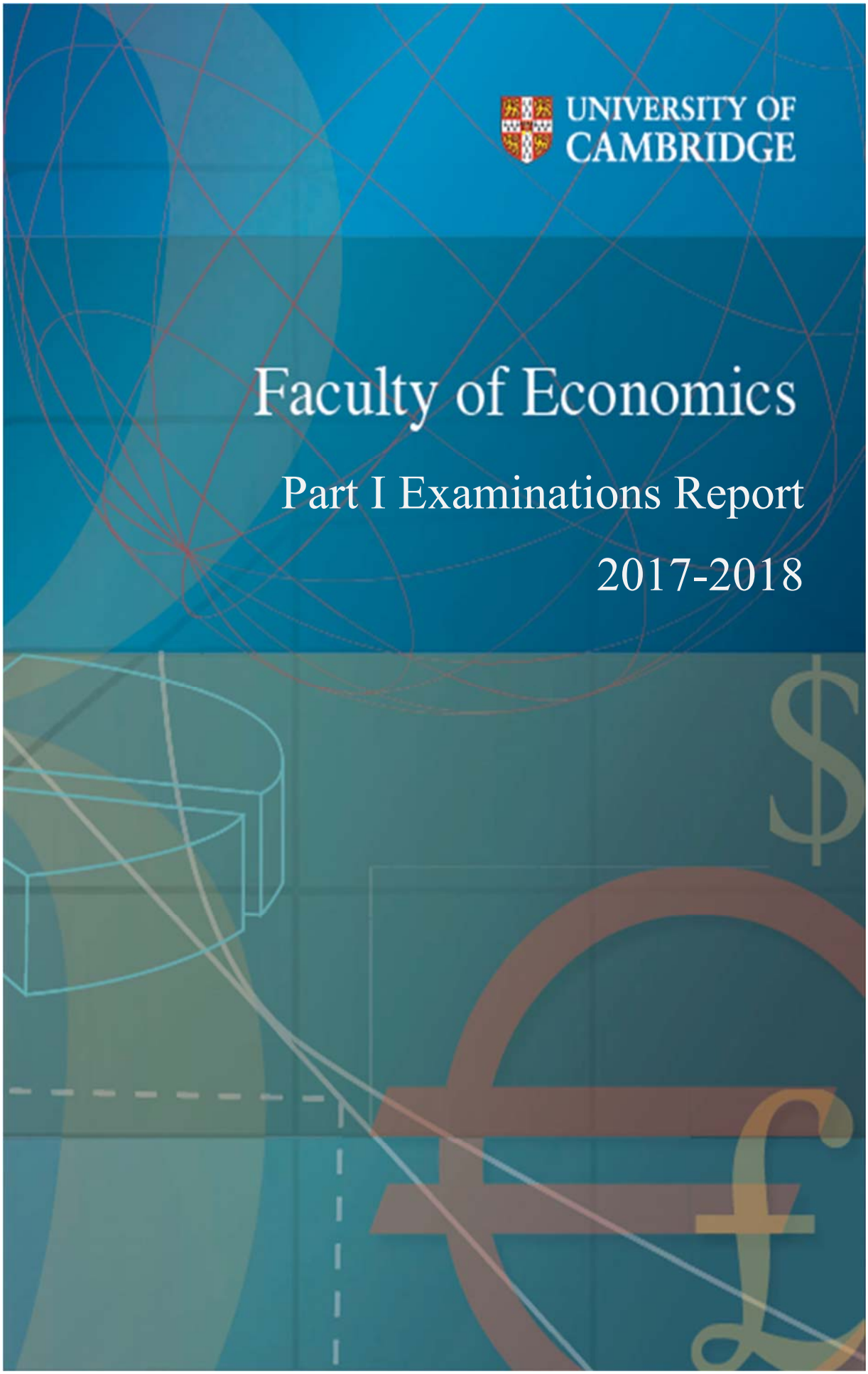
UNIVERSITY OF
CAMBRIDGE
Faculty of Economics
Part I Examinations Report
2017-2018

Chairman's Report

Part I of the Economics Tripos 2017-18

In June 2018 Part I exams were sat by 156 students. The proportion of students obtaining 1^{st}, 2.1, 2.2 and 3^{rd}, respectively, were 31.4%, 50.0%, 14.7% and 3.2%. 1 student failed the exams. Comments on performance at the level of individual papers will be provided in the internal examiners reports.

The Board of Examiners agreed that the Pigou Prize for best overall performance should be awarded to Anuj Patel, Trinity College.

In general the timetable for receiving and collating exam marks was adhered to, due largely to the work of Cherie Lee, Silvana Dean and Craig Peacock. As a consequence the final meeting proceeded in an efficient manner with many of the issues solved previously. On behalf of the internal examiners I would like to thank them for the professional manner in which they undertook this task.

A number of procedural issues arose. Most notably the Board were informed that for a number of papers, and specifically papers 4 and 5, it was necessary to transcribe 13 exam scripts due to handwriting issues. This problem also occurred in Part 2A. Given that this process takes up a considerable amount of time, with the necessity to ensure that in the process of transcribing no additional information is added, both the Part 1 and 2A Exam Boards considered whether to apply penalties which would provide an incentive mechanism to reduce the problem in future years. Although in the event penalties were not applied, it is recommended that the Teaching Committee meets to consider this issue. One might surmise that this problem is likely to persist in future years.

This was the third year that students received, for each paper, the breakdown of marks by question. This change has proved successful as it provides students with additional information on their performance. The administration of this new system has been relatively efficient, without significantly adding to the administrative burden, especially given the fall in the number of subject access requests.

Finally I would like to thank the external examiner, Dr Daniel Sgroi, for his assistance and attention to detail both prior to and during the final exam meeting.

Melvyn Weeks

August 2018

Dr Daniel Sgroi

Associate Professor of Economics

10th July 2017

Dear Vice Chancellor,

External Examiner's Report for Part 1 of the Economics Tripos

Overview

My second year as external examiner for Part I of the Economics Tripos was far less eventful than the first: everything went very smoothly indeed and I was very happy both with the standard of examining (superb as usual) and it was also good to see a reversion back to the more standard class distribution.

Melvyn Weeks was once again outstanding as Chair of the Board of Examiners as were the other examiners and administrative staff. As ever the scripts I read reminded me of the high quality of Cambridge students though it is always disappointing to see students underperform relative to their potential at the bottom of the distribution.

General Comments

I would not want to repeat myself relative to last year and so I will try to be brief relative to last year. Once again the exams were very balanced, hitting a nice "bliss point" of being achievable but challenging. It is nice to be reminded of the high importance placed on politics and history by the Faculty through the use of papers 4 and 5, together with the more standard (though still excellent) microeconomics, macroeconomics and quantitative (match and stats) papers. One thing of note is the Cambridge tradition of making students answer all of the questions in the exam (rather than a more conventional approach of having a set of questions and having students select those they wish to attempt). This is a great way to incentivize students to cover the entire course and gives Cambridge students a more rounded feel relative to other universities where it is possible to skip major parts of the course. There may be pressure to change this and have greater flexibility within the exam but I would urge the department to retain this feature.

Specific comments

I looked at many scripts at the borderlines between classes and the one overall fail. In almost all cases I saw no reason to suggest an increase in class (and if anything evidence of generosity on the part of the examiners especially at the bottom of the distribution).

I noted that this year the class distribution seemed to return to the more traditional number of around 30% firsts: last year the number was closer to 35% which was a concern last year.

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I will end with some thoughts for the future:

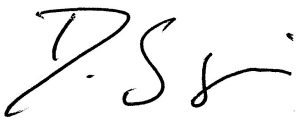
1. There was discussion in the meeting around the issue of those at the very bottom of the distribution and whether there was a significant fall in quality this year relative to last. If so, this might of course be natural variation, or it might reflect changes at the admissions level. Issues such as the loss of AS-level module scores and their replacement with an internal test might be discussed further if there is a sustained pattern of lower standards of entry at the bottom of the distribution, though it is not clear how to resolve this.

2. This year marked the start of a new penalty system for bad hand-writing. There was (according to the examiners) a marked increase in the preponderance of poor handwriting (possibly reflecting the reduced us of pen and paper at schools?). I understand that there is some possibility of (essay-based) exams switching to typed answers. This would help though perhaps introduce new issues. One examiner made the very pertinent point that those who write quickly and badly have an (unfair) advantage over those who attempt to make their scripts legible since they can write more: so without a penalty system it is hard to incentivize good hand-writing. I would advise keeping an eye on those who were subject to a penalty in the first year to see if they improve over the next few years and using this data to see if the system is having an effect (in order for this to work it would make sense to inform them that their hand-writing was deemed poor by the examiners).

3. A final but quite significant suggestion would be to consider a move to a less complex (and more transparent) class system based entirely on overall average marks. The current system involves a series of checks to see if students have achieved the necessary class in each paper together with an overall mark requirement that varies depending upon the number of papers that do reach a certain class. This can be confusing for students (who might consider it unfair to be awarded a lower class than a fellow-student who obtained a lower average mark).

Once again it has been a pleasure to act as external examiner for Part 1 of the Economics Tripos.

Yours faithfully,



Dr Daniel Sgroi

Paper 1 Microeconomics
156 Scripts

The overall standard of scripts was similar to that of the previous year. Most students have managed to acquire a relatively sophisticated understanding of a wide range of micro-economic concepts, although basic misunderstandings were also evident in a sizable minority of cases.

A1 This question was rather basic and almost all students were able to draw the relevant graph and provide some meaningful explanation. Some of the weaker answers reported the graph but failed to show that the student knew how to interpret it. Some of the stronger ones had very detailed descriptions and carefully explained the relationship between short-run and long-run.

A2 The quality of the answers differed across the two parts. In part (a), quality was high: Most students drew the appropriate graph and made a revealed preferences argument to conclude that the consumer was worse off. In part (b), quality was much lower: relatively few students provided a very compelling answer and many showed weaknesses in their understanding of substitution and income effects.

A3 This question was generally well done. Some students included in the answer a definition for increasing, convex and rational preferences but failed to apply the concepts to the example at hand. Most of the other students provided a correct graph and explanation, and quite a few identified a utility function that can represent the consumers preferences. Some difficulties emerged in part (d) for almost all students.

A4 There was a fair proportion of high quality answers to this question, but also quite a high number of rather poor ones. Many candidates had misunderstood basic, standard terminology. For example, some thought that a 'pure exchange economy' is an economy in which there are no markets, and so no market prices. In fact, a pure exchange economy is simply an economy in which production is not possible, so that only already-existing endowments can be consumed. A pure exchange economy may be organized in a variety of different ways - one possibility is competitive equilibrium in a system of markets and another possibility is exchange via face-to-face bargaining. Other candidates (often the same ones) did not understand what was meant by a 'take-it-or-leave-it offer of an allocation' or a 'take-it-or-leave-it offer of a price'.

A5 As in the case of A4, there were many poor answers. In this case there were rather fewer first-class ones. The best ones explained that competitive equilibrium may fail to exist if the aggregate demand functions are discontinuous and that such discontinuity may arise if preferences are not convex. Some of the weaker answers misunderstood what non-existence of competitive equilibrium means.

A6 This was generally well done. However, too many answers, instead of finding the optimal solution (which is quick and easy), solved for the competitive equilibrium. The latter takes quite a lot longer and the question did not ask for it.

B7 This was an extremely popular question, with almost all students at- tempting it. The question was fairly straightforward and the answers were correspondingly of fairly high quality.

B8 This was a very popular question and it was mostly done very well. It was relatively close to one of the recommended supervision questions.

B9 Very few students attempted this question. The quality of the answers varied but was overall good.

B10 This was a reasonably popular question and was answered fairly well. In most answers the main weakness was that the concept of competitive equilibrium, applied to the Ricardo trade model, was not properly defined.

B11 Very few attempted this question but most of those who did produced an excellent answer.

B12 Only about a sixth of candidates attempted this question but about half of those who did got a first-class mark. The main weakness was that few noted that, because utilities were assumed to be quasi-linear, the Pareto- efficient outcomes can be found by maximizing the sum of utilities.

Professor R. Evans
Dr G. Santangelo

Paper 2 Macroeconomics
155 Scripts

The exam had the forma of six section A (short) questions and four section B (long) questions. Three students withdrew from the exam. Thevast majority of students answered the required number of questions, however fourteen candidates did *not* complete the required number of questions. Students are reminded that they should read the questions *very carefully* before starting to write their answer and try to answer all parts of the questions.

The three quarters of the students reached a class of II.1 or I for this paper. Three students failed this exam. The average mark was 63.7% and the median 64%, with a standard deviation of approximately 8.7. The distribution of number of answers for each of the long questions was as follows:

B7	B8	B9	B10
122	136	27	27

We note that few students chose the questions from the second part of the course essay question (B9 and B10), and that the most popular question was question B8. Our comments on each of the questions follow:

A1: This was a straightforward question but a lot of students answered it in using the short run model. Also, some students gave the answer in the context of nominal rather than real interest rates.

A2: This was an easy question, however a lot of students gave imprecise or incorrect definitions of the GDP deflator and CPI.

A3: This question went well overall. However, a surprising number of students mixed up percentage points and percent change. For part (a), the correct answer should have been that the finding rate increased by 11 *percentage points*, but a lot of students wrote that it increased by 11%.

A4: This question on the zero lower bound was generally very well answered. Most students identified expansionary fiscal policy as being particularly effective at the ZLB. Many also argued that reducing expected inflation was an option, with a mixture of options offered for doing so – including QE, forward guidance and a change to the inflation target.

A5: Part (a) of the question was very straightforward, and almost all students were able to answer it as intended – pointing to an increased Keynesian multiplier due to the accelerator effect. Part (b) was harder. Most candidates argued that increased uncertainty was likely to lower the MPC, and

based their answers around this. Relatively few were able to identify a model in which policy uncertainty mattered to the equilibrium multiplier – even though the course provided one, in the form of the Lucas supply curve. More generally, students tended to focus their answers more or less exclusively on the Keynesian multiplier, without considering the implications of endogenous real interest rates and – more pertinently for part (b) – inflation.

A6: This question was a good discriminator. The best students were able to provide a strong, intuitive explanation for the Balassa-Samuelson effect, in most cases based around a simple decomposition of the real exchange rate into tradeable and non-tradeable prices. Weaker students were able to give a vague indication that the effect related to richer countries having relatively appreciated real exchange rates because of the presence of non-tradeable goods, but were not able to sketch the key technological argument for this. Ten students did not offer any answer.

B7: This was a relatively straightforward question on the money multiplier in the presence of cash holdings. Part (a) required a simple calculation, although again, converting percentages to proportions occasionally proved too great a hurdle. Part (b) asked about the long-run implications of a doubling of the money supply. This may have just looked too simple for some candidates, and the required answer (a doubling of prices) was missed by a surprisingly high number of candidates. Common errors were either (i) to use an inappropriate version of the AS-AD model to predict a permanently higher rate of inflation, or (ii) to argue that inflation expectations would be permanently increased as a consequence of the policy, and thus that the price level would need to more-than double. This latter answer in particular was commonly offered as an 'extension' to the quantity theory, without noting the inconsistency between an assumption of fixed velocity (QT) and an assumption that the nominal interest rate matters for equilibrium M/P. Part (c) asked candidates to comment on the importance of the cash-deposit ratio. Few candidates noted that the central bank should have very accurate information about the total quantity of banknotes issued – the issue more being what proportion of these were in *effective* circulation. A surprisingly large minority discussed the possibility of banknotes being physically burnt. More substantively, only the best answers noted that the cash-to-deposit ratio was not very important to the overall size of the money multiplier, so long as it remained small. This was indeed the case in the earlier numerical example, so the question was certainly hinting in this direction.

B8: This was a very popular question and resembled a question that was given in the second supervision of the students, on the Solow growth model. Nevertheless, overall the students did not perform very well at it. The two questions consisted of two parts, each with a hypothetical scenario. For each part, the students needed to explain the impact and transition following a shock, on k, y, K, and Y. For part (a) there was an impact effect on capital stock and an effect on productivity A. For part (b) there was an impact effect on labour force and an effect on productivity A. Many students did not realise that the situations described may have effects on productivity. Also, many students seem not to be clear about what effects are temporary (impacts) and what effects are permanent.

Overall, this was a disappointing question, especially given that students had seen something very similar in their supervisions.

B9: This question asked about the implications of demand shocks in an AS-AD model, in which the central bank followed some version of the Taylor rule. The main point of it was to highlight that appropriate adjustment of the 'neutral' real interest rate could negate the effect of demand shocks on the macroeconomy. Part (a) required some algebraic manipulations to this effect. Most candidates were able to find the correct expression for the long-term real interest rate, though some did not realise that an economy without price rigidities was one that operated at full capacity output. Around half of the candidates were able additionally to solve for the short-run impact of shocks on output and inflation. Some became lost (or made errors) in the manipulations. In general the same candidates were also able to solve for the long-run impact of shocks, though in some cases there was a failure to spot that the shock was permanent – and so 'long-run' was equated with 'no shocks', or similar. Part (b) required a discussion of possible changes to the policy rule. The results in part (a) suggested that inflation would permanently differ from target for a non-zero shock value, suggesting that the central bank ought to update its estimate of the long-term real interest rate. This issue had been discussed at length in the lectures, and strong candidates showed a very good understanding of it – linking back to their earlier algebraic results, and providing appropriate diagrammatic analysis. Weaker candidates talked vaguely about the possibility of including an extra term in output in the policy rule.

B10: This essay question invited a discussion of the role that restrictions to free trade and to capital mobility could have when an economy was pegging its exchange rate. Answers ranged from extremely good to quite weak, with the latter seemingly having chosen an essay as a 'backup' plan. The strongest candidates were able to discuss the important distinction between surplus and deficit countries for the sustainability of capital controls. A number made the point that short-term controls could be particularly useful devices during currency crises, and gave appropriate examples. Most argued that trade controls could only work if they did not invite retaliation, and that in any event there were longer-term losses to such instruments. A significant minority of the candidates answered the question by reference only to capital controls, ignoring the possibility of tariffs. These answers were awarded a II.1 mark at best.

Summary: Overall we believe that this was a decent exam. The questions were well balanced and covered all topics that we taught at the lectures. Once again, the students showed a preference to problems rather than essay questions, but we would like to remind them that economic intuition is in many ways a lot more important than doing just dry mathematical derivations. We would also like to remind students that *all* taught material is examinable, and that given the structure of the exam (6 compulsory short questions), they cannot afford to not study certain topics. Importantly, students should not spend disproportionate amount of time and space when answering the short questions.

Dr C. Giannitsarou Dr C. Brendon

paper 3 Quantitative Methods

Examiners Report 2017-18

155 Scripts

The exam had a good distribution of marks with some excellent scripts at the top end but also some disappointing attempts. Some questions are obviously straightforward and do not provide much discrimination, but this does have the advantage of allowing weaker students to gain marks by answering on relatively standard material.

SECTION A (MATHS)

Q1 Some reported two or three terms rather than the full Taylor series. Many couldn't manipulate the max of the remainder term and didn't notice that part(c) refers to a particular value of x and part (b) required a remainder for all x in the range.

Q2 Straightforward and generally done well

Q3 Candidates should have seen that the transformations given could easily be transformed into transforms of the unit vectors and hence calculate T. A^2 and A^5 can then be calculated directly (somewhat time consuming) or noting that it represents a rotation of two unit vectors and a flip of the third. Those who could calculate A got the question mainly correct, those who couldn't did not.

Q4 Part (a) was generally straightforward and answered well. In (b) some just said solve the cost minimisation problem which although true wasn't really what was required. Some said minimise costs subject to $F(K, L) = K^{\alpha}L^{\beta}$ which is not a constraint. Some then mixed the cost minimisation and profit maximisation problems into one and had a bad time.

SECTION B (MATHS)

Q5 Some imaginative derivations of (incorrect) supply and demand curves that still gave a difference equation and oscillating solution. If they integrated the elasticities correctly they generally got through the question.

Q6 Maximisation was OK though some didn't answer the part about the global maximum. Part (b) needed at least some reference to extreme value theorem (and continuous function over compact domain). Part (c) was badly done. Some recognised the max must occur on the boundary but only a small minority set up the Lagrangean and an even smaller minority solved correctly.

SECTION C and D (STATISTICS)

Questions 7, 8 and to a slightly lesser extent 11, were relatively straightforward requiring mostly mechanical derivations, with many students achieving high first class marks. Question 9 tested students' knowledge on the principles underlying hypothesis testing. The nature of the questions generated a greater distribution of marks, with a substantial number of students revealing limited understanding.

Questions 10 and 12 tested students' knowledge of the regression model. Question 10 was relatively straightforward and most students obtained a high mark. A number of students failed to read the question fully, and did not notice that part (e) required students to list the assumptions under which the least squares estimator is *unbiased*.

Within the context of a simple binary treatment, Question 12 provided a link between regression and estimators of the unconditional versus the conditional mean. Although this question was reasonably well done, sub-questions (e) and (f) which, respectively, linked inference on a simple two population hypothesis test and an experiment with random allocation, to the linear regression model, revealed gaps in knowledge for a significant proportion of students.

Melvyn Weeks & Donald Robertson, September 2018.

Paper 4
Political and Social Aspects of Economics
155 Scripts

1.'The conventional view is that most of today's rich countries have used free-market, free-trade policies to develop their economies. The reality is the opposite.' Discuss with reference to historical examples.

This question was answered by 72 candidates and was generally answered well. The best answers noted that most of today's rich countries, including Britain and the US used interventionist measures including trade protectionism, government subsidies, state ownership of enterprises and regulations on foreign direct investments in the early period of their economic development. They were the most protectionist countries in the world during this phase of their development. The best answers also noted some or all of the following: Japan, South Korea, Taiwan and Singapore used interventionist policies most extensively during their 'miracle' years. Germany used state-owned enterprises to initiate industrialization in the early 19th century and protectionism to promote heavy and chemical industries in the late 19th century. France made extensive use of state-owned enterprises, indicative planning and sectoral industrial policy after World War Two. A few countries such as Switzerland and the Netherlands used few of these measures and largely practiced free-market, free-trade policies, but these were the exceptions.

Superior answers provided discussion of the infant industry argument, various forms of 'market failure', and how countries sustained their economic development through the use of state-owned enterprises and government sponsored R&D. Also, how there are significant differences across countries in the mix of free-markets and government intervention, suggesting that there is no single best mix for economic development.

2. 'Despite the aspiration of the free-market economists, it is not possible to rid the economy of politics.' Discuss.

This question was answered by 84 candidates and was generally answered well. The best answers noted at least one of the following three reasons why it is not possible to rid the economy of politics:

Firstly, governments have a profound role in the economy, most significantly in the continued expansion of the welfare state in most countries, even during the neo-liberal era. Superior answers also discussed how the creation of 'politically-independent' agencies with a narrow mandate and little discretion do not eliminate politics from policy-making but only substitute one type of politics with another.

Secondly, economies inevitably embody power relationships which will not be eliminated even if all government regulations are abolished, *viz.* (i) structural power coming from imbalances in income and wealth; (ii) the power to discriminate; (iii) the power to dictate within organizations; and (iv) the power to make people think what you want them to think. Superior answers discussed these power relationships in detail.

Thirdly, markets are political constructs in the sense that all markets are based on politically determined institutions that regulate all aspects of their operations, *viz.* what can be traded, who can participate, what rights and obligations market participants have and how the process of exchange may be conducted. Superior answers gave examples of these institutions and also pointed out that the political nature of the market is why different societies have different political views and therefore different notions of what a 'free market' is.

3. Given the political constraints, there will never be a coherent system of economic governance in the European Union.' Discuss.

This question was answered by 22 candidates and was generally answered well. The best answers noted the political imperative for national governments of retaining national sovereignty and thus the need to retain the *confederal* structure of the EU. This means that there will not be full fiscal union and thus with a heterogeneous Eurozone economic structure, there will not be effective fiscal transfers to create an optimal currency area. Also, without a fully *federal* administrative system, there cannot be effective enforcement of any initiative to establish a coherent system of economic governance. Given the imperative for national governments of the domestic political agenda, governments will always vitiate EU regulations when these are inconsistent with national political objectives.

The best answers noted that the wage-price adjustment mechanism and migration are not effective substitutes for fiscal union in creating a coherent system of economic governance. The best answers explained that this is because the inefficiency of the wage-price adjustment mechanism due *inter alia* to social legislation means that an optimal currency area cannot by accomplished via the free-market, *viz.* price adjustments to alter the real exchange rates of Eurozone countries and so compensate for the heterogeneous economic structure of the Eurozone. The best answers also explained that migration is limited and is predominantly comprised of the prime working age group, thus migration has not solved the Eurozone's problem.

Superior answers discussed the detailed political machinations and provided a technical exposition using models drawn from the Macroeconomics Paper.

4. 'The political accord in British politics between 1945 and 1979 proved to be effective in delivering the outcomes which the electorate and the politicians wanted.' Discuss.

This question was the most popular on the paper, attracting 140 answers (only 16 candidates did not answer it). Candidates needed to define whether there was a political accord in the post-war period, whether it achieved its aims politicians and the electorate wanted and why it began to break down in the 1960s and 1970s due to stagflation and other factors. This could include discussion of issues such as the 'illusion of grandeur' being dispelled by the Suez crisis, the failure of central planning in the 1960s, the causes of stagflation in the 1970s and the move away from the Keynesian paradigm that had dominated economic policy. The best candidates answered the question asked directly utilising a wide range of policy detail and references to the available academic literature on the subject. The worst did not focus closely on the question asked, simply looking at the issue of

whether there was a consensus or not and neglecting the part of the question asking about whether politicians and the electorate got the outcomes they wanted.

5. 'Margaret Thatcher's government was a radical one, but Tony Blair's New Labour government was much more in accord with the wishes of the electorate.' Discuss.

This question was answered by 131 candidates, attracting the second highest number of responses on the paper. The best candidates addressed the issues asked in the question about Thatcher and Blair head on. Many explained that Thatcher's government was only radical in terms of economic policy, not foreign policy. And despite alienating parts of the electorate with the 'shock-therapy' introduction of her economic policies, the fact that the Conservative government lasted 18 years indicates there was some accord with the wishes of the electorate. New Labour's economic and social policies were perhaps more in accord with the wishes of the electorate as Thatcher had moved policy further right than the median voter. However, Blair and President George W. Bush's wars in Iraq and Afghanistan would discredit Blair and define his legacy. These wars were not consistent with the wishes of much of the electorate; many candidates mentioned the anti-Iraq war protests of 2003 and falling vote share in the general election of 2005 as evidence of this. Candidates who did less well simply made lists of policy changes that the Thatcher and Blair governments made without much analysis relevant to the precise question asked.

6. In what ways was the Great Recession of 2008 different in nature, and in how it was dealt with by British governments, from other major economic challenges Britain has faced since 1945?

This question was answered by 88 candidates and was less popular than questions 4 and 5. However, the overall quality of answers produced was slightly better than for questions 4 and 5. Candidates needed to give some interpretation of the pertinent characteristics of 'economic challenges'. Many pointed out that the great recession of 2008 had causes outside of the purview of British monetary and fiscal policy, whereas for most of the earlier economic challenges, this was not the case. Others pointed out that the deregulation of the financial services industry and the already (pre-2008) expansionary fiscal stance of the Brown government (which limited a counter-cyclical expansion) contributed to the extent of the Great Recession in Britain. Better answers also contained discussion of the Great Recession in comparison to other economic crises in the post-war era, such as the 'productivity deficit' of the British economy between the 1940s and the 1970s, stagflation from the mid-1960s, the recession of the early 1980s and the ERM crisis of the early 1990s. The best responses were outstanding and displayed an excellent knowledge of the most recent literature about the Great Recession in historical perspective. Some weaker answers lacked enough coverage of previous economic challenges in post-war British history.

7. (a) How do legal institutions affect economic development?
(b) What is the difference between common law and civil law legal systems?
(c) Does the empirical evidence suggest that legal systems explain differences in economic growth across countries?

This question was answered by 60 candidates and was generally answered well. The best answers discussed the Anglo-American common law systems and compared these to European civil law systems. The role of judicial independence, constitutional review and procedural formalism was noted in superior answers, as was evidence suggesting that legal origins are important for growth, but not when you control for human capital, and that the main channel through which they work is financial development (investor protection). Reference to the literature, particularly evidence provided from the Djankov paper and the La Porta *et al* paper being significant for the best answers.

8. (a) What is social capital?

(b) In order to measure social capital, is it better to use attitudinal data or participation data? Please provide examples to illustrate your argument.

(c) How does social capital affect human capital in the economy?

This question was answered by 27 candidates and was generally answered well. The best answers defined social capital as norms and networks organised on the basis of communities, but then proceeded to explicate the debate over how the notion is best defined. The best answers discussed trust data, membership data and the problems associated with these, with reference made to Putnam's work. Evidence from the Knack and Keefer study: that social capital increases growth and is important for it, in addition to physical, natural and human capital, was also provided by the best answers. In addition, the best answers noted that social capital and human capital are strategic complements: human capital increases social capital and vice versa.

N. Knight

C. Read

Paper 5 British Economic History
155 Scripts

The performance on this paper this year was solid but not outstanding. Of the 155 candidates, 25% received marks over 70, 54% received marks between 60 and 69, 19% received marks between 50 and 59, and 2% received marks under 50. The candidates who received marks between 50 and 59 suffered mainly from failing to answer the question, and instead reproducing everything they knew that they thought might be related to the topic, irrespective of whether it helped answer the question; this prevented these candidates from demonstrating their ability to reason or to deploy evidence to address a particular problem. The candidates who received marks below 50 suffered mainly from having failed to revise even the material from lectures, let alone using additional material from supervisions and their own reading. Candidates who received marks over 70 were those who evinced an ability to analyse problems, and to deploy economic reasoning and historical evidence to address them.

The ability to write down a rigorous and coherent economic argument using language was the key to high performance in this examination. On the whole, non-native-speakers mastered this skill at least as well as native-speakers, suggesting that the problem was not unfamiliarity with the specific language of English but lack of practice in writing in *any* language. Supervisors might be encouraged to provide feedback to candidates on their ability to formulate a logical exposition using language, since this is a transferable skill of considerable importance not just in examinations but in employment after university.

As can be seen from the table below, all 10 questions were selected by at least some candidates, but there was a cluster of 4 questions which more than half of all candidates chose to answer.

Question no.	Topic	No. candidates answering	% candidates answering
1	Industrial Revolution agriculture	48	31.0
2	Industrial Revolution international trade	19	12.3
3	Industrial Revolution living standards & heights	39	25.2
4	Industrial Revolution technological innovation	31	20.0
5	Victorian overseas investment	133	85.8
6	Victorian education & human capital	69	44.5
7	Victorian decline in manufacturing vs services	87	56.1
8	Interwar exchange rate & unemployment	104	67.1
9	Interwar general purpose technology theory	86	55.5
10	Interwar imperial preference & trade	4	2.6

The most popular question was on Victorian capital exports (Q6) which was attempted by 86% of students, followed by Interwar unemployment (Q8) at 67%, Victorian decline (Q7) at 56%, and Interwar devaluation (Q9) at 55%. The least popular question was on Interwar trade (Q10) which was chosen by 3% of candidates, followed by Industrial Revolution international trade (Q2) at 12%. The remaining questions were selected by c. 20-45% of candidates.

Question 1 (Industrial Revolution agriculture) provided very solid answers from most candidates, although a number of candidates were absolutely obsessed with presenting material on Parliamentary Enclosures which they did not trouble to relate to the question that was set. Not all candidates mentioned the key analytical concept of indirect 'labour release' through growth in agricultural productivity, which would have gained them full marks.

Question 2 (Industrial Revolution international trade) had a high variance, with some highly informed and thoughtful answers and others that showed surprisingly little acquaintance with the material. Very good students had ensured that they understood the Harley quantitative calculations concerning the potential contribution of trade to GDP and provided excellent answers.

Question 3 (Industrial Revolution living standards & heights) was a popular choice. Poor answers showed a tendency to present a generic standard-of-living answer and failed to address the issue of heights. Good candidates were able to incorporate the various methodological criticisms of the heights studies discussed in detail in the lecture course. Candidates attempting a standard-of-living question should be careful to read the precise question set and address their answers to that question; otherwise they will waste time and/or lose marks.

Question 4 (Industrial Revolution technological innovation) evoked much enthusiasm, although there was a tendency to trot out a Bob Allen vs. Joel Mokyr potted answer rather than focusing specifically on the causes of innovation. The few candidates who selected part (c) on institutions performed comparatively well.

Question 5 (Victorian overseas investment) was by far the most popular question which meant that there was heavy competition to produce outstanding answers on it. Those candidates who received lower-second-class marks were those who presented a stock 'capital exports' essay. Good answers related the issue of overseas investment to specific estimates of growth rates.

Question 6 (Victorian education & human capital) was also a popular question and gave rise to a large number of generic answers. Good candidates addressed the issue of apprenticeships and technical training whereas weaker ones focused solely on schooling.

Question 7 (Victorian decline in manufacturing vs services) was a popular question. Many candidates suffered because they presented a stock 'failure' essay without even mentioning services. Those candidates who addressed the issue of timing – i.e. whether decline actually had its roots in the late Victorian era or showed a different chronological pattern – did very well indeed.

Q8 (Unemployment benefits)

Although most students had a basic understanding of the changes to the benefit system that developed since 1911, a significant proportion of students were not well informed on this aspect of the question. Most students focused on an evaluation of the Benjamin and Kochin evidence in some detail as was required by the question. A few chose to write general essays on unemployment without a clear focus on the question.

Q9 (Devaluation in 1931).

This was a two part question. Most students gave good responses to both parts of the question. However, a significant number of students were unable to evaluate the short term and long-term forces leading to devaluation in 1931. In general responses to the second part of the question provided a clear evaluation of various mechanisms, with the stronger students considering the details of the British evidence as an extension of the Eichengreen and Sachs analysis.

Q10 (Imperial Preference and British Trade)

This question provided a new slant to the tariff theme with a focus on the British trading bloc. Although there was a lecture on this topic only 3 students answered this question. Supervisors should give some attention to these broader aspects of protection in the 1930s.

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