examples of either government-led or market-based policy and Behavioural evaluation examples were often kept to generic examples.

This year the Transport, China and to a lesser extent the SDGs and Behavioural questions all required candidates to look to the future. This meant using past and current knowledge and data to extrapolate to the future. Candidates who failed to understand the importance of future impacts to the question scored in the mid to low mark bands as a result.

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

The concepts that are included in Paper 3 questions are often ambiguous due to the dynamic and multifaceted nature of the topics. This means that candidates who attempt to define them and then analyse them are rewarded, even if there are very different interpretations of what they mean. However, it is important that candidates do at least attempt to define the broader nature of the question. For example, 'current transport policy' needs to be more than two or three examples of past transport projects and equally China's 'economic transformation' needs to be more than a change in the value chain or a rise in labour costs to reach the higher mark bands.

Comments on specific questions

Question 1: Transport and the Environment

This question required candidates to possess a reasonable grasp of current UK transport policy. Knowledge of any specific policy was not required and a wide range of policies could be credited. However, candidates' understanding of current policy appeared to be limited; rarely extending beyond HS2, Heathrow expansion and the Plug-In Car Grant. It was pleasing to see some candidates start their answers with an awareness of the shifting nature of national and international debate around environmental protection as a policy objective; however some candidates that did this failed to make the link to transport policy.

Many candidates did not mention aviation at all, even though it is the fastest growing source of transport emissions, and very few discussed UK government plans to phase out the sale of fossil-fuelled road vehicles by 2040, probably the biggest transport policy story of the recent years. Almost none mentioned cycling, walking, buses, heavy goods vehicles or shipping. When tackling this investigation in future years, candidates should seek out policy from a number of sources and across different modes. It is also important to remember that much of transport is about future planning and so an awareness of policy must include plans for the future and not just past or ongoing projects. Some stated very vague objectives, such as 'reducing emissions' or 'decreasing the use of fossil fuels', as policies. Very few candidates were able to offer an overview of the general policy direction of the current government. This was fundamental to accessing the question and reaching the higher mark bands. It was not expected that candidates were able to produce a complete representation of current transport policy, but they did at least need to attempt to define the broader thrust of policy and look across different modes or issues.

Equally, very few were able to compare the magnitude of different policies; contrasting the size of the subsidy for electric vehicles, a policy with a clear focus on the environment, with the cost of HS2, a project with more questionable environmental credentials, for example. Drawing such contrasts was very useful as it enabled candidates to begin to 'weigh' the size and impact of policies; thus gaining Level 2 and Level 3 evaluation marks. Instead many answers read like separate analyses and evaluations of discrete transport policies which then failed to draw together a coherent answer to the question as a whole.

Many candidates referred to long-standing policies, such as vehicle excise duty and the London Congestion Charge, and there was some credit for these references as their continued use means that they are part of current government policy. However, it was expected that stronger candidates would be able to reference recent *changes* to these charges as they reflect the current policy position and are therefore directly relevant to the question at hand. The changes to VED from 2017, for example, indicate a significant shift in government position, but the candidates who referred to this duty generally treated it as a simple measure to deter car use. It was also expected that strong candidates would be able to differentiate between central government and local government policies. However, whilst some candidates mentioned local policies, such as support for metro systems, they were not generally clear about whether this was the result of central or local government policy decisions. Regional and national policies may not always be integrated and the very best candidates were able to identify that 'policy' depended on area in question.

Coverage of some of these policies also seemed to be very one-dimensional, indicating a potential lack of individual research and objective study. Few candidates, for example, discussed emissions or the carbon footprint of construction in relation to HS2, probably the most significant environmental issue for this policy, whilst almost all quoted the same figures on destruction of forests and loss of wildlife. Candidates discussing the impact of the London Congestion Charge tended to focus on data showing a negative impact on the retail trade, rather than those relating to emissions and congestion in the city. This selectivity got in the way of objective analysis. Many candidates assumed that the cost of constructing a new runway at Heathrow would be borne by the government.

The lack of effective supporting data led many candidates into making assertions and 'judgements' which were not supported by concrete figures or analysis. A small number of candidates referred to 'huge' or 'massive' impacts and to 'aggressive' or 'punitive' policies, without then substantiating these claims. This was then classified as assertion or a lack of critical awareness. In contrast, some of the best scripts showed a clear level of independence in their research, quoting facts and figures to support analysis and using a range of transport projects to paint a picture of broader transport policy.

This question also required candidates to use micro theory with some precision. Most candidates were able to select the correct theoretical tools. However, there were frequent errors in the use of some of this core theory. Most candidates used the incorrect subsidy diagram when discussing the Plug In Car Grant; showing the subsidy being paid to producers (shifting the supply curve), rather than consumers (shifting the demand curve). Many candidates chose to use versions of the externalities diagrams that seek to differentiate between negative externalities of production and those of consumption. There is no need to use these diagrams on Pre-U papers and they seemed to confuse many candidates; often leading to misidentification of the social optimum price point and/or the area of deadweight welfare loss. This differentiation between production and consumption externalities would also appear to be particularly unnecessary in transport markets as in many of these contexts the negative externalities are generated by production *and* consumption. It is therefore difficult to see how the diagrammatic distinction adds to the analysis, whilst it would seem to be causing significant confusion for many candidates.

The use of macro theory around competing economic objectives was generally more accurate and successful than the use of micro theory. However, some candidates missed the cue to refer to specific 'objectives', e.g. growth, employment, trade, regional inequality, etc. and entered into a very general discussion about negative impacts or trade-offs without referring to a specific alternative and valid economic objective. For example, there were many shifts outwards of an LRAS without a link to a specific government objective. Sometimes candidates referred to objectives of 'increasing capacity' or 'reducing congestion' without indicating how this linked to a specific macroeconomic policy objective. The use of AS/AD diagrams was generally more accurate than the use of micro diagrams. However, some candidates did not fully explain why a specific policy, such as the construction and use of HS2, would shift either short-run or long-run curves; simply stating that it would do so.

Most candidates did attempt to answer the question set; however, the answers in general suffered from a narrowness of both policy choices and the depth of examples and data to analyse these policies. This combined with some theoretical errors and a lack of evaluation around the broad question constrained many candidates' ability to reach the higher mark bands.

Question 2: China and the Global Economy

The China and the Global Economy topic again proved to be the most popular question this year. There were some superb examples of candidates truly immersing themselves in their understanding of the Chinese economy, using up to date information from most recent government policy statements and investment and trade links with the global economy.

The first challenge candidates faced when answering this question was their understanding of the phrase ‘China’s ongoing economic transformation’. Unfortunately, a number of candidates either chose to ignore this part of the question or failed to understand that China has been going through a significant transformation in the last five years. Candidates who ignored the idea of a transformation completely simply described a number of impacts China is having on the global economy without explaining why they were happening. Candidates who lacked an up-to-date understanding of China’s transformation, analysed features such as low wages, manufacturing growth, exchange rate manipulation, the one-child policy and past pollution without an understanding of how these have changed over time. Equally, the transformation needed to be described reasonably specifically. Some candidates quickly interpreted the ‘transformation’ as ‘China’s economic growth’ but made no attempt to go any further. These answers lacked the depth of awareness about the nature of the Chinese economy that would be expected from a Paper 3 investigation.

Other candidates did a good job of describing China’s economic transformation but then did not adequately apply the impact of this transformation upon other economies. For example, strong candidates described China’s move through the value and rising wages as both a threat and opportunity for LEDCs and MEDCs: a threat as existing comparative advantage is challenged and structural unemployment created, and an opportunity as consumer welfare is enhanced and other countries (predominantly LEDCs) then move into lower-value industries. On the other hand, weaker answers described China’s changes in value-chain production but then failed to go beyond broad assertions such as that this would ‘threaten MEDCs’ position’.

To score well on this question, answers had to be forward-looking. The question was clear in asking for the extent of threats rather than current or past negative impacts. This opened up the opportunity to weigh up the extent of threats versus opportunities and thus gain evaluation marks – many candidates did this successfully. A number of scripts did a good a job of explaining what had happened to the Chinese economy 1979–2010 and how this had harmed both LEDCs and MEDCs but did very little to analyse the potential nature of China’s impact on the global economy post-2019. It is crucial that candidates address the timeframe explicitly directed in the question. An answer all about China’s past impacts on the global economy scored in the low Level 2 or top Level 1 for theory and analysis.

While there was no specific ‘threat’ of China to other economies that examiners were looking for responses to cover, answers could have drawn on areas including: dumping, rising debt, intellectual property concerns, the exploitation of natural resources, environmental damage and also new measures to reduce environmental impacts, dependency on FDI or export markets, future economic slowdown of China and changes in the value chain. There was significant discussion around the US-China trade war. Some candidates dealt with it well, explaining how China’s move up the value chain and potential theft of IP and ownership of US treasuries had precipitated the US tariffs – but these were in the minority. Most candidates did an extensive job of analysing the negative impact of US tariffs on Chinese exports without explaining why they were a result of China’s transformation, rather than a US policy prescription. As a result, much of this analysis did not gain any credit. A number of answers struggled to get out of Level 2 for theory and analysis because they could not explain the future negative that China would have on developing or developed economies. The nature of the future threat had to be analysed to get into Level 3.

When threats were addressed, they sometimes lacked theoretical rigour and economic analysis to make them convincing. A small number of candidates strayed into political analysis of China’s economic rise, which gained little credit in a Pre-U Economics exam. While it may be true that China is becoming increasingly powerful on the global political stage with both its hard and soft power increasing, unless this was then linked to economic effects on developing and developed countries candidates were not rewarded for this line of argument. For future teaching, centres should encourage candidates to always link any political references they may make from other studies back to economic theory and analysis. An additional problem with some of the analysis around China’s ‘threat’ was being vague in what the threat would actually constitute. Some scripts described the threat as ‘China getting bigger’ or ‘China becoming dominant’ without explaining what this meant and why it was actually threatening. There was an implicit assumption in this type of analysis that China’s economic transformation was necessarily a zero-sum game without any specific justification. This analysis was thus treated as vague assertion and so scored poorly.

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

In the fourth year of this updated topic area, this question attracted an increased number of responses. It was designed to allow candidates to explore the aid-versus-free-market debate that runs through the development literature and the SDG programme. It was pleasing to see that most candidates spotted that they needed to address both approaches. Unfortunately, the depth of understanding around how the free market can be used to solve specific development problems and why it can sometimes be more effective than government-led policy was in many cases limited. The best answers showed both a detailed understanding of when governments can effectively drive the SDG agenda and also understood the benefits of, and limitations to, free market approaches. The mid to low-level answers tended to deal with government policy reasonably effectively but then provided only limited insight into the role of market-based policy.

Many answers suggested that candidates had focused much of their research time on the extent to which the SDGs are effective or are working. What they had then failed to do during this research is ask the second question: if the SDGs are failing/working, who is responsible for this failure/success? The message to future candidates is clear: it is not enough to research the SDGs and their impact on economies and economic actors, this area also requires a basic theoretical understanding of how development economics works: what is the economic policy mix required to make the SDGs a success? Candidates who stated that various SDGs had been good or bad without explaining whether governments could achieve the SDGs scored in the low Levels of the mark scheme.

It was encouraging to see a strong focus on education, healthcare and infrastructure as government policies that had helped to achieve the SDGs. Most candidates were able to name specific SDGs and make the link between a government policy and how this would affect an SDG – the most popular being the link between spending on education and SDG 2 and 4. Where answers were found to be lacking this year was in specific country case study details. For example, very few candidates were able to describe an LEDC government policy in education that has impacted educational outcomes. Basic examples would include Uganda's move to universal secondary education or the policy in a number of countries of improving teacher training and accountability through the use of technology and local civil servants. The highest marks for this area will go to the candidates who take time to deeply research a handful of countries and their specific actions to achieve the SDGs: all of this can be found on the UN and World Bank websites.

A further level of analysis that was rarely seen was the disaggregation of the concept of 'government'. Only a few candidates got into the debate around whether international governmental action was preferable to national government policy. Equally, candidates rarely questioned whether government policy should be dictated by MEDCs in the various forms of aid or whether by government policy we should assess what LEDC governments can do for themselves. This was an opportunity to enter the aid debate that is part of the main syllabus.

Candidates who were able to use this question to analyse critically the role of aid as a government policy tool were then more able to draw out a comparison with free market approaches. What most candidates did was to analyse two or three government policies and how they achieve the SDGs and then analyse two or three free market approaches (generally less well) and then draw a summative conclusion. While this approach did attempt to answer the question directly, it did not access the highest marks without addressing the debate around the extent to which government policy can achieve the SDGs without the help of the free market. This two-sided answer did not recognise that very often the government is required to *support* many free market approaches: it is the government that negotiates free trade agreements, provides the regulatory environment for entrepreneurs to thrive or creates the infrastructure for economic growth to take place.

Finally, as mentioned above, the free market options for achieving the SDGs were not analysed as effectively as the government policy solutions. The analysis of alternatives to 'sole' government provisions were generic and lacked an appreciation of the many innovative and dynamic solutions being attempted outside of governments. The development literature is brimming with new trials and ideas in this area and candidates are encouraged to do a better job of conducting this research in the future. Free market alternative that could have been described include: development vouchers. CCTs and UCTs, microfinance, mobile banking, peer-to-peer lending, free trade zones, entrepreneur training, low free private schooling. The most common non-governmental solutions proposed by candidates were free trade and FDI and this was done generically without examples of what specific countries had done to unleash the benefits of trade. Moreover, the contextual examples seemed to be almost entirely from MEDCs which seemed to miss much of the thrust of the topic.

Overall, a greater focus on case study examples and an understanding of the broader debate around how the SDGs should be achieved will help candidates in future years.

Question 4: Behavioural Economics and Government Policy

The third year of this topic, behavioural economics continues to grow in popularity with centres and a good number of candidates attempted the question this year. The range of recent policy examples used by candidates was very encouraging to see with the best candidates increasingly recognising that there is value in moving beyond the use of behavioural policy in consumer decision making to understanding how the field applies to the macro economy and firms.

The levels awarded for theory and analysis split quite clearly in relation to the three parts to the question. Answers stayed in Level 2 for theory and analysis if they explained a behavioural bias and solutions that have been implemented by government to solve the bias using behavioural economics. This basic problem and solution format was treated as formulaic and rehearsed. If the answer did not deal with how economic *decision making* is affected by the policy or the bias then it missed the main thrust of the question.

Answers moved into Level 3 for theory and analysis if they explained how government policy, when attempting to correct a behavioural bias, explicitly affected economic decision making. Candidates needed to be clear they understood how decision making was changed by the behavioural (or non-behavioural) policy. Better candidates then naturally flowed into evaluating the extent to which the policy not only changed decision making but whether it actually made the process of decision making any better, drilling down on the question wording of 'improve'.

Candidates were awarded Level 4 for theory and analysis if they were able to take a sub-optimal decision making scenario – for example the under-consumption of pensions – and then explain the behavioural bias or heuristic that was causing the poor decision making. From here they then explicitly linked the associated government policy to solve the problem to the heuristic or bias itself and explained how policy affected the bias, finishing with a clear analysis of the change in decision making. When candidates put all of these elements together with appropriate examples from the policy world, the answers were highly impressive.

Equally, candidates who thought they could answer any behavioural economics question by knowing some real world problems and how behavioural economics is being used to solve them scored poorly. Centres should remember that in some ways the behavioural economics topic is narrower than the other question areas and thus candidates must really aim at the specific focus of the question set.

Strong candidates realised that the question did not demand an exclusive analysis of behavioural economics policy. The question asked whether government policy in general can improve decision making that is negatively affected by heuristics and biases: some candidates rightly used this as an opportunity to discuss whether traditional, behavioural or a mixed approach to policy is best placed to affect the economic decisions made.

In terms of evaluation, it is clear after three years of this topic that some candidates are starting to develop a generic set of behavioural economics evaluation points that are being inserted into answers no matter what the question. While evaluation points like the WEIRD criticism of behavioural tests, or the imperfection of policymakers are not irrelevant, they were not rewarded to the same extent as candidates who actually tried to evaluate the specific question set. For example, a candidate who grappled with whether decision making is easier to change for different markets or biases was given much greater credit than a candidate who gave a standard evaluation of behavioural policy efficacy based on the WEIRD criticism. Centres are encouraged to use such general criticisms as a 'way in' for candidates to then think about specific questions in a more original way.

As mentioned earlier, candidates are increasingly starting to bring in research and data from more than just the use of behavioural policy to affect consumers. Strong candidates were able to discuss if government policy was more effective at a macro or micro level and at the micro level were able to give examples of behavioural policy in the arena of firm as well as consumer decision making. From some centres there was a clearer repetition of examples across answers which held those candidates back from reaching the very top marks when evidence or originality and independent research is required. In a similar way to the point about generic evaluation, centres are encouraged to share interesting examples with candidates but then must encourage them to go beyond these and conduct their own research into the topic area.