ECONOMICS

Paper 9772/01

Multiple Choice, Short Answers and Data Response

Key messages

- It is important for candidates to answer the set question, especially in terms of what 'depth' is required.

- It is important for candidates, when answering the Data Response questions on Paper 1 to read the set questions and the stimulus materials so carefully, if they wish to score highly.

General comments

Once again the exam appears to have worked well in providing the candidates with the opportunity to demonstrate and use their economic knowledge and it acted as a good discriminator between candidates. In general the paper proved to be more accessible for candidates than in the last couple of years and the overall mean mark rose from 50.9 in 2011 and 50.4 in 2012 to 57.6 out of 80 this year. The fact that the data response question concerned the Housing market - an area that would almost certainly have been discussed during the course by candidates - as opposed to, for example, internships in the 2012 paper, was thought to be the main reason for this improvement but there were other possible reasons which will be highlighted below. At the top and bottom ends, candidates tended to do consistently well/poorly on all three sections. There were almost no candidates who appeared to have run out of time when it came to **Section C** and those who did had, as in previous years, generally written far more than was expected for the earlier questions.

Comments on specific questions

Section A

The following are statistics for the 30 multiple choice questions with comparisons with previous years:

	2013	**2012**	**2011**	**2010**
Average	20	17.9	17.5	17.6
Mode	20	20	17	17
Min.	9	7	9	9
Max.	28	28	29	27

Once again the candidates, as expected, found the multiple choice questions to be a challenging part of the paper. However, a higher mean adds further evidence to the fact that candidates, and Centres, are becoming more familiar with the type of question that they will face. The existence of more 'past papers' is clearly aiding this process and this will only continue to be the case as the years go on.

However whilst there was no correspondence from Centres following the paper, there were concerns expressed at the marking stage that two questions were not as unambiguous as had been intended. **Question 3** depicted a Giffen good but, at the printing stage, this clarity was lost and so there was some possible ambiguity with the final diagram. Hence both options B and D were accepted for this question. Similarly the wording of **Question 30** could possibly, it was argued by the examiners, have led candidates to believe that there would have been trade diversion away from country Z in favour of country Y and hence in interests of fairness to candidates, B was also accepted as well as key A. Whilst the need to take two answers is never desirable fairness to all candidates is of paramount importance.

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/ expecting – always bearing in mind that the unexpected answer is well-rewarded at Pre-U – providing that it is both accurate and relevant.

Section B

Generally speaking, this section was answered far better than had been the case in the previous year with many candidates producing solid answers across all four questions. As always, this section covered a wide cross-section of the syllabus.

Question 1

(a) Most candidates were able to gain both marks here. However, it should be noted that the question only asked candidates to '***State***' two characteristics for the two marks. Candidates who wrote a long explanation here gained no extra credit and it cannot be stressed too highly how important it is for candidates to answer the set question, especially in terms of what 'depth' is required.

(b) Some candidates failed to explain the particular point about the 'free rider' problem in terms of public goods, although many appreciated the fact that people benefitting from the good without having to contribute to its cost was at the crux of the matter.

Question 2

(a) In general this question was well answered with just a few candidates appearing to have no idea at all as to how to use the diagram to answer the questions.

(b) Many good answers here explained how in the long run, due to free entry into the industry, supernormal profits would be competed away and so on. Interestingly a few candidates stated that the diagram could not show the long-run as it showed fixed costs, which did not exist in the long-run. Whilst this did not address the issue of equilibrium, it was rewarded with a mark.

Question 3

(a) As long as candidates mentioned both something to do with 'general prices' as well as the concept of 'over a period of time' / 'sustained increase', then they were able to gain both marks.

(b) For many these were three easy marks to pick up. However, several candidates labelled their diagrams with axes of price and quantity and were penalised as a result. As a general rule, it is suggested that the idea of producing A.C.E. diagrams (correctly labelled **A**xes, **C**urves and **E**quilibria) should be encouraged where possible.

Question 4

(a) This question caused most problems within the section, especially with regard to quotas. Whilst most candidates appreciated that a tariff would raise the equilibrium price for the imported items and hence raise the competitiveness of the goods from the domestic industry, there was far less knowledge displayed as to how a quota might protect the domestic industry. Those who merely stated that as there would be a smaller quantity of imports, and hence more of a chance for home goods to be bought gained a mark, but many candidates just stated that a quota limited the quantity and did not develop their response any further.

Section C

Question 5

The aim of this section is to test both candidates' ability to read articles and be able to pick out the salient parts and also to apply their knowledge of economics to particular situations presented to them. In the final two questions in this section, there are 60% of the marks available for evaluation. As mentioned earlier, the subject matter of this year's question, namely the Housing Market, seems to have been more accessible to candidates and in particular their answers to the two 10 mark questions were better than in previous years.

(a) This question was very well answered and almost no candidates fell into the trap of failing to see that a first-time buyer had a larger zero rated band and hence most candidates were able to use the information given to calculate the correct answers.

(b) Again, this question was well answered by most candidates, provided that they read the question and hence used the information provided in Extract 2. Here it was clearly stated that the two reasons were improved life expectancy and a growing number of one-person households. To secure the third mark though, candidates had to give some explanation, however brief, as to *why* at least one of these facts would have led to an increase in the demand for housing.

(c) This part of the question caused several problems and in very few answers was an accurate answer provided. At marking, candidates were treated quite generously in so far as, as long as they managed to get across the idea that interest payments would be lower as a result of lower mortgages rates then this would help home-owners with mortgages they were given some credit but very few seemed to appreciate that for most people with a mortgage, monthly payments consist of a combination of both interest payments and some repayment of the initial loan. To score full marks on this question the candidate had to have acknowledged that it was the fact that house prices had risen by a greater extent than wages over the time period in question that had affected the affordability of housing, rather than just that house prices had risen in real terms. Clearly if average wages had doubled whilst house prices had gone up by 50% over the same period of time, then there would not have been such an 'affordability issue'.

(d) The quote given in the question clearly directed candidates to discuss the concept of Mortgage Equity Withdrawal (MEW) and the whole idea of positive wealth effects etc. and then to discuss how this concept may have changed in recent years. Better candidates produced excellent answers that questioned the whole idea of the general state of the economy being the catalyst both for rising house prices and increased confidence, and hence desire to spend more, and how MEW allowed the spending to happen as it enabled individuals to finance such spending but that it was not necessarily merely the increase in the price of houses that had *caused* the additional spending. Good candidates talked about how events of the past few years have clearly had an impact upon whether this 'link' will ever be seen as strongly again in the years to come.

Some candidates were confused and thought that the 'consumption spending' being questioned was that on housing and provided a micro style answer that basically said that if the price of houses increased then there would be less demand and hence, by inference, less consumption. This gained very little credit, mainly because the question clearly guided candidates in the correct direction but also because the whole issue of 'second-hand' housing and consumption as part of Aggregate Demand is a complicated one and certainly not appreciated by any of the candidates who went down this more simplistic route. Limited credit was available to those who, whilst ignoring the guidance in the question, talked about house prices rising leading to, in effect, less 'post-mortgage disposable income' and hence a reduction in other consumption, or how an increase in house prices led, in effect to 'fiscal drag' as far as Stamp Duty was concerned and hence, again, people had less money to spend on other items. It cannot be emphasised too strongly how important it is for candidates, when answering the Data Response questions on Paper 1 to read the set questions and the stimulus materials so carefully, if they wish to score highly.

(e) In order to score highly on analysis in this final part of the question, the candidates had to show some understanding of *why* a government should wish to intervene in the housing market. There were several hints given in the data provided in terms of 'over-crowding and bad housing' being, in effect, a de-merit good (extract 2) and also it could have been argued that there was a market failure due to the inability of many people to be able to afford houses, due to distribution of income / wealth issues. However, many candidates merely concentrated on ways that governments could intervene, rather than the rationale behind such intervention. A lot of the suggestions made very

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little economic sense, namely 'impose a maximum price to ensure that everyone can afford to buy a house', without any consideration of what this would do to the supply side of housing. It was perhaps disappointing that very few candidates used the very current example of the 'Help to buy' scheme that was announced in the Budget just weeks before the taking of the exam. Perhaps candidates were too busy revising earlier work but it should once again be stated that candidates who are able to use 'current affairs' in a relevant way in their answers will most certainly receive credit for this knowledge. Economics is a 'living subject' and it is hoped that one of the real strengths of the Economics Pre-U exams is the fact that several of the questions provide candidates with an opportunity to gain credit from displaying their knowledge and understanding of their recent studies. The aim is that good relevant economics will always be rewarded, however 'unexpected' in terms of the official mark scheme.

ECONOMICS

Paper 9772/02
Essay

Key messages

- The most important single message for candidates is that they must answer the question asked, rather than perhaps the question they would have liked or the question that they expected.

- Furthermore, if a question requires that two tasks are to be undertaken, the answer needs to respond appropriately.

- Finally, 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.

General comments

The structure of the paper was unchanged from previous years, with the overall response by candidates also broadly unchanged, even with a significantly larger entry – increased by 21% from 2012. All six essays were answered by sizeable numbers of candidates; no candidates committed rubric errors, and there was overall no significant evidence of problems completing the paper in the time available.

The level of difficulty of the six questions was very even, even if they were perhaps slightly more challenging than last year. This point will be explained in more detail later, but in essence each question effectively required candidates to respond to two demands, so that there were increased opportunities for them to fail to address these demands fully. The average standard of answers remained high, with again a comfortable majority of scripts being assessed as of D3 standard or better; but there were also slightly more of below Merit standard overall. As usual, *Section A* asked questions on microeconomics and *Section B* on macroeconomics, but there was no significant difference in the overall standard of answers to each section.

Most candidates showed a good understanding of relevant economic concepts and principles, with only a small number of cases where there was serious confusion – for example, over marginal productivity in **Question 3** or free floating exchange rates in **Question 6**. The quality of explanation of required economic theory was almost invariably sound at least, and also relevant and appropriate to the context of the question being answered. Variability of performance was much more to do with two other aspects of the way candidates answered questions they chose: the quality of their evaluation, and the extent to which they answered explicitly the precise question asked.

With regard to evaluation, there seemed to be something of a tendency to use what might be referred to as learned evaluation points – for example, that 'opportunity cost needs to be taken into account', or that 'it depends on the time scale'. Such statements, of course, may well be valid, and as such worthy of some credit; but they would be worthy of greater credit if they were expressed in greater detail in the particular context of the aspect of the question being addressed.

Of much greater significance, though, it is vital, if candidates are to do themselves full credit that they attempt to answer each aspect of a question, and in the precise terms in which the question is expressed. Both types of weaknesses occurred disappointingly frequently. Perhaps two particular examples will illustrate the point – but both weaknesses were apparent in answers to all six question. On **Question 2**, a number of answers simply ignored the instruction to identify the factors which determine market structure; others explained the operation of oligopolistic industries without reference to the question about the common occurrence of oligopoly in the UK. Similarly, on **Question 5**, quite a number of answers, even if they mentioned the word 'youth' in places, effectively ignored the question's request that both costs and policies should be explained/evaluated in the context of youth unemployment.

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

Although this question was phrased as a single one, in effect a good answer required two aspects: an explanation, as well as an evaluation, of the profit maximisation assumption and its usefulness. The best answers did indeed do this. They identified the implications of the assumption and circumstances in which it might be expected to be an accurate reflection of the behaviour of firms, or perhaps to give accurate predictions of the way in which firms might be likely to behave, and also considered the extent to which firms in other circumstances might be likely to adopt other objectives and so behave in a different way. Such answers often looked at organisations such as publicly-owned firms, charities, start-ups, and/or at divorce between ownership and control, to explain non-profit-maximising objectives. Others often analysed possible different outcomes which follow from different objectives – for example, sales or sales revenue maximisation – and circumstances when they might be expected to apply. Crucially, though, whatever the particular approach, the best answers always addressed directly the issue of 'usefulness'. On the other hand, reasonable but less successful answers tended to explain both profit-maximising and other objectives, without actually focusing on this 'usefulness' aspect. And at the lower end, the weakest answers tended to fail to explain accurately the implications of the profit-maximising assumption or in some cases even to show a profit-maximising position accurately; or they confused consideration of profit maximisation with that of normal/supernormal profit.

Question 2

In this question, the two demands were clearly and explicitly stated, but a disappointing number of answers failed to address at least one of them adequately. Particularly weak answers sometimes actually ignored the instruction to identify the factors that determine market structure; instead they often merely regurgitated theoretical models of firms' behaviour. Others did at least try to address it, but instead focused on characteristics rather than determinants. On the second element of the question, the weaker answers concentrated on attempts to explain the way in which firms in oligopoly might be expected to behave, often throwing in theoretical elements on the kinked demand curve or the prisoners' dilemma without any clear explanation of relevance to the question, rather than on consideration of the reasons why oligopoly predominates – or maybe does not – in the UK currently. On the other hand, there were a number of very impressive answers to the question, in which explanation of different models showed a clear attempt to focus on what determines the occurrence of each, and consideration of oligopoly focused on the reasons why it might or might not be expected to occur in real world industries; in particular, the best tended to identify and explain the relevance of minimum efficient scale relative to market size, and/or they looked at the role of government in influencing market structure in practice. Surprisingly few, though, made any attempt to link their discussion to different actual industries, which might have yielded useful credit for evaluation.

Question 3

This question attracted quite a number of answers from some Centres, and none at all from others. Those who answered it often did so quite well; only a small minority at the weakest end failed to attempt to link their consideration of factors influencing wage differentials to marginal productivity. The decent answers almost always began by attempting to explain what the marginal productivity theory actually says as a theory of wage determination – sometimes very well, sometimes less so. They then went on to consider issues, both theoretical and empirical, which linked to the practical relevance of the theory in explaining wage differentials. Among such issues, difficulties in measuring MRP, non-financial aspects of work, influence of government, influence of trade unions, market structure and discrimination featured most often in candidates' answers. The crucial factor in determining the eventual quality, though, was whether or not the answer actually addressed the aspect of the question that asked whether wage differentials were only a reflection of marginal productivity. Less impressive answers tended merely to explain the relevance of a series of different factors, including marginal productivity, but without actually responding directly to the question asked.

Question 4

This was a popular question, but again a number of candidates failed to do themselves justice because they failed to answer one or other aspect of the question directly. A small number completely or largely ignored the first element of the question, which asked for reasons why countries have adopted inflation targets, and this clearly severely hampered the chance of accessing the higher levels of the mark scheme; most, however, did at least attempt some rationale for targeting. The most common weakness, though, was to give an often well-reasoned answer as to what in general causes inflation, and also usually an explanation of how monetary measures can be used to control it, in response to the second part of the question, but without addressing directly the question about the Bank of England's responsibility for non-achievement of inflation targets. However, there were many good answers, most of which argued convincingly that the existence of cost-push pressures as well as the recent environment of recession certainly at least mitigated any blame that might be attached to the Bank of England.

Question 5

This was also a popular question, which was generally answered at least quite well. Most candidates at least attempted to address both aspects of the question – costs of unemployment, and explanation and evaluation of policy measures aimed to 'deal with it'. (There was a small minority that ignored the costs aspect, however.) The weaker answers tended to rather rush their consideration of relevant policies, but overall this element of the syllabus is clearly one with which many candidates are very familiar. However, the major weakness of a number of answers was again a failure to answer the full question explicitly. In this case, this weakness related to the emphasis made in the question on 'youth' unemployment. Thus, such answers explained costs of unemployment in general, but not specifically those of youth unemployment; and/or they explained and evaluated general policies aimed to reduce unemployment, not specifically ones aimed at unemployment among youths. Thus, those answers that did answer both aspects with sustained emphasis on youth unemployment, whether explaining costs or explaining and evaluating policies, were the ones that reached the higher levels of assessment.

Question 6

This was the least popular of the **Section B** essays, but still attracted quite a significant number of answers. Most candidates who answered it demonstrated quite a good understanding of both the mechanism of 'free floating exchange rates' – though a number included circumstances when governments manipulate the value of the currency by buying and/or selling it within the category – and of the standard textbook potential advantages (and often disadvantages too) of such a system. A number went off at a tangent by explaining the Marshall-Lerner condition and/or the J-curve in detail without linking in any way to the issue of the question, but of course were only penalised for the irrelevance by having less time available for considering more appropriate material. More important were errors of omission: the candidates who in effect ignored the explicit reference to LEDCs in the question; such answers clearly were unable to access the top levels of assessment. On the other side, there were also some excellent answers; they tended to make valid, relevant points about structure of LEDCs, but usually did not generalise for all such countries, instead using specific ones to illustrate particular points they were making – for example, on the growth achieved by China whilst it had a pegged exchange rate, or on the collapse of the Zimbabwe economy whilst operating with an essentially floating rate.

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Key messages

- There are three key skills being tested in this paper: the ability to show sufficient independent investigation; the ability to _selectively_ use this independent research to _answer the specific question set_; and to interweave the independent research with economic theory to support a particular view.

- Weak responses fell foul of these requisites, where the two most common errors were to broadly ignore the specific question and construct their own one, and to make assertions that were not supported with much independent research. Specific comments are made below on each question.

- Candidates are strongly encouraged to take the lead from the quote and structure their response around the specific quote or statement presented to them – those candidates who did well really engaged with the quote presented to them, and were able to both analyse it and critique it.

- Candidates are encouraged to reach a judgement at the end of their answer which is supported by data relating to the context and/or the application of relevant theory. This may involve a final concluding judgement and justification on which side of the argument has the greatest weight in their opinion, or why any judgement is difficult and challenging the premise of the question.

General comments

Whilst at the top end of this paper, there were some superb scripts; the general quality was slightly lower than last year's. This was not a big surprise, given both the increased number of Centres now doing the qualification as well as the fact that two of the topics had never been examined before. Perhaps another factor is that for the weaker candidates, having previous papers/mark schemes is encouraging many of them to regurgitate previous years' questions and pre-learned 'model' responses. Given the nature of the skills being examined in this Paper 3, this approach scored very poorly. However, encouragingly for the top end, with benefit of a bank of PE reports, both Centres and candidates now have a better understanding of the nature and expectations of this paper. The paper continued to reward high quality candidates that thought independently and wrote excellent responses that were _specifically tailored to the specific question they were answering_.

At the weaker end there were two main issues – firstly, candidates ignored the specific question set and engineered their own one; and secondly they made lots of assertions that were not backed up with evidence from their independent investigation.

The best candidates on the other hand showed an impressive array of independent research to support their points, rather than making general assertions in the direction of the context or argument they were discussing for example: weak candidates asserted that China's exports growth had fallen in recent years, but strong candidates had trade data on China to support their point. This Paper 3 is specifically looking for evidence of independent investigation that goes beyond that expected at a Paper 2 level. It was clear from some responses that whilst the candidates were good economists, they had not done (or shown) sufficient independent investigation, which hampered their mark. Conversely, those who had really engaged with their area of investigation, scored highly on this, given the skill that this paper is judging versus the other two papers.

Each question this year had a quote which the candidates were asked to evaluate – the best candidates looked at the specific points in the quote, whilst the weaker candidates broadly ignored the quote and wrote an over-arching themed essay which simply looked at some of the recent issues in the news. It was disappointing to see so many candidates not take the guidance from the quote offered – the intention was to make every question more accessible by offering a lead in the wording of the quote and help with structure of

their answer – it is thus worth reiterating here that if a candidate is asked to evaluate a particular statement or quote, it is a requirement to address the quote head-on. Candidates lost valuable time writing about non-relevant (though correct) issues about the general topic areas, and only later got on to the specifics of the question. The weakest responses re-hashed last year's essay titles.

It is also worth reminding candidates and Centres that sweeping generalisation and unsupported statements should be refrained from, or at the very least candidates should make it very clear that they understand the limitations of the evidence presented. This lack of critical awareness often undermined potentially good points that candidates were trying to make.

The best responses were able to interweave economic models with the independent investigation – those that did this scored very highly – whilst weaker candidates wrote a more descriptive essay, lacking economic theory or independent investigation.

Across the different questions the following errors occurred: either candidates responses lacked selectivity and tried to discuss everything they knew on the topic, rather than tailoring their response, which clearly reduced the amount of time available to discuss the relevant material; or they honed in on only one idea and forgot to look at the question with some breadth. Specific examples are given below.

Comments on specific questions

Question 1 Transport and the Environment

A generic market failure / government intervention policy Paper 2 response was a common error and key weakness on this question.

This was the second most popular question on the paper.

Weak responses focused on a Paper 2 style response, being embedded almost exclusively in economic theory, with unsubstantiated assertions and a lack of independent research to support their analysis. Weak evaluation consisted of a simple regurgitation of the limitations of policies, such as time lags/opportunity cost issues whereas stronger evaluation used evidence from their research to support their evaluative comments, for example actual evidence on government failure from recent government policies on promoting alternative fuels.

Almost all candidates were able to discuss negative externalities of fossil fuel use, but only the best managed to go beyond this to look at other reasons for reducing fossil fuel use / promoting alternative energies – such as positive externalities/efficiencies of the latter.

Encouragingly, Centres had taken on board previous PE report comments about the need to look beyond just car users as a consumer of fuel, and many scripts looked at other transport modes, including train and airlines.

The best responses were able to introduce macroeconomic issues as well as microeconomic, whereas some responses focused purely on the latter.

The key to the question (and explicitly mentioned in the quote) was sustainability and only the best responses focused their answer around this, whereas many answered a weak Paper 2 style response about government intervention and market failure.

The best responses looked at more than just one form of alternative energy or one type of government intervention and focused their answer with specific answers on alternative energies but ones that were backed up with independent research, whereas weaker responses offered prosaic, generic arguments.

There were interesting challenges to the question from some candidates who proposed that promoting a modal shift in the transport network is more important than promoting alternative energies – such original thinking is encouraged and was rewarded well.

A surprisingly few number of candidates understood that the quote was stressing the role of government intervention and that in reality there was an important role for market forces to solving the issues. Those that spotted this and discussed it were rewarded well.

There was no compulsion to agree with the question, and the best responses gave a justified answer (for example by discussing the biofuel dilemma and concomitant effects on wheat prices) as a reason why alternative fuel technologies are flawed and a modal shift is more appropriate. This Paper continues to reward independent thinkers who can bring together their research to justify a particularly relevant and original perspective.

Given this question was about policies, weaker candidates' evaluation consisted of Paper 2 style evaluation – generic issues such as time lags, opportunity cost etc. Centres and candidates should note the skills that Paper 3 is looking to examine – independent investigation to complement the theoretical foundations to support an answer to a specific question – many weaker answers could have been attempted by people who had not focused on the Transport and the Environment topic as their chosen case study, highlighting a Paper 2 style response. The best answers, on the other hand, demonstrated knowledge of specific government policies and possible future policies, which allowed them to engage in an informed discussion and to reach suitably nuanced judgements.

Question 2 China and the Global Economy

Not addressing the specific quote about cost issues and answering a slightly different question to the one proposed was the key weakness with this question.

This was the most popular question and responses were generally well structured and demonstrated a clear awareness of the nature of cost pressures.

A key distinguishing feature was the willingness of candidates to address the cost/export issues and question the assumptions in the question. The best responses focused specifically on the issue of the nature of cost pressures and whether these were a threat to Chinese growth. Weaker responses ignored the issue of cost pressures and focused instead on whether Chinese growth was going to end – this was last year's question and, whilst there was some relevance failed to analyse it from the perspective of the statement, the quote in this year's question was clearly about cost pressures specifically. It is important to stress to candidates that they must answer the specific question in front of them, not a pre-rehearsed answer.

Candidates who understood different sources of cost pressures (from wages, to commodities, to exchange rate changes etc.) did relatively well on Theory, Application and Analysis.

Once again, it is worth stressing that superficial short one sentence evaluative comments will score poorly – particularly assertions that are unsupported with evidence. Whilst there was valid evaluation to be gained from arguing that China's economic model could be changed to ensure that low costs / export-led growth were no longer pivotal to achieving high growth rates, weak candidates then decided to write a whole essay on how China could re-balance. This was not the question set – and showed evidence of a pre-rehearsed answer that candidates wanted to write down. The best candidates kept the focus on the specific quote given to them about cost issues. They understood this as valid evaluation but then went further and actually challenged whether rising cost pressures would be an issue (e.g. perhaps the Lewis Turning Point had not been reached yet due to a relatively low urban-rural mix, or because competing trading partners such as Vietnam and Cambodia did not yet have the agglomeration economies of scale advantages that China had and so China's international competitiveness was based on more than just low costs). This latter evaluation was much more focused on the specific question set.

The quote was deliberately vague and general about costs but yet a surprisingly high number of candidates were not able to discuss how it is relative unit labour costs (wages vs productivity) that determine international cost competitiveness, not just costs, showing a lack of critical awareness when applying economic theory.

There was a lot of descriptive knowledge on China's economy but many assertions made were not supported with evidence e.g. China's exchange rate could rise (without current awareness that it has risen approx. 20% in the last 5 years), or there are wage pressures, or China's trade surplus had fallen (but the points made were assertions unsupported with evidence). It is worth reiterating again here that this is a paper that is titled Independent Investigations and we are looking for evidence of this skill - Assertions made must be supported with evidence of independent research.

Weak candidates started with an overview of China's growth drivers and why it is important to rebalance. Whilst this could have been done in a relevant manner, it often meant the candidate took too long to get to the heart of the issues, whereas the stronger candidates got straight into the cost issues identified in the

quote. Again, it is worth stressing, candidates do not have to give a history of the Chinese experience – it is not an economic history essay.

Use of diagrams where appropriate was done well, to show cost-push pressures from the labour market, some showed the Lewis Model (though this was generally not done very well), but a surprisingly number failed to do AD/AS diagrams showing growth falling as a result of rising cost pressures on exports. Some candidates tried to do an exchange rate diagram showing an undervalued yuan, but this was poorly done with confusing explanations.

As always, quite a few candidates drew diagrams that were not used or explained at all in the context of their answer – such a diagram attracts little credit.

There was a lack of critical awareness displayed (though less than last year) where many took an idea that had perhaps some mainstream media bias and extrapolated it into a generalisation for the whole country, which often demonstrated a lack of objectivity and critical awareness.

Overall though, candidates were better equipped this year to understand the nature of China's exports, its move up the value chain, and current government policy on these matters.

Most candidates recognised the need to reach a conclusion at the end, but many were unable to add anything new in their final paragraphs and resorted to listing the key points that had already been made.

Often candidates wandered off topic or focused on an essay confined to wages – which was the obvious but no means the only driver of cost pressures, and stronger candidates were able to look at other cost issues too from resources to exchange rate issues.

Weaker candidates wandered onto a discussion of reform to the factors of production / pollution issues with no link to the cost issues identified in the quote – which felt a lot like a regurgitation of last year's essay on China – with some essays going off on a tangent, discussing the gini coefficient for example, and not showing the skill of selective use of data and research to support their points tailored to the specific question.

Some of the weakest accepted the premise of the question as gospel, that China's rising costs means the end is nigh for exports – showing a lack of critical awareness. Even if they were to conclude this, one would expect candidates to show some critical awareness with reference to productivity issues or network effects/agglomeration issues.

Some candidates focused too much of their essay on how China's government could continue its growth – which while relevant, it is worth stressing to candidates that the question was first and foremost specifically about cost pressures – ignoring this part of the question was always going to limit the mark.

Whilst there was better awareness of current context and current Chinese government policies, a significant number still had outdated knowledge of China's exchange rate for example.

Only the strongest candidates were able to conclude (or had the courage of their convictions) that a slowing of impressive growth rates was exactly what the Chinese government has been trying to engineer recently, with for example the lowest growth rate target (7.5%) set last year. The confidence to challenge the premise of the question in such a way was the sign of a high quality script.

It is worth candidates and Centres knowing that when a quote or statement is offered by the stem of the question, a deliberately open ended and leading quote is often available, so candidates can challenge its assumptions. Few candidates did this and a disappointing number ignored it almost entirely and created their own question with a lack of selective use of their research. That said, at the top end candidates exhibited the skills required for this Paper exceptionally well, having a clear and thorough focus on cost issues in China and their impact on growth of exports, with an impressive display of independent research to support their assertions, analysis and evaluation.

Question 3 Millennium Development Goals

Generalisation of all LEDCs into one homogenous group was the key weakness on this question.

This was the first year this topic area had been examined and a couple of Centres attempted this question.

As with the other questions, good candidates explored all aspects of the quote offered, including a discussion of which is better - economic growth or MDGs for quality of life improvements, but only the strongest candidates discussed the issue of whether the MDGs are a misallocation of resources too.

Good candidates were specific in their use of data and made strong links between MDGs and economic growth.

The strongest candidates managed to challenge the question on whether economic growth was desirable at all and questioned its link to quality of life.

The answers were generally good, in particular, showing a good ability to tailor their independent research to the specific question set about whether MDGs were a distraction or a misallocation of resources.

Most candidates managed to avoid just rote regurgitation of the MDG goals and their achievements. However perhaps because this was the first year of this topic area candidates were able to think for themselves and avoid regurgitation of previous essay questions, as happened on, for example the China topic this year.

The best responses understood that the quote was making a broad sweeping generalisation of all LEDCs, and that in actual fact whether the MDGs were a distraction or a misallocation of resources depends on a case-by-case analysis of specific LEDCs – e.g. the strongest responses pointed towards the fact that we need to look at the quality of institutions like governance / corruption to assess whether a specific country will flourish by focussing on the MDGs or whether it will end up being wasteful. The best responses gave some excellent case study examples to support this hypothesis.

There was good use of economic development models such as Kuznets income inequality vs income per capita curve to show that economic growth and standard of living improvements do not go hand in hand, whilst stronger responses showed good use of both Harrod-Domar growth models and endogenous growth models (particularly the simpler AK model) .

There was an impressive array of wider reading from Easterly, Moyo, and Sachs to support their ideas. One word of warning though – use of quotes, whilst can be powerful, should be used in a manner to support the candidate's analysis and perspective, rather than simply a quote for 'impact'.

Some of the weaker responses changed the specific question towards one about Aid and trade debate, clearly regurgitating rehearsed material.

Question 4 Economic Thinkers and their relevance today

The key weakness on this question was simply producing a broadly historic account of the views of the economic thinkers.

This was the first the first year this topic area was examined and a couple of Centres attempted this question.

There was a large range in the quality of answers to this question with some very good responses, but also some weaker ones. Common weaknesses in responses centred on giving a broadly historical account of the views of the three thinkers – it is worth stressing to candidates and Centres that candidates need to address the specific quote in the question that is given to them, something that the weaker candidates failed to do. For example, this year's question quite clearly referred to 'a modern economy', and so giving a broadly historical account showed a lack of current context.

Many candidates resorted to the technique of learning and regurgitating lots of quotes – quotes, if used sparingly, can be strong tools but concepts are more important and it was pleasing to see the better candidates use quotes that were both in context and to support a specific point.

Another area where candidates showed limited ability to apply their knowledge was there over-simplification of the different schools of thought – for example, simplifying Marx into irrelevance in a modern economy. This showed a lack of critical awareness, for example some of what he is said is very true today, such as his views on financial crises.

This topic is about economic thinkers and their relevance today, and many candidates were unable to think beyond economic events. It is worth stressing that economic thinkers go beyond just being applied to

economic events such as the credit crisis, but also cover modern economic orthodoxy such as economy policy and economic theory. There was a lack of specific application to current thinking – economic policy and theory have changed a lot in the past 30 years, (for example views on privatisation/nationalisation) but candidates seemed to simply make broad assertions that were unsupported with evidence. Many candidates interpreted the question too narrowly, trying to link the thinkers to specific recent events rather than prevailing orthodoxies.

We are not looking for just an explanation of the economic theories the three thinkers opined, but actually answering the specific quote – in this case weaker candidates gave a generic 'how relevant are they today?' response, whilst stronger candidates addressed the specifics of the quote, by looking at whether Keynes is actually more important on a macro scale, and Smith on a micro.

The best responses understood the nuances between the three thinkers and were able to show critical awareness of the subtleties between the three – many candidates generalised the three thinkers' views into neat boxes, but in reality their views were more complicated than is commonly understood, and it was refreshing for the best candidates to show this critical awareness – for example a discussion of how whilst the quote may be overarchingly true, it is not totally so e.g. Smith influenced macro and Keynes micro, and Marx is certainly not irrelevant.

Stronger candidates were able to look at the question in a global, international context, with the more basic responses only looking to the UK to answer their question – for example, the well-documented discussion in the media of economic policy and views from China or Venezuela could have been used to support quite an alternative perspective from the one often put forward in many developed economies.

Many candidates made generalisations such as the UK is a free market economy – when this is clearly not the case – in the current turmoil, the UK is a mixed economy with many government interventions from the NHS to education, but also it is very debatable how much of the 'invisible hand' is permitted to work unguided by government forces – stronger candidates were able to show critical appreciation of the bigger picture – for example showing awareness of the recent reform of the NHS to support their analysis, whilst weaker candidates offered a rather limited (and at times, incorrect) view of the prevailing economic orthodoxy in the UK economy.

Over-simplifications of current policy was encapsulated in this – for example Western governments say they are neo-classical and do not engage in demand-management so this must be true (broadly accepting at face value for example the UK Coalition government's rhetoric on fiscal austerity when there is a lot of debate as to how austere it has actually been, when we look at the evidence); or for example, the Chinese government is moving towards the free market so they have completely rejected all Marxist ideas (the Beijing Consensus vs Washington Consensus debate).

The above notwithstanding, there were answers of a good standard too. The candidates had grasped the ideas of the thinkers reasonably well and made a good attempt at applying them to present issues. It requires bravery to not tell us all of the theories and quotes they have learned, but greater selectivity is the key here to address the specific question.