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**ECONOMICS**

**9772/03**

Paper 3 Investigation

**May/June 2018**

MARK SCHEME

Maximum Mark: 40

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**Published**

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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This document consists of **20** printed pages.

**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1	<p><b>Transport and the Environment</b></p> <p><b>To what extent is there a need for greater government intervention to overcome the problems associated with transport?</b></p> <p>Candidates should demonstrate that they understand what the range of problems associated with transport are, with the weaker ones focussing purely on congestion/pollution, whereas stronger candidates will go beyond these. The best candidates will focus specifically on why there is a ‘greater’ role for government intervention but will balance this with an understanding of the role the free market can play. Weaker candidates may not offer such balance. Whilst there is scope to discuss the different nature that the public sector involvement may take, from government provision to nudging behaviour, weaker candidates will see the question as almost exclusively an opportunity to discuss and evaluate policies to address transport problems rather than engage with the specific question on the discussion of whether there should be ‘greater’ involvement or not. Stronger candidates will recognise that a greater role for the government need not mean government provision whilst weaker candidates will interpret the government role in a narrow sense. Good responses may attempt to consider the question in the context of different countries.</p> <p>They should use appropriate analytical tools and data to support their arguments. They should reach a clear and well-supported conclusion on whether there is a need for greater government intervention or not. Good candidates should recognise that the public sector is already heavily involved in tackling transport problems.</p> <p>Stronger candidates may look at the question from a range of perspectives e.g. different modes of transport or types e.g. freight vs passenger, whilst narrower scripts may only look at passenger travel for example. Analysis may be assisted by the use of diagrams.</p> <p><b>Answers may include:</b></p> <p><b>Knowledge and understanding</b> of the role of the government Examples:</p> <ul style="list-style-type: none"> <li>• Government involvement – from nudges to shoves</li> <li>• Government provision to market-based intervention</li> <li>• Government economic policy e.g. subsidies, taxes, legislation</li> </ul> <p><b>Application</b> of the problems associated with transport Examples:</p> <ul style="list-style-type: none"> <li>• Current transport network issues</li> <li>• Environmental sustainability: e.g. Congestion, Pollution, Noise, Visual</li> <li>• Fossil fuels vs renewables</li> <li>• Geographical mobility of labour</li> <li>• Regional integration</li> <li>• Inefficiencies</li> <li>• International competitiveness/connectedness</li> </ul>	40

Question	Answer	Marks
1	<p><b>Analysis</b> of the need for a greater role for the government to help overcome problems associated with transport Examples including: There may be a discussion of current interventions which could go further or new interventions.</p> <ul style="list-style-type: none"> <li>• Role of the government to: <ul style="list-style-type: none"> <li>– help speed up transition to using more renewable energy by addressing high start-up cost issues e.g. subsidies for electric cars</li> <li>– think holistically about the issues with transport e.g. building a more integrated transport system</li> <li>– to address regional issues that will help achieve other objectives for the government too e.g. government provision – HS2</li> <li>– affordability issues that will not be address in a free market given the market structure of rail e.g. tax-payer subsidies to rail network, legislation to tackle uncontestability and monopoly power</li> <li>– carrot vs stick approach e.g. taxing fossil fuels more heavily</li> </ul> </li> </ul> <p>Could more be done on making green vehicles more attractive? E.g. reducing range limitations of green vehicles; regulatory measures (e.g. tailpipe emissions regulations and fuel economy standards, sometimes including credits that favour electric cars, such as mechanisms that allow increased weight of EVs when accounting for corporate average fuel economy standards); financial levers (e.g. differentiated vehicle taxation, based on fuel economy or GHG emissions per kilometre and/or directly targeting electric cars); other instruments, such as waivers on parking fees and tolls, as well as waivers on access restrictions (e.g. bus or high-occupancy vehicle lanes).</p> <p>Note: the above points need to be linked back to a justification for why the problems/policies identified imply a ‘greater’ need for government involvement and/or why the free market will or won’t help enough – the question is not an opportunity to merely discuss policies to solve the problems of transport.</p> <p>Candidates may integrate macro and micro analysis in discussing whether there is a greater need for the role of the government e.g. budget deficit issues.</p>	

Question	Answer	Marks
1	<p><b>Evaluation</b> of whether there is a need for a greater role for the government to help overcome the problems associated with transport.</p> <p>L1 Evaluation will focus on evaluating specific policies that address the problems of transport in general rather than the specific question.</p> <p>Stronger evaluation may use the limitations of the policies as an argument for why this does not necessitate a 'greater' role for government involvement. Good candidates will show an understanding of the high level of current government involvement and may express that this is enough for now, rather than needing even more involvement. Stronger evaluation will have specific research to back this point up.</p> <p>Candidates may disaggregate different aspects of transport e.g. different modes or different problems and reflect that the answer to the question differs depending on the focus.</p> <p>The trade-off and opportunity cost of a government focussing more on transport policy may also be considered e.g. budget deficit concerns or economic/political ideology of governments on the role of the state.</p> <p>The time frame under consideration could be discussed as some government policy may be temporary e.g. subsidies, to nudge the free market on certain problems such as renewable energy.</p> <p>A conclusion may centre around the fact that there are value judgements involved here on the role of the state – and whether this should be the key priority for all governments or taken on a case-by-case basis e.g. the UK vs Netherlands, where the latter already uses much greener modes of transport, whereas China may have more to do (potentially).</p> <p>One would expect candidates to understand the role of the free market in providing solutions, and the nuances behind the <i>types</i> of greater government intervention.</p> <p>Issues include:</p> <ul style="list-style-type: none"> <li>• Are the public sector and private sector roles mutually exclusive?</li> <li>• Does it depend on different governments?</li> <li>• The time frame under consideration</li> <li>• The practical difficulties in greater involvement of the government</li> <li>• Policy conflicts and trade-offs</li> <li>• Critical awareness over the need to prioritise transport problems</li> <li>• Different stakeholders conflicting perspectives</li> <li>• A consideration of the issues surrounding the different types of greater government involvement from nudges to shoves</li> </ul>	

Question	Answer	Marks								
1	<p><b>Theory and Analysis</b></p> <table border="1"> <tr> <td data-bbox="293 311 504 723">           Level 4 (18–22 marks)  Mid mark 20         </td> <td data-bbox="504 311 1339 723">           In this level, the answer shows a thorough understanding of the reasons of why there is a ‘greater’ need for the role of the government to solve the problems associated with transport. There will be in-depth analysis which will show good independent research to support their points. In this level candidates may look at the rationale from a range of perspectives, e.g. from consumers, firms, international competitiveness, the environment. At the top end of this Level, responses will show a further sophistication for example over the justification of the role of public vs private initiatives, and may show critical awareness over the nature of such public sector involvement.         </td> </tr> <tr> <td data-bbox="293 723 504 1503">           Level 3 (12–17 marks)  Mid mark 15         </td> <td data-bbox="504 723 1339 1503">           In this level, a clear attempt is made to answer the specific question set on whether there is a greater need for the government intervention to solve the problems associated with transport. Links between the question being asked and the perspective being put forward are clear. There is a solid understanding of a range of reasons why more intervention is needed, perhaps linking both micro and macro factors, with relevant supporting data and diagrammatical analysis. Use of economic theory, terminology and application is correct and regular, though may contain some errors at times. There is some attempt to use independent research to support their points but at the lower end this may be more superficial and unsubstantiated. A range of perspectives is discussed but may lack critical awareness at times for example about the issues surrounding government intervention for example conflating the idea for <i>greater</i> government intervention with purely government intervention. At the lower end of this level, the candidate may lack breadth by adopting generalisations about transport, discussing a narrow range of modes. The debate may lack sophistication for example thinking greater government intervention means command-and-control policies only. Independent research to support their points will be superficial at the lower end.         </td> </tr> <tr> <td data-bbox="293 1503 504 1883">           Level 2 (6–11 marks)  Mid mark 9         </td> <td data-bbox="504 1503 1339 1883">           At the top end of this level, a generalised attempt to answer the question has been made but candidates fall short on critical awareness or current context. They may make only a superficial attempt to answer the specific question set – in this case, they fail to focus on whether there is a need for a greater role for the government in addressing the problems associated with transport – instead, they focus solely on proposing and evaluating policies to solve such problems. At the mid-bottom of this level, the answer will either lack contextual awareness and supporting evidence and/or read like a Paper 2 theoretical response.         </td> </tr> <tr> <td data-bbox="293 1883 504 2051">           Level 1 (1–5 marks)  Mid mark 3         </td> <td data-bbox="504 1883 1339 2051">           There is a lack of understanding of what a greater role for the government means in the context of the problems associated with transport, focussing exclusively on the problems associated with transport.         </td> </tr> </table>	Level 4 (18–22 marks)  Mid mark 20	In this level, the answer shows a thorough understanding of the reasons of why there is a ‘greater’ need for the role of the government to solve the problems associated with transport. There will be in-depth analysis which will show good independent research to support their points. 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Question	Answer	Marks
2	<p><b>China and the Global Economy</b></p> <p><b>‘China’s narrow focus on rapid economic growth has been successful in the short run. In the long run, however, this will only be damaging.’</b></p> <p><b>To what extent do you agree with this?</b></p> <p>Candidates should demonstrate that they understand the experience of China’s development over time. The question assumes that growth has been prioritised and while this has brought many successes it is likely to cause future problems and an alternative approach is needed. The best answers are likely to question a number of parts of the statement: has China focused on rapid economic growth? Has the rapid economic growth been successful in the short run? Will rapid economic growth in the future be damaging? Is China still focusing narrowly on economic growth in the long run? Strong candidates are likely to analyse the changing situation China has experienced and the extent to which it is now in a position to move economic growth down the order of priorities for the government. A global economic perspective is possible as students may appeal to examples from other countries who have experienced rapid economic growth and also through the consideration of global economic factors that may affect China’s objectives. The question clearly encourages students to be both backward and forward looking in their analysis. The first part of the question encourages students to reflect on the impact of the pursuit of economic growth, with the second part then asking them to consider whether China will continue to prioritise growth in the future and the possible impact this may have. There is room for students to challenge the underlying assumptions of the question including: the extent to which a focus on economic growth is now negative for China; the extent to which the Chinese has not already changed its policy objectives; and the extent to which economic growth was ever a ‘narrow focus’ for China. Candidates are encouraged to explore the links between growth and other government objectives in the longer run. There is the expectation that candidates will consider the range of impacts of economic growth upon China in the short and long term such as inequality, environmental sustainability, SoEs, investment levels, privatisation, real wage growth, debt, innovation and economic rebalancing. The best candidates may consider the extent to which the Chinese government can be said to be in control of the economy, no matter what the objectives it sets.</p> <p>The main of areas of the syllabus expected to be drawn on for economic analysis include:</p> <ul style="list-style-type: none"> <li>• Macroeconomic objectives</li> <li>• Conflicts between objectives</li> <li>• The positive and negative impacts of economic growth</li> <li>• Short and long run economic growth</li> <li>• Economic development and sustainability</li> <li>• Economic transition</li> <li>• Inequality and poverty reduction</li> </ul>	40



Question	Answer	Marks
2	<p>Answers may include:</p> <p>Knowledge and understanding of China's experience of economic growth:</p> <ul style="list-style-type: none"> <li>• The positive impacts of growth such as poverty reduction, innovation, movement up the value chain, improvements in living standards</li> <li>• The ways in which China has prioritised growth</li> <li>• The negative impacts of growth such as environmental externalities, debt bubbles and inequality</li> <li>• The new development priorities for China and the future impacts of economic growth</li> </ul> <p>Application of different aspects of China's 'success' in the long run and short run that can be attributed to growth:</p> <ul style="list-style-type: none"> <li>• Impacts on consumers, firms and workers</li> <li>• Policies that have promoted growth and their effects</li> <li>• The current tensions within the Chinese economy</li> <li>• Examples of other growth models – Japan, South Korea, Chile, Poland</li> </ul> <p>Analysis of impact of growth and possible alternative long run policies:</p> <ul style="list-style-type: none"> <li>• Growth and poverty reduction</li> <li>• Growth's impacts on inequality</li> <li>• Growth and international competitiveness</li> <li>• Growth and environmental sustainability</li> <li>• Growth and debt bubbles</li> <li>• Balanced vs unbalanced growth</li> <li>• Alternative long run priorities: productivity, debt reduction, economic rebalancing, market reforms, sustainability, reduced inequality</li> </ul> <p>Evaluation of the extent to which China's growth experience has been positive and the extent to which China will pursue growth as a priority in the long run:</p> <ul style="list-style-type: none"> <li>• Did China ever really prioritise growth?</li> <li>• Who has growth been beneficial for?</li> <li>• Has China already recognised the need to re-focus?</li> <li>• Are new objectives needed or simply a new model of growth?</li> <li>• Are new objectives compatible with continued growth?</li> <li>• Is China in control of its future?</li> <li>• Which objectives can already be achieved by focusing on growth?</li> <li>• Does the Chinese growth model allow for flexibility?</li> <li>• What are the dangers of a change in direction?</li> <li>• Does the Chinese experience really show there is any need for change?</li> </ul> <p>Strong candidates will move further than simply judging the impact of growth on China in the past and go on to deeply consider the possible future impacts of growth and also possible shifts away from the 'narrow focus'. There may be considered reflection on where China needs to be in the short and long run.</p>	

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Level 4 candidates are likely to analyse short damage and long run success in combination with their evaluation. The best candidates may appeal to examples from other countries’ growth experiences when drawing conclusions.</p> </td> </tr> <tr> <td data-bbox="293 936 504 1256"> <p>Level 3 (12–17 marks)</p> </td> <td data-bbox="504 936 1339 1256"> <p>In this level there is a clear attempt to analyse the impacts of China’s past growth. There is a clear logical link between growth and various economic outcomes. To reach level 3 candidates must also be forward-looking and analyse the possible future impacts of growth and the alternative objectives that could be pursued in the future. The consideration of the impacts of growth in the short and long run may be narrow or there is little attempt to analyse the extent to which China’s focus will remain on growth.</p> </td> </tr> <tr> <td data-bbox="293 1256 504 1742"> <p>Level 2 (6–11 marks)</p> </td> <td data-bbox="504 1256 1339 1742"> <p>At the top of end of level 2 candidates’ answers will be general both in terms of the impact of growth and the impact of its pursuit in the future. There will be a lack of disaggregation of its effects and a lack of balance between the short and long run. In this Level the negative and positive effects will not be strongly analytical linked to economic growth. There may be analysis of China’s problems and successes but there will be a weak analytical link to the extent to which growth has played a part. Future constraints on the Chinese economy may be identified but will not be analysed as being a result of economic growth. Alternative future policies may be suggested but they are presented more as a menu of options rather than applied to the Chinese economic context.</p> </td> </tr> <tr> <td data-bbox="293 1742 504 1957"> <p>Level 1 (1–5 marks)</p> </td> <td data-bbox="504 1742 1339 1957"> <p>There is a lack of understanding of China’s experience of growth and no real sense of how growth will affect China in the future. The link between growth and various features of the Chinese economy is not conveyed and instead the answer reads like a list of general successes and failures of China, predominantly being backward-looking.</p> </td> </tr> </table>	<p>Level 4 (18–22 marks)</p>	<p>In this level the answer shows a thorough understanding of the impacts of economic growth in China over time. Both the positive and negatives of the Chinese growth story area analysed with continual links between the narrow focus on growth and their effects. 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Future constraints on the Chinese economy may be identified but will not be analysed as being a result of economic growth. Alternative future policies may be suggested but they are presented more as a menu of options rather than applied to the Chinese economic context.</p>	<p>Level 1 (1–5 marks)</p>	<p>There is a lack of understanding of China’s experience of growth and no real sense of how growth will affect China in the future. The link between growth and various features of the Chinese economy is not conveyed and instead the answer reads like a list of general successes and failures of China, predominantly being backward-looking.</p>	
<p>Level 4 (18–22 marks)</p>	<p>In this level the answer shows a thorough understanding of the impacts of economic growth in China over time. Both the positive and negatives of the Chinese growth story area analysed with continual links between the narrow focus on growth and their effects. To achieve Level 4 will be consistent in explaining why the problems they identify are as a result of growth and not other factors. The impact of growth is disaggregated across economic actors in both the short and long run. Answers may include a deep consideration of a range of possible alternative economic objectives that will secure China’s future in both the short and long run. These alternatives will be compared to the impact of a sole focus on economic growth. Candidates are likely to question whether China has ever had a ‘narrow’ focus on growth. Level 4 candidates are likely to analyse short damage and long run success in combination with their evaluation. The best candidates may appeal to examples from other countries’ growth experiences when drawing conclusions.</p>									
<p>Level 3 (12–17 marks)</p>	<p>In this level there is a clear attempt to analyse the impacts of China’s past growth. There is a clear logical link between growth and various economic outcomes. To reach level 3 candidates must also be forward-looking and analyse the possible future impacts of growth and the alternative objectives that could be pursued in the future. The consideration of the impacts of growth in the short and long run may be narrow or there is little attempt to analyse the extent to which China’s focus will remain on growth.</p>									
<p>Level 2 (6–11 marks)</p>	<p>At the top of end of level 2 candidates’ answers will be general both in terms of the impact of growth and the impact of its pursuit in the future. There will be a lack of disaggregation of its effects and a lack of balance between the short and long run. In this Level the negative and positive effects will not be strongly analytical linked to economic growth. There may be analysis of China’s problems and successes but there will be a weak analytical link to the extent to which growth has played a part. Future constraints on the Chinese economy may be identified but will not be analysed as being a result of economic growth. Alternative future policies may be suggested but they are presented more as a menu of options rather than applied to the Chinese economic context.</p>									
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2	<p><b>Evaluation</b></p> <table border="1"> <tr> <td data-bbox="293 315 504 768">Level 3 (13–18 marks)</td> <td data-bbox="504 315 1339 768">Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this level, there will be real signs of in-depth research and originality. Level 3 evaluation will be awarded to candidates who make sustained and justified judgements and attempt to directly answer the specific question, unpicking its various aspects and subtleties. Evaluation will consider both the impact of growth in the past and also the likely impacts in the future. Candidates are likely to address the ‘narrow focus’, questioning whether it has been present in the past and will be in the future. The assumptions underlying the question will be identified and challenged.</td> </tr> <tr> <td data-bbox="293 768 504 954">Level 2 (7–12 marks)</td> <td data-bbox="504 768 1339 954">At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions at times lack rigorous justification. Conclusions may do little more than sit on the fence.</td> </tr> <tr> <td data-bbox="293 954 504 1205">Level 1 (1–6 marks)</td> <td data-bbox="504 954 1339 1205">Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example ‘China’s problems of inequality show that they should not prioritise economic growth in the future’. There is little attempt to draw together the relevant issues in a conclusion.</td> </tr> </table>	Level 3 (13–18 marks)	Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this level, there will be real signs of in-depth research and originality. Level 3 evaluation will be awarded to candidates who make sustained and justified judgements and attempt to directly answer the specific question, unpicking its various aspects and subtleties. Evaluation will consider both the impact of growth in the past and also the likely impacts in the future. Candidates are likely to address the ‘narrow focus’, questioning whether it has been present in the past and will be in the future. The assumptions underlying the question will be identified and challenged.	Level 2 (7–12 marks)	At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions at times lack rigorous justification. Conclusions may do little more than sit on the fence.	Level 1 (1–6 marks)	Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example ‘China’s problems of inequality show that they should not prioritise economic growth in the future’. There is little attempt to draw together the relevant issues in a conclusion.	
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Question	Answer	Marks
3	<p><b>The Millennium Development Goals and the Post-2015 Development Agenda</b></p> <p><b>Evaluate policies that should be given the highest priority if the Sustainable Development Goals of the Post-2015 Development Agenda are to be fully achieved.</b></p> <p>Candidates should be able to identify a range of economic policies that can help secure the success of certain SDGs/PDA. However weak answers will not focus on the specific SDG/PDA aspect of the question and offer a general discussion on policies to promote economic development or promote economic growth. This will struggle to get out of L2 for TAA. Stronger responses will focus on how such policies can help ensure the PDA is a success. The weakest candidates will see this as an opportunity to list many different policies and it will read like a rehearsed list rather than one that focusses on the link to achieving the PDA. The strongest candidates will think about what the PDA is trying to achieve in its various guises and address the specific part of the question that asks them to prioritise the order in which policies should be chosen. Good candidates may use examples of policies that have helped achieved the MDGs as evidence of what could work for the SDGs.</p> <p>They should use appropriate analytical tools and data to support their arguments – use of economic nomenclature and economic theory will be key to differentiate candidates, that is, those who are able to elucidate clear arguments for which policies help to achieve the PDA.</p> <p>Knowledge of the specific aims of the PDA is expected, as well as experience of specific noteworthy countries. They should reach a clear and well-supported conclusion on the best policies to help ensure the PDA is a success.</p> <p>Analysis may be assisted by the use of diagrams.</p> <p>Answers may include:</p> <p><b>Knowledge and understanding</b> of SDGs and PDA Examples:</p> <ul style="list-style-type: none"> <li>• The purpose/nature and details of the SDGs;</li> <li>• The nature of economic development / the broader PDA</li> </ul> <p><b>Application</b> of the role of economic policies to achieve specific SDGs Examples:</p> <ul style="list-style-type: none"> <li>• Government provision in healthcare/education/public goods</li> <li>• Trade focussed policies e.g. exchange rate/WTO/Regional trading blocs</li> <li>• Government policies e.g. anti-corruption, institutional change, property rights</li> </ul>	40

Question	Answer	Marks
3	<p><b>Analysis</b> of the link between prioritising economic policies and achieving the SDGs Examples:</p> <ul style="list-style-type: none"> <li>• Public goods/healthcare/education <ul style="list-style-type: none"> <li>– Helps overcome household budget constraints</li> <li>– Frees up precautionary savings to be spent on current consumption</li> <li>– Public sector (in)efficiency ((Dis)economies of scale etc.)</li> <li>– No point in having an education workforce with high potential human capital if actual productivity is poor with ill-health related absences</li> </ul> </li> <li>• Institutional change <ul style="list-style-type: none"> <li>– To create real long-term jobs, need to attract FDI but via race to the top, not race to the bottom e.g. anti-corruption measures, protecting property rights, corporate and public sector governance, tax reform</li> <li>– To ensure any gains from economic policies will trickle down to all to help achieve the SDGs, there must be transparency and political change first.</li> <li>– Otherwise economic growth but at the expense of other SDGs e.g. inequality</li> </ul> </li> <li>• Inward vs outward looking policies e.g. Exchange rate <ul style="list-style-type: none"> <li>– Government needs fiscal revenues to be able to afford other policies such as education/healthcare so economic growth is key first, after which the other policies can be implemented. Fiscal budget constraints in LEDCs means policies need to be outward looking and trade focussed first.</li> </ul> </li> <li>• Infrastructure investment <ul style="list-style-type: none"> <li>– Cross-border trade cannot happen without good infrastructure e.g. ports/railways/airports/roads</li> <li>– No point in signing trade deals with WTO before this can occur</li> </ul> </li> <li>• Technology investment <ul style="list-style-type: none"> <li>– To help efficiency, mobility, trade, globalisation</li> <li>– Sow the seeds from which other policies can act as a springboard from which to launch</li> <li>– The role of complementarity externalities</li> </ul> </li> </ul> <p>Candidates should be rewarded for supporting their analysis with <i>relevant</i> diagrams.</p> <p>For the higher empirical marks, candidates should be able to support their answer with relevant data/research as to which policy mix may be more suitable for certain countries in achieving the PDA.</p>	

Question	Answer	Marks
3	<p><b>Evaluation</b> of which policies LEDCs should prioritise so as to help ensure specific Sustainable Development Goals of the Post 2015 Development Agenda are a success.</p> <p>At the lowest ends, the weakest candidates will not be able to offer any judgement on prioritisation but instead simply discuss the pros and cons of different policies in a disparate manner.</p> <p>Stronger candidates will understand the difficulties involved in prioritising one policy over another – the idea that you cannot cross a chasm in two leaps and need a shock therapy approach with the policies complementing each other simultaneously. Are the policies mutually exclusive and do they need to be prioritised so systematically?</p> <p>Which policies are used will depend on which aspect of the PDA is discussed – though weaker candidates will generalise the PDA, without focussing on specific SDGs. The weakest will focus on economic growth and not development.</p> <p>LEDCs differ in their characteristics, and strong responses will reflect this – by offering an awareness that the priorities will vary depending on their need (with supporting evidence).</p> <p>Some may explore the need for a wholesale institutional change e.g. incorporating the SDGs metrics into OECD judgements and rankings and thus allowing for accountability/commitment and transparency.</p> <p>Issues include:</p> <ul style="list-style-type: none"> <li>• Are there some policies that are complementary and thus simultaneous or sequential?</li> <li>• Case-by-case basis depending on a country's circumstances?</li> <li>• Depends on the time frame?</li> <li>• Are they mutually exclusive?</li> </ul>	

Question	Answer	Marks								
3	<p><b>Theory and Analysis</b></p> <table border="1"> <tr> <td data-bbox="293 315 504 801">           Level 4 (18–22 marks)  Mid mark 20         </td> <td data-bbox="504 315 1339 801">           In this level, the response is clearly focussed on which policies should prioritised and when / why. At the top end of this level, development of points is thorough and detailed, with supporting evidence and data, incorporated within an answer with strong economic foundations. The use of theory and analysis is comprehensive, with almost flawless integration of the two into a clearly flowing essay. In this level, the nuances of issues are understood as well as their implications e.g. the overlap between policies but also the justification of policies is well developed. Funding is likely to be explored, with some policies more feasible than others in certain time frames. The right policy mix for different countries may be explored. In prioritising policies, certain SDGs will be prioritised too.         </td> </tr> <tr> <td data-bbox="293 801 504 1256">           Level 3 (12–17 marks)  Mid mark 15         </td> <td data-bbox="504 801 1339 1256">           In this level, a clear attempt is made to answer the specific question set on which policies should be prioritised and why to achieve specific SDGs and the PDA. Links between the question being asked and the perspective being put forward are clear. There is a solid understanding of a range of policies and SDGs, with relevant supporting data. Use of economic theory, terminology and application is correct and regular, though may contain some errors at times. A range of perspectives is discussed but may lack critical awareness at times e.g. policy recommendations may be generalised across countries. Evidence of independent research is clearly present though unsophisticated or undeveloped towards the lower end.         </td> </tr> <tr> <td data-bbox="293 1256 504 1644">           Level 2 (6–11 marks)  Mid mark 9         </td> <td data-bbox="504 1256 1339 1644">           At the top end of this level, a generalised attempt to answer the question has been made but candidates fall short on critical awareness or current context. They may make only a superficial attempt to answer the specific question set – in this case, they may fail to offer any sense of prioritising policies to achieve the SDGs/PDA. Instead it feels like a general answer on how to provide economic development. Points made may be generalised to all LEDCs whilst simultaneously being narrow in their analysis, for example by generalising developing countries' problems. Independent research may be significantly lacking.         </td> </tr> <tr> <td data-bbox="293 1644 504 1827">           Level 1 (1–5 marks)  Mid mark 3         </td> <td data-bbox="504 1644 1339 1827">           There is no understanding of how economic policies can be linked to the SDGs/PDA.         </td> </tr> </table>	Level 4 (18–22 marks)  Mid mark 20	In this level, the response is clearly focussed on which policies should prioritised and when / why. At the top end of this level, development of points is thorough and detailed, with supporting evidence and data, incorporated within an answer with strong economic foundations. The use of theory and analysis is comprehensive, with almost flawless integration of the two into a clearly flowing essay. In this level, the nuances of issues are understood as well as their implications e.g. the overlap between policies but also the justification of policies is well developed. 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3	<p><b>Evaluation</b></p> <table border="1"> <tr> <td data-bbox="293 315 504 600">           Level 3 (13–18 marks) Mid mark 16         </td> <td data-bbox="504 315 1339 600">           Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this Level, there will signs of real in-depth research and/or originality. In all cases there will be a clear conclusion drawn at the end that relates specifically to the set question – even if the conclusion is that there is no clear priorities that we can generalise across all LEDCs.         </td> </tr> <tr> <td data-bbox="293 600 504 786">           Level 2 (7–12 marks) Mid mark 10         </td> <td data-bbox="504 600 1339 786">           At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions may lack any rigorous justification. Conclusions may do little more than sit on the fence.         </td> </tr> <tr> <td data-bbox="293 786 504 1003">           Level 1 (1–6 marks) Mid mark 4         </td> <td data-bbox="504 786 1339 1003">           Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example, ‘LEDCs need healthcare but can’t afford it and so need tax reform first’. There is no attempt to draw together the relevant issues in a conclusion.         </td> </tr> </table>	Level 3 (13–18 marks) Mid mark 16	Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this Level, there will signs of real in-depth research and/or originality. In all cases there will be a clear conclusion drawn at the end that relates specifically to the set question – even if the conclusion is that there is no clear priorities that we can generalise across all LEDCs.	Level 2 (7–12 marks) Mid mark 10	At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions may lack any rigorous justification. Conclusions may do little more than sit on the fence.	Level 1 (1–6 marks) Mid mark 4	Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example, ‘LEDCs need healthcare but can’t afford it and so need tax reform first’. There is no attempt to draw together the relevant issues in a conclusion.	
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4	<p><b>Behavioural Economics and Government Policy</b></p> <p><b>‘Markets can fail for a number of reasons. These failures can only be overcome by policies based on behavioural economics.’</b></p> <p><b>To what extent do you agree with this?</b></p> <p>The question specifically addresses the application of behavioural policy to the real of market failures. Candidates who fail to explicitly address this and instead present a generic interpretation of the use of behavioural policy will score poorly. Weaker candidates will use the question as an invitation to explain how behavioural policies are used in various markets without suggesting how they do or do not address the market failure in question. Stronger candidates are likely to consider a range of market failures and make a reasoned judgement around not only how behavioural policy can be used but whether such policies make any great impact on market outcomes. The question invites candidates to explore the use of both traditional and behavioural approaches to market failures and compare their use and also the extent to which they could be used in conjunction with one another. The word ‘only’ in the question is a clear invitation to judge whether behavioural economic solutions are a panacea for market failure interventions across different market failures. It is likely that the strongest candidates will disaggregate both a range of behavioural policies that can be used and also the types of market failures where behavioural policy may be most appropriate. Answers should reach a clear conclusion about the circumstances in which a behavioural approach will contribute to a more effective solution to market failure problems.</p> <p>The main of areas of the syllabus expected to be drawn on for economic analysis include:</p> <ul style="list-style-type: none"> <li>• Types of market failure</li> <li>• Market failure in a range of markets</li> <li>• Rationality and its criticisms</li> <li>• The importance of behavioural biases in causing market failure</li> <li>• Traditional approaches to market failure and their effectiveness</li> <li>• The limitations of traditional approaches when behavioural models of behaviour are taken into account</li> <li>• Government failure when intervening in market failure</li> </ul>	40

Question	Answer	Marks
4	<p>Answers may include:</p> <p>Knowledge and understanding of behavioural policy approaches to market failure:</p> <ul style="list-style-type: none"> <li>• Behavioural causes of market failures including information failure, bounded rationality, social norms, anchoring, present bias and hyperbolic discounting</li> <li>• Behavioural solutions to market failures: social norms, changes in choice architecture, framing, default and mandatory choices, slowing down decision making</li> <li>• The range of market failure problems</li> <li>• Traditional approaches to solving market failures</li> </ul> <p>Application of behavioural approaches to market failures:</p> <ul style="list-style-type: none"> <li>• Demerit goods and social norms</li> <li>• Information failure and default choices</li> <li>• Merit goods and 'opt-out'</li> <li>• Negative externalities and nudges</li> <li>• Public goods and framing</li> <li>• Monopoly power and information provision</li> </ul> <p>Analysis of how market failures may be caused by behavioural biases and solved by behavioural policies:</p> <ul style="list-style-type: none"> <li>• Why market failures occur because of behavioural biases meaning that a behavioural approach is needed</li> <li>• How behavioural policies address behavioural biases and thus improve outcomes in markets suffering from market failure</li> <li>• Reasons why behavioural policy is often more effective than traditional policy</li> <li>• The problems of traditional policy in terms of the ineffectiveness of the rationality assumption</li> <li>• The problems of traditional policy in achieving optimal solutions to market failures</li> <li>• The ways in which traditional and behavioural policies can combine</li> </ul> <p>Evaluation of the extent to which behavioural policy is required and can be effective in dealing with the problems associated with market failure:</p> <ul style="list-style-type: none"> <li>• Do market failures arise from behavioural biases or other reasons?</li> <li>• Will individuals respond to behavioural policies?</li> <li>• Does the behavioural approach work for all market failures?</li> <li>• Does anything need improving? Are traditional policies adequate?</li> <li>• Government failure at implementing the behavioural approach</li> <li>• Questioning of the word 'only'</li> <li>• Is the evidence supporting the behavioural approach clear and generalisable across markets?</li> <li>• Which market failures are best dealt with using a behavioural approach?</li> <li>• How and when can the traditional and behavioural approach combine to improve solutions to market failures?</li> </ul> <p>Strong candidates not only explain how market failures can be solved by the behavioural approach but look at the conditions under which behavioural policies improve outcomes. Good answers will link the causes of market failure and the desired final outcome to the most appropriate solution(s).</p>	

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4	<p><b>Theory and Analysis</b></p> <table border="1"> <tr> <td data-bbox="293 315 504 969">Level 4 (18–22 marks)</td> <td data-bbox="504 315 1339 969">In this level the answer clearly shows how behavioural policy deals with the causes of market failures and therefore can provide effective solutions. The nature of the market failure must be made explicit to reach this Level, candidates who merely present problems dealt with by behavioural economics without clearly explaining the nature and cause of the market failure will remain in Level 3. The best answers will explain how behavioural biases cause different market failures and then link these causes to specific behavioural policy approaches. Examples will be original and clearly researched by the individual candidate. At the top end candidates will appreciate the precise ways in which behavioural policies work and link this to the improved outcomes policy makers may want to see within specific market failures. 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The nuance of the question in terms of whether behavioural policy is a sole solution or simply improves on traditional solutions is either ignored or only given cursory attention.</td> </tr> <tr> <td data-bbox="293 1843 504 1960">Level 1 (1–5 marks)</td> <td data-bbox="504 1843 1339 1960">There is a lack of understanding of how behavioural policies can solve market failures with the answer reading like a pre-rehearsed anecdotal list of policies used in certain markets.</td> </tr> </table>	Level 4 (18–22 marks)	In this level the answer clearly shows how behavioural policy deals with the causes of market failures and therefore can provide effective solutions. The nature of the market failure must be made explicit to reach this Level, candidates who merely present problems dealt with by behavioural economics without clearly explaining the nature and cause of the market failure will remain in Level 3. The best answers will explain how behavioural biases cause different market failures and then link these causes to specific behavioural policy approaches. Examples will be original and clearly researched by the individual candidate. At the top end candidates will appreciate the precise ways in which behavioural policies work and link this to the improved outcomes policy makers may want to see within specific market failures. There is an appreciation of the scope of behavioural policy both within and across different market failures. The best candidates will unpack the words ‘overcome’ and ‘only’ to also explain traditional policy making solutions’ contribution to market failure solutions.	Level 3 (12–17 marks)	In this level there is a clear attempt to link behavioural policies to specific market failures. There are a range of examples of how behavioural policy has been used to solve market failure although at times the links to the causes of the market failure may not be made clear. Towards the top of this level candidates deal with the ways in which behavioural approaches may not enhance policy making or may be used in conjunction with traditional policy to improve outcomes. The top end of this Level will compare traditional and behavioural approaches fluently and in depth in order to analyse the effectiveness of the behavioural approach. It is expected that to reach Level 3 candidates will be deal with more than one market failure and have a broad range of policy examples.	Level 2 (6–11 marks)	At the top of end of level 2 candidates’ answers will be general, lacking specific connections to certain market failures. Approaches will score to the bottom of this level that simply explain behavioural policies in certain markets without making clear how they improve the market outcomes such as overconsumption, third party effects or under provision. Candidates give little consideration of why market failures exist and so do not link causes to solutions. The nuance of the question in terms of whether behavioural policy is a sole solution or simply improves on traditional solutions is either ignored or only given cursory attention.	Level 1 (1–5 marks)	There is a lack of understanding of how behavioural policies can solve market failures with the answer reading like a pre-rehearsed anecdotal list of policies used in certain markets.	
Level 4 (18–22 marks)	In this level the answer clearly shows how behavioural policy deals with the causes of market failures and therefore can provide effective solutions. The nature of the market failure must be made explicit to reach this Level, candidates who merely present problems dealt with by behavioural economics without clearly explaining the nature and cause of the market failure will remain in Level 3. The best answers will explain how behavioural biases cause different market failures and then link these causes to specific behavioural policy approaches. Examples will be original and clearly researched by the individual candidate. At the top end candidates will appreciate the precise ways in which behavioural policies work and link this to the improved outcomes policy makers may want to see within specific market failures. There is an appreciation of the scope of behavioural policy both within and across different market failures. The best candidates will unpack the words ‘overcome’ and ‘only’ to also explain traditional policy making solutions’ contribution to market failure solutions.									
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Question	Answer	Marks						
4	<p><b>Evaluation</b></p> <table border="1"> <tr> <td data-bbox="293 315 504 936">           Level 3  (13–18 marks)         </td> <td data-bbox="504 315 1339 936">           Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this level, there will be real signs of in-depth research and originality. Level 3 evaluation will be awarded to candidates who make sustained and justified judgements and attempt to directly answer the specific question, unpicking its various aspects and subtleties. To reach Level 3 evaluation must go beyond generic criticisms of the behavioural approach, no matter how well explained these are. Level 3 evaluation must evaluate the specific question asked, in this case a judgement as to far conventional policy takes us in solving market failures and the extent to which behavioural economics can improve solutions to market failure. Evaluation will consider the different market failures and behavioural solutions and try to come to a judgement on when behavioural policy will improve outcomes across a range of market failures.         </td> </tr> <tr> <td data-bbox="293 936 504 1122">           Level 2  (7–12 marks)         </td> <td data-bbox="504 936 1339 1122">           At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions at times lack rigorous justification. Conclusions may do little more than sit on the fence.         </td> </tr> <tr> <td data-bbox="293 1122 504 1348">           Level 1  (1–6 marks)         </td> <td data-bbox="504 1122 1339 1348">           Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example ‘behavioural policies help people consume less and so should be used to solve market failures’. There is little attempt to draw together the relevant issues in a conclusion.         </td> </tr> </table>	Level 3  (13–18 marks)	Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this level, there will be real signs of in-depth research and originality. Level 3 evaluation will be awarded to candidates who make sustained and justified judgements and attempt to directly answer the specific question, unpicking its various aspects and subtleties. To reach Level 3 evaluation must go beyond generic criticisms of the behavioural approach, no matter how well explained these are. Level 3 evaluation must evaluate the specific question asked, in this case a judgement as to far conventional policy takes us in solving market failures and the extent to which behavioural economics can improve solutions to market failure. Evaluation will consider the different market failures and behavioural solutions and try to come to a judgement on when behavioural policy will improve outcomes across a range of market failures.	Level 2  (7–12 marks)	At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions at times lack rigorous justification. Conclusions may do little more than sit on the fence.	Level 1  (1–6 marks)	Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example ‘behavioural policies help people consume less and so should be used to solve market failures’. There is little attempt to draw together the relevant issues in a conclusion.	
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