



UNIVERSITY OF
CAMBRIDGE

Faculty of Economics

Part I Examinations Report

2016-2017

Chairman's Report
Part I of the Economics Tripos 2016-17

In June 2017 Part I exams were sat by 163 students. The proportion of students obtaining 1st, 2.1, 2.2 and 3rd, respectively, were 33.5%, 42.4%, 19.0% and 4.4%. 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 Martin Luk, 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 did take up a considerable amount of time. Most notably the Board were informed that a number of students had raised concerns following the examination regarding question 1 in the Mathematics Section of Paper 3, and in particular the visibility of a mathematical symbol. The Chair advised the Board of the procedures instigated to ensure that in the event that this problem had caused a candidate to interpret the symbol incorrectly, this would not impact the degree classification. The external examiner confirmed that he was completely satisfied with the procedures and the outcome.

A minor issue arose regarding calculators. A number of scripts for Paper 3 Quantitative Methods in Economics gave answers to 12 decimal spaces. This raised the possibility that non-approved calculators were being used. Mrs Dean confirmed to the Board that all calculators are checked during the examinations, and all calculators have to be certified with an approved sticker to be allowed into the examination room. The Board recommended that this issue should be raised within the Econometric Subject Group, and the current calculator model checked that the functions were suitable for use in the 2018 examinations.

This was the second 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. Although the viability of this system was tested by the aforementioned 'visibility' issue, the administration of this new system was smooth and did not create a significant increase in the administrative burden.

Finally I would like to thank the external examiner, Professor Daniel Sgroi, for his assistance and attention to detail both prior to and during the final exam meeting. His Examiners Report draws attention to a number of issues. In particular, in light of the general trend towards a higher percentage of firsts, we might wish to consider the recommendation of providing an official commendation letter to those students in the top 10%.

Melvyn Weeks
August 2017

Dr Daniel Sgroi

Associate Professor of Economics

4th July 2017

Dear Vice Chancellor,

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

Overview

As a former Cambridge undergraduate and Director of Studies it has been a particular pleasure for me to return to Cambridge as external examiner for Part 1 of the Economics Tripos for 2016-17. Having seen the process of examining at first hand in my capacity as external examiner, I am convinced that undergraduate teaching and examining at Cambridge operates at an exemplary standard.

Melvyn Weeks, the board chair, has been outstanding in assisting me in my job as external examiner. The other examiners were also superb, providing a mixture of experience, enthusiasm and common-sense to what can be a difficult and stressful task. I should also mention here that the students demonstrated exceptional understanding and produced some simply outstanding performances.

General Comments

The core economics papers (microeconomics and macroeconomics) operate at a very high standard for first years, but given the performance of the undergraduate body, seem a very balanced and achievable challenge. The politics paper continues to stand out as a wonderful way to teach undergraduates that economics alone is not going to change the world: with the best of intentions economists need to understand that political institutions matter, and turning economic logic into economic policy means understanding the way politicians think. The economic history paper is a wonderful part of the first year: as with a sound understanding of political institutions, understanding at historical context is essential, both to give students a better grasp of the world in which we live now, and as a way of examining what has worked and failed in the past. The quantitative methods exam is of course extremely important and very well designed. I found that the exams and courses fit together well providing a rounded syllabus and producing students who must be very well-versed in the totality of economics, something confirmed by my own reading of a selection of scripts. At the top end Cambridge students must be among the very best in the world, and even in the middle and bottom half of the distributions they have a solid understanding of how economics works. I imagine there have been pressures to change the system over the years, for instance, to add optional courses and perhaps to make the politics and economic history papers optional: I would strongly resist this. Knowing that every Cambridge undergraduate economist has a solid grasp of politics and history is a special feature of the Economics Tripos.

Department of Economics
University of Warwick
Coventry CV4 7AL UK
Tel +44 (0)24 7657 5557
daniel.sgroi@warwick.ac.uk
www.warwick.ac.uk/go/dsgroi

Specific comments

I looked at the very few examples of fails for particular papers. It seemed that most failures came about because of an absence of any attempt to answer a question or part of a question or (for more essay-based subjects) very short answers, usually coupled with a failure to address the question. It is hard to see how examiners could have been fairer given the work that was presented.

I note that in some papers the median mark was very high: in one case the median mark was above 70% which is typically the first-class boundary. I would recommend that examiners consider making the final part of multi-part questions in the more quantitative papers set to really stretch very able students. This might help prevent median marks from reaching very high levels and also generate greater heterogeneity in the marks.

I also note that the percentage of firsts has risen significantly over the last few decades. This has affected much of the top end of the university sector and so in many ways Cambridge has had to respond to external pressure. I know that the faculty does release rankings but I would suggest that an official commendation letter including a ranking might be sent to anyone in the top 10%: this will enable Cambridge's very best to stand out and provide something for the best students to work towards. If such a letter of commendation was only made available for the top 10% it would be immune to any form of grade inflation in the years to come.

Finally, I should mention two particular incidents that merit some additional comment since in each case I end with a suggestion for the future:

1. One student added her name to three of the papers, in some cases on multiple pages. Potentially this might have been problematic but I could see no evidence that the examiners took any notice of this at all. Some of the scripts were received from the Titan Suite and as such it might make sense to ask the staff at the Titan Suite to stress that names should not be added to scripts (if they do not already do so) and, if sufficient resources are available, to check before forwarding scripts to the Faculty of Economics.
2. After taking one of the exams, some students expressed concerns about the notation used in one of the questions. The board took this very seriously and several examiners including the chair, spent considerable time examining the question concerned very carefully. In the end there was found to be no justification for allocating extra marks. I was left satisfied that the board handled things in a sensible way. The only suggestion I would make for the future would be to consider putting longer equations on a separate line rather than embedded within the main text of the question.

Summary Remarks

I found the chair, Melvyn Weeks, the exam board (examiners and assessors) and the administrative staff involved in examining Part 1 of the Economics Trips to be superb. Challenges were dealt with professionally and sensibly. The Part 1 syllabus and corresponding exam papers seem to have done a superb job of bringing

out the best in an extremely bright cohort of students. I was also extremely impressed by the students themselves who in large part demonstrated a wealth of understanding in what is a challenging syllabus.

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
160 Scripts

Questions A1–A6 were compulsory, and they made up half of the final grade. For the other half, the students were asked to answer two questions of their choice from Section B.

- A1 The average performance on this question was much lower than expected. It being the very first exam question the students faced in the tripos and our conceptual departure from the common preconceptions regarding what it means for an agent to be a utility maximiser might have jointly contributed to this outcome.
- A2 While better than the first question, the average performance on this question was way lower than the rest of the exam. Most students, seemingly not paying attention to the utility function ($u(x, y) = x + y^2$) given in the question, drew convex indifference curves even though it was fair clearly that they should be concave.
- A3 This was by far the easiest question of the exam. More or less standard Cobb-Douglas demand calculation, where the only trick was part (b) which required the students to incorporate the meaning of interest rates into a consumer's evaluation between current and future consumption.
- A4 One of the less well answered questions. There are multiple competitive equilibrium price ratios and the simplest way to explain this is by a diagrammatic argument.
- A5 This was generally well done. The weaker candidates did not explain in a precise way how a re-arrangement of production and consumption can bring about a Pareto-improvement.
- A6 Mostly well done, but some students confused the competitive equilibrium model with a bargaining model (despite repeated stress in lectures on the distinction).
- B7 This question involved material partly from lecture notes, partly from supervision questions, this was a popular questions which most students chose to answer, and answered fairly well (though few discussed the meaning of duality with clarity).
- B8 Attempted by 28 people, this was one of less popular questions, but the performance was solid. It did not involve much more than lecture material.
- B9 This was the least popular question (attempted by 23 people). Again, almost entirely, from lecture material.
- B10 This essay question attracted a fair number of answers but no outstanding ones. Most were middling upper second standard. Few explained that, by the First Welfare Theorem, a competitive equilibrium would be efficient even

if there were externalities as long as the externality goods all had markets and market prices. Most students seemed to think that Coase Bargaining is the same as creating a missing market, effectively confusing competitive equilibrium and bargaining (see A6 above).

- B11 A popular question, but not well done. Part (a), which is fairly hard, requires the assumption of constant returns but most answers did not use it. Most answers to part b(i) fell into a conceptual confusion between Robinson's optimal plan and the competitive equilibrium (a similar confusion to the one referred to above - see B10, A6). They lost a significant number of marks.
- B12 A very popular question, and very well done. Most candidates answering this question were able to answer most parts of it accurately.

Dr Aytek Erdil

Professor Robert Evans

Paper 2
Macroeconomics
160 Scripts

The exam had the standard format of six section A (short) questions and six section B (long) questions. Three students withdrew from the exam. All but one student answered the required number of questions and a few students answered more questions than required. Students are reminded that they do *not* get rewarded for answering more questions than necessary. Students are also 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 large majority of the students (more than three quarters) reached a class of II.1 or I for this paper, and no students failed the exam. The average mark was approximately 64% and the median approximately 64.5%, with a standard deviation of approximately 8. The distribution of number of answers for each of the long questions was as follows:

| B7 | B8 | B9 | B10 | B11 | B12 |
|----|-----|----|-----|-----|-----|
| 25 | 104 | 32 | 25 | 131 | 3 |

We note that very few students chose the essay question (B12), and all students did at least one of the problem questions (B8, B10 and B11). Our comments on each of the questions follow:

A1: This was a straightforward question that almost everyone answered correctly. Some students suggested that the number of vacancies affects the separation rate, which is not strictly speaking the case.

A2: This question didn't go great. While many students managed to derive the mathematical condition of $s = \alpha$ that needs to be satisfied to be at the golden rule, most of them failed to provide an explanation of the steps and give an intuition of why this is so. Students are reminded that when the question asks to 'explain', they are expected to do so. If no explanation or intuition is present, they lose points.

A3: In this question, students are asked to answer what happens to prices (and suggest policies) in medium/long run; a simple answer in the context of quantity theory or basic money market in the medium run would suffice. Some students chose to answer starting from the short run and building up to medium run policies. They were not directly penalised by the examiners for this, however they spent a lot more time and space developing their answer that was actually needed. This may have compromised their performance in the rest of the questions.

A4: This question was about crowding out in a small open economy. Most candidates were able to give a clear definition of crowding out, though a surprising number restricted the applicability of their definition to a closed economy – a choice that jarred with the context. Good students identified that a tax-financed increase in government spending would reduce both consumption and net exports in the core model. Weaker answers presented a 'textbook' case for net exports along being crowded out, which would only apply if the spending increase were deficit-funded.

A5: This two-part question on the position and slope of the aggregate demand curve was generally well answered. Most students were able to identify that a higher marginal propensity to save implied a steeper IS curve, and this passed through to a steeper AD curve. Relatively few were able to explain clearly *why* a steeper IS meant a steeper AD. On the long-term real rate, most answers identified this as a factor in the position of the MP curve, and argued that this should pass through to AD. Only the very strongest answers realised that the long-term real interest rate itself ought to be an endogenous object, and that the IS curve must simultaneously be shifting in order to induce the change in the first place.

A6: This question presented students with a consumption function based on the long-term values of income and taxation, rather than their immediate levels. The majority correctly identified that this meant consumption should be relatively insensitive to temporary government spending shocks, and thus that the Keynesian multiplier should be reduced in the short term. Assessments of permanent spending shocks were more erratic, with many students implicitly proceeding under the assumption that a permanent increase in government spending could have a permanent Keynesian output effect. Stronger candidates argued either that long-term output ought to be unresponsive to higher G, or explicitly made the point that it may rise through a supply-side channel.

B7: Here, students were asked to combine knowledge and material from various parts of the course, and to apply it in order to answer a question motivated by a current topic. Not many students chose to answer this question, but those who did, managed very well and scored high grades at it.

B8: This was a very popular question and resembled past exam questions on growth. Students did fairly well, but many struggled to solve the equation for the steady state and many failed to explain why the steady state is *unique* (only one of the two solutions to the second order equation gives a well-defined positive value for steady state capital). The question was constructed in such a way that the average student managed to solve parts (a) and (b) with no major problems, but only strong students managed to complete all the question, i.e. part (c). Again, as in Question 2, many students did just mathematical derivations without explaining or justifying their steps. Full points are only given to answers that contain not only derivations, but also good economic intuition and interpretation of the results.

B9: This was a straightforward question that required textbook knowledge only. The students who chose it did overall well. Many students forgot to highlight the role of banks as *financial intermediaries* in response to the first part of the question.

B10: This question on aggregate supply was answered by just 25 students, but those that did attempt it generally did very well. The algebraic manipulations required for part (a) led a few candidates astray - often confused between the aggregate price level and *expected* aggregate price level – but even those that committed errors on this part were able to spot that the resulting AS curve would be a cubic, and to sketch its form. The weakest answers were those that processed the algebra correctly, but then sketched an AS-AD analysis as if there were no change from the textbook case.

B11: This was an extremely popular question, attempted by 131 of the 160 candidates. This is in keeping with previous years, when similar mathematical questions based on linear economies have attracted a high response rate. Nonetheless, the average quality of the answers was disappointing, with a mean mark slightly below 60. Above all, many students seemed not to appreciate that getting the economics right was far more important than getting the maths right. Just because the first part of a mathematical question looks ‘solvable’ does not mean that it will be easy to score well, and many would have been better advised to attempt a different question instead. This was particularly evident from part (b) onwards. The constraint that the ‘the official sector cannot borrow internationally’ required some thought to interpret and implement correctly, and students who had

not prepared explicitly to answer a question about capital controls were often unequipped to do this. Finally, the assessment of policy options in part (c) elicited responses that sometimes appeared orthogonal to the answers that had gone before. The best scripts framed their discussion explicitly around the model that had been solved earlier in the question. Alas, these were few and far between.

B12: This essay question attracted just three responses, of which two were extremely good and one quite weak. The strong answers were able to explain Milton Friedman's case against monetary activism thoroughly, and deliver interesting and well-argued assessments of this position – including in one case a clear assessment of the Friedman rule. The weaker response appeared to be treating the essay option as a fall-back. Lacking the necessary knowledge of the subject matter, it offered vague verbal arguments with little or no formalism.

Summary: Overall we believe that this was a good 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.

Dr Chryssi Giannitsarou
Dr Charles Brendon

Paper 3
Quantitative Methods in Economics - Exam
159 Scripts

The mathematics portion of the exam consisted of required material and an optional question. Student performance on this portion of the exam was generally very solid, with a large number of students displaying a sound understanding of the material.

Question 1

(a) Some responses gave 2,3,4 or n terms of the expansion rather than what was asked for.
(b) Some responses failed to derive a differential equation and tired rearranging what was given. A number were unable to derive the general solution to the differential equation.

Question 2 This was generally well done though a rather depressing fraction rearranged $2\alpha\lambda > 0$ to $2\alpha > \lambda$ and many failed to consider both $\alpha, \lambda > 0$ and $\alpha, \lambda < 0$ in the final part.

Question 3 There were many reasonable attempts though a number tried rather arbitrary (and invalid) rearrangements of matrix expressions.

Question 4 Care was needed to carry through the substitutions in the integrals and a number of candidates lost their way.

Question 5 This question required a standard discriminating monopolist setup; most students could set up the Lagrangian and optimise correctly.

Question 6 This was a fairly standard question that was generally well answered

Paper 3
Quantitative Methods in Economics – Statistics

The statistics portion of this year's paper 3 exam asked students to demonstrate both concrete applied skills (i.e., calculating probabilities, conducting hypothesis tests and interpreting regression output), theoretical understanding (i.e., proofs of major concepts), and conceptual understanding (i.e., discursive questions on concepts which could use, but did not require, mathematical analysis).

A large number of students displayed a robust and deep understanding of the course material. We were pleased that the number of students who could demonstrate mastery of some basic statistical concepts had increased relative to previous year. However, a small number of students demonstrated a weak command of the course content that is worrisome.

For question 7, on average, the majority of students performed well on this question.

For question 8a, a number of students did not answer the question as asked. The question asked students to provide the probability of a breakdown *between* $t=2$ and $t=3$. Answers to other questions (unconditional probability of a breakdown in year 3, etc.) did not receive credit. For question 8b, few students set up the problem correctly. Some partial credit was awarded for stating Bayes' Law correctly in a manner relevant to the question.

Question 9 was a straightforward question based on lecture and supervision material and most students answered this question well.

For question 10, virtually all students got full credit for part a. Most were successful with b which was covered in lecture and supervision. The range of answers for c was large. Some offered clear, precise and correct explanations. Others revealed basic misunderstanding of the assumptions of the Gauss-Markov Theorem.

Q11. A majority of students chose to answer this question as their option. Responses were mixed with the average student receiving a low mark. A substantial minority of students scored very highly. Virtually all students got most or all of parts a, b and d correct. A number lost points on c. For parts e-g, there was a wide range of answers. Partial credit was awarded for sensible attempts to set up the problem.

Q12. About one-third of students chose to answer this question; those who did generally performed well and the average score was relatively high. The most challenging parts for many students were the conceptual questions in parts h and i related to the slope parameter in a regression of deviations from the mean value of a variable and R^2 .

Dr Meredith Crowley
Dr Donald Robertson

Paper 4
Political and Sociological Aspects of Economics
158 Scripts

The structure of the Paper was changed for this year with a doubling of the lectures for Economics as a Political Subject from four to eight (the course was taught for the first time last year), the introduction of a new lecture course; Political and Social Institutions (six lectures), and the alteration of Governing Britain since 1945 to include the Sub-prime Mortgage crisis. The European Integration lecture course retained its structure. Candidates largely chose the safe option of concentrating on answering Governing Britain since 1945 questions as this lecture course has had the greatest longevity, with substantial, but more modest numbers answering questions from the other lecture courses.

Generally, all eight questions were answered well. The best answers were those where candidates clarified and explicated the notions relevant to the questions with great precision, and challenged the question when that opportunity presented itself.

1. Twenty-eight candidates chose to answer this question. Good candidates explained that during the so-called Golden Age of Capitalism, between the end of the Second World War and the mid-1970s, the differences between advanced capitalist countries grew, with countries adopting very distinctive approaches to state intervention. Candidates were not necessarily expected to go into great detail, all that was expected was that they showed that they were aware of the kinds of international differences that existed. These differences have been reduced in the so-called age of neo-liberalism since the 1980s. However, some international differences still remain and it is still possible to talk of different types of capitalism. Given that all of the advanced industrial economies achieved high standards of living – despite different forms of government intervention – good candidates showed that there is no single viable way of combining the market and the state.
2. Fifty-five candidates chose to answer this question. Good candidates pointed out that the essence of the government failure approach is that self-seeking behaviour by those who operate in the public realm will result in the adoption of policies that pander to the interests of those who can influence the policy decision-making process. Better candidates discussed different types of political actors and how they may create different types of government failure. Good candidates noted that minimising the influence of politics is supposed to be achieved by reducing the scope of government, introducing regulation by agencies insulated from political influence and by the introduction of rigid rules that minimise policy discretion. Good candidates pointed out that public actors may be less selfish than other people and, more importantly, endogenous preference formation, i.e. the experiences in the public sector make people adopt less selfish motivations. Good candidates added that the transfer of power to unelected technocrats can undermine democracy and that full de-politicisation of the economy is impossible because markets themselves are political constructs.
3. Twenty-three candidates chose to answer this question. The question asked candidates to examine whether full fiscal union is necessary for any system of economic governance to be sustainable in the European Union. Candidates were expected to discuss why full fiscal integration is required for the euro-zone's monetary union to be economically and politically sustainable in the long term. Many scripts used the Mundell-Fleming model to describe this idea in detail. As the wage-price adjustment mechanism will not compensate for national

disparities of productive efficiency within the euro zone, fiscal transfers from richer to poorer areas are required. Better scripts had a broader recall of the literature and also discussed the political problems with achieving full fiscal union, such as the lack of a strong common European identity.

4. One hundred and forty-four candidates chose to answer this question. The best candidates defined the notion of an economic and foreign policy settlement and proceeded to challenge the whole basis of it. Foreign, including Imperial policies were inherited by the 1945 Labour government, so they were not entirely new. These policies were changed later with the dispelling of the illusion of grandeur. Good candidates also noted that the mixed economy was largely new though a little nationalisation had occurred before 1945; Keynesian aggregate demand management started during World War II, and the Welfare State had evolved during the inter-war years and had its origins pre-World War I. The National Health Service was new. The economic settlement was breaking down in the 1960s and had largely collapsed by the 1970s, some years before it was replaced.
5. This was the most popular question with one hundred and fifty-three candidates choosing to answer it. The question specified 'British politics', thus the best candidates recognised that *inter alia* this included foreign and defence policies. The best candidates recognised that the Thatcher Conservative government transformed industrial and macroeconomic policies, that she centralised the policy formation process, but much else she either changed relatively little or hardly at all. The best candidates recognised that the Blair New Labour government largely adopted a mix of neo-liberal and old Labour economic and social policies with some, but limited innovation. The best candidates also noted that this government participated in overseas wars of invasion, occupation and regime change which differed from those of the Thatcher government which were intended to restore the *status quo ante*. Such candidates also noted that the Blair government talked about making a gateway decision to replace the Trident nuclear defence system, but failed to progress with this, whereas the Thatcher governments had (like previous governments) progressed fairly rapidly with a nuclear defence system replacement.
6. One hundred and two candidates chose to answer this question. This question required candidates to look at the effectiveness of policy responses to periods of economic difficulties since 1945. Weaker candidates either focussed too much on the causes of economic difficulties and not enough on the policy responses, or missed out the "fiscal and monetary" part of the question. Stronger candidates were able to explain whether these policies were all that was required to solve past economic difficulties, or whether further changes, such as supply-side policies in the 1970s and 1980s or bank bail-outs after the 2007-08 global financial crisis were also necessary to return the economy to its previous growth path.
7. Sixty-six candidates chose to answer this question. The question asked candidates to survey some of the academic literature on the relationship between political institutions and economic growth. The best candidates showed a good awareness of the literature on the evolution of political institutions (e.g. Douglass North) and their relationship with democratic and autocratic systems of government, as well as the debate between Daron Acemoglu, Simon Johnson and James Robinson against Edward Glaeser on whether institutions or human capital matter more for growth. Some candidates attempted to answer this question using the material from the "Economics as a Political Subject" part of the course, less successfully.

8. Sixty-one candidates chose to answer this question. Candidates tended to answer the basics for this question well, in terms of identifying what is a public good, explaining the Olson group-size paradox and introducing the reader to why ethnic diversity can exacerbate collective-action problems and reduce government provision of public goods. Better candidates explained these issues in more depth, particularly in terms of providing more detail from the academic literature. Some weak answers were short in length, suffering from time-management issues for their last question.

Mr Nigel Knight
Mr Charles Read

Paper 5
British Economic History
158

The majority of students showed a good understanding of the material that had been covered in this course and produced informed and pertinent essays. The average mark for the paper was 63.7% and we awarded 23.4% with firsts and a further 58.2% with a 2.1 class. There were some lower marks and the examiners noticed that a number of candidates were not answering the question set, instead opting to write a general essay on the broader topic rather than focussing on the aspect that had been asked about.

Relatively few students answered the Industrial Revolution questions, in part because some of the standard topics of previous years had been omitted from this paper. Those that did attempt these questions generally produced good answers. There were some pitfalls in the questions. Q1 required something to be said about the importance of trade for the development of the cotton industry and the importance of cotton for industrialisation and did not just want a general essay on trade. Q2 wanted the candidates to outline the economic mechanisms by which transport improvements might aid economic growth as well as discussing the improvements that occurred in two modes of transport. Some interpreted Q3 as needing only a descriptive account of, for instance, where technological improvements had occurred. Instead the recent Shaw-Taylor and Wrigley work on occupational structure that implies a greater role for technology than previously acknowledged and Allen's work that shows technological advance across a wide range of industries should have featured. Some interpreted Q4 as a question on the financing of industry in the late Victorian period, others confused the commercial and consumer revolutions. Instead the focus should have been on the establishment of the National Debt, the crowding out of finance for industry and institutional development.

The late Victorian period questions were answered by large numbers of students and high average marks were achieved. However, Q5 on output and productivity did require discussion of the evidence on these measures and was not an invitation to recount the McCloskey debate on failure. Some decided Q6 was asking them to decide whether capital export had been beneficial or otherwise, whereas the focus should have been on the inward flows of income from these investments and whether this had had an adverse effect on manufacturing performance. A large number seemed to be unaware of the components of the Balance of Payments. While many candidates produced very good answers to Q7, a number wrote an essay capturing a variety of memorable points thinly spread across a large number of industries rather than the more analytical, in-depth analysis of the performance of two industries that the question asked for.

The interwar questions proved to be very popular. In general responses were targeted to the specific focus of the question. However, there were a number of students that produced survey essays on the topic – this is not a good tactic in examinations. In responding to the unemployment question a number of students failed to consider the *compare and contrast* aspect of the question; very few students considered the effect of the duration of the two depressions on unemployment outcomes; too many students argued that the benefits framework of Benjamin and Kochin can explain the rise of unemployment in 1921 (Benjamin and Kochin explicitly consider the demand effects as being important in the depression periods).

The tariff question allowed students to display an analysis of a number of empirical evaluations of the General tariff. Weaker students simply reported on different results without much attempt to understand the differences and evaluate the evidence. Students had a very good understanding of the short-term and long-term effects of the policy goal to return to gold at the pre-war parity. Weaker answers were confused about the long-run effects.

Dr Sara Horrell

Dr Solomos Solomou

End of Reports