

GCE

AS and A Level Specification

Economics

AS exams 2009 onwards

A2 exams 2010 onwards

The background of the bottom half of the page features a blurred image of a calculator screen on the left and several coins on the right. The calculator screen shows a list of items with their respective prices and quantities.

EM.KX18	*0,62
ADILX18	*1,05
RADAX18	*1,99
	-0,40
RADAX18	*1,99
	-0,40
(*5 PUAN)	*2,00

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1 Introduction

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1.1 Why choose AQA?

It's a fact that AQA is the UK's favourite exam board and more students receive their academic qualifications from AQA than from any other board. But why does AQA continue to be so popular?

- **Specifications**

Ours are designed to the highest standards, so teachers, students and their parents can be confident that an AQA award provides an accurate measure of a student's achievements. And the assessment structures have been designed to achieve a balance between rigour, reliability and demands on candidates.

- **Support**

AQA runs the most extensive programme of support meetings; free of charge in the first years of a new specification and at a very reasonable cost thereafter. These support meetings explain the specification and suggest practical teaching strategies and approaches that really work.

- **Service**

We are committed to providing an efficient and effective service and we are at the end of the phone when you need to speak to a person about an important issue. We will always try to resolve issues the first time you contact us but, should that not be possible, we will always come back to you (by telephone, email or letter) and keep working with you to find the solution.

- **Ethics**

AQA is a registered charity. We have no shareholders to pay. We exist solely for the good of education in the UK. Any surplus income is ploughed back into educational research and our service to you, our customers. We don't profit from education, you do.

If you are an existing customer then we thank you for your support. If you are thinking of moving to AQA then we look forward to welcoming you.

1.2 Why choose Economics?

- **Separate macroeconomic and microeconomic units** at both AS and A2
- Accessible questions within the written papers enabling candidates to demonstrate the full extent of their achievements

- A range of assessment techniques within written papers, namely objective tests, structured data response questions and essay questions
- An Economics specification which can be offered as a coherent, self-standing AS course **and** which also provides a logical progression to A2 in terms of knowledge, understanding and skills

1.3 How do I start using this specification?

Already using the existing AQA GCE Economics specification?

- Register to receive further information, such as mark schemes, past question papers, details of teacher support meetings, etc, at **<http://www.aqa.org.uk/rn/askaqa.php>**
Information will be available electronically or in print, for your convenience.
- Tell us that you intend to enter candidates. Then we can make sure that you receive all the material you need for the examinations. This is particularly important where examination material is issued before the final entry deadline. You can let us know by completing the appropriate Intention to Enter and Estimated Entry forms. We will send copies to your Exams Officer and they are also available on our website
http://www.aqa.org.uk/admin/p_entries.html

Not using the AQA Specification currently?

- Almost all centres in England and Wales use AQA or have used AQA in the past and are approved AQA centres. A small minority are not. If your centre is new to AQA, please contact our centre approval team at **centreapproval@aqa.org.uk**

1.4 How can I find out more?

Ask AQA

You have 24-hour access to useful information and answers to the most commonly-asked questions at **<http://www.aqa.org.uk/rn/askaqa.php>**

If the answer to your question is not available, you can submit a query for our team. Our target response time is one day.

Teacher Support

Details of the full range of current Teacher Support meetings are available on our website at **<http://www.aqa.org.uk/support/teachers.html>**

There is also a link to our fast and convenient online booking system for Teacher Support meetings at **<http://events.aqa.org.uk/ebooking>**

If you need to contact the Teacher Support team, you can call us on 01483 477860 or email us at **teachersupport@aqa.org.uk**

2 Specification at a Glance

AS Examinations

Unit 1 – ECON1

Economics: Markets and Market Failure

50% of AS, 25% of A Level
1 hour 15 minutes examination
75 marks (100 UMS)

Section A: 25 compulsory objective test items (25 marks)

Section B: Two optional data response questions are set; candidates answer one. (50 marks)

Available January and June

Unit 2 – ECON2

Economics: The National Economy

50% of AS, 25% of A Level
1 hour 15 minutes examination
75 marks (100 UMS)

Section A: 25 compulsory objective test items (25 marks)

Section B: Two optional data response questions are set; candidates answer one. (50 marks)

Available January and June

AS
Award
1141

A2 Examinations

Unit 3 – ECON3

Economics: Business Economics and the Distribution of Income

25% of A Level
2 hour examination
80 marks (100 UMS)

Section A: Two optional data response questions are set; candidates answer one. (40 marks) One question will always relate to the global context and the other to the European Union context.

Section B: Three optional essay questions are set; candidates answer one. (40 marks)

Available January and June

Unit 4 – ECON4

Economics: The National and International Economy

25% of A Level
2 hour examination
80 marks (100 UMS)

Section A: Two optional data response questions are set; candidates answer one. (40 marks) One question will always relate to the global context and the other to the European Union context.

Section B: Three optional essay questions are set; candidates answer one. (40 marks)

Available January and June

A Level
Award
2141

$$\boxed{\text{AS}} + \boxed{\text{A2}} = \boxed{\text{A Level}}$$

AS Economics: Units 1 and 2

In **Section B** for **both** AS papers, each question is sub-divided into **four** sub-questions, carrying 5, 8, 12 and 25 marks (50 marks in total).

A2 Economics: Units 3 and 4

In **Section A** for **both** A2 papers, each question is sub-divided into **three** sub-questions, carrying 5, 10 and 25 marks (40 marks in total).

In **Section B** for **both** A2 papers, each essay question is sub-divided into **two** sub-questions, carrying 15 and 25 marks (40 marks in total).

Teaching issues

- It is strongly recommended that the teaching of both microeconomic and macroeconomic theories and concepts should be related to the performance of the UK economy and other real world contexts.
- Teachers should note that there is a difference between *context* and *content*. The EU and global contexts are not intended to add to the total learning load. Instead, they are intended to act as a focus, to provide real world applications and to add an exciting dimension to the study of economics.

3 Subject Content

3.1 Unit 1 ECON1 Economics: Markets and Market Failure

This Unit introduces candidates to **microeconomics**.

Candidates will be required to acquire knowledge and understanding of some basic microeconomic models and to apply these to current problems and issues. Basic microeconomic models such as demand and supply, the operation of the price mechanism, and causes of market failure are central to this Module. Candidates should be provided with opportunities to use these basic models to explore current economic behaviour.

Candidates should be able to apply their knowledge and skills to a wide variety of situations and to different markets and examples of market failure, including environmental market failures. During their course of study, candidates should be encouraged to develop a critical approach to economic models and methods of enquiry.

Candidates should be familiar with the various types of statistical and other data which are commonly used by economists. For example, they should be able to interpret data presented in the form of index numbers.

3.1.1 The Economic Problem

The Nature and Purpose of Economic Activity

Candidates should understand that the central purpose of economic activity is the production of goods and services to satisfy needs and wants, and thereby to improve economic welfare. They should address the questions of what, how and for whom goods and services should be produced, and consider the role of economic incentives in providing the answers to these questions. Candidates should appreciate that economists take a broad view of production and consumption activities including, for example, housework, DIY and benefits derived from the natural environment.

Economic Resources

Candidates should understand the economists' classification of economic resources into land, labour, capital and enterprise, which are the factors of production. Candidates should also understand the distinction between free goods and economic goods.

The Economic Objectives of Individuals, Firms and Governments

Candidates should understand that individuals, firms and governments may have a range of economic objectives.

*Note: at AS, candidates do **not** need to know the $MC = MR$ profit maximising rule, but they should be aware that profit is the difference between revenue and cost.*

Scarcity, Choice and the Allocation of Resources

Candidates should appreciate that the choices made to deal with the problem of scarcity affect the allocation of resources. They should understand the role of incentives in influencing choices.

Candidates should know that the environment is an example of a scarce resource, which is affected by economic decisions.

Production Possibility Diagrams

Candidates should understand production possibility diagrams and be able to use them to illustrate different features of the fundamental economic problem, such as opportunity cost, under-use and the full use of economic resources, together with trade-offs and conflicting objectives.

Value Judgements, Positive and Normative Statements

Candidates should be able to distinguish between positive and normative statements. They should understand how value judgements influence economic decision-making and policy.

3.1.2 The Allocation of Resources in Competitive Markets

The Determinants of the Demand for Goods and Services

Candidates should know that the demand curve shows the relationship between price and quantity demanded, and understand the causes of shifts in the demand curve.

Price, Income and Cross Elasticities of Demand

Candidates should be able to calculate price, income and cross elasticities of demand and understand the factors that influence these elasticities of demand. They should understand the relationships between price elasticity of demand and firms' total revenue (total expenditure), and between income elasticity of demand and normal and inferior goods.

The Determinants of the Supply of Goods and Services

Candidates should be aware that, other things being equal, higher prices imply higher profits and that this will provide the incentive to expand production. They should understand the causes of shifts in the supply curve.

Price Elasticity of Supply

Candidates should be able to calculate price elasticity of supply and understand the factors that influence price elasticity of supply.

The Determination of Equilibrium Market Prices

Candidates should understand how the interaction of demand and supply determines equilibrium prices in a market economy. They should understand the difference between equilibrium and disequilibrium, and between excess demand and excess supply.

Applications of Demand and Supply Analysis to Particular Markets

Candidates should be able to apply their knowledge of the basic model of demand and supply to markets, including commodity markets such as oil and copper markets, agriculture, health care, housing, sport and leisure.

The Interrelationship Between Markets

Candidates should be aware that changes in a particular market are likely to affect other markets. They should, for example, be able to explore the impact of the introduction of a new product and a new supplier in a competitive market.

Candidates should understand the implications of joint demand, demand for substitute goods, composite demand, derived demand and joint supply.

How Markets and Prices Allocate Resources

Candidates should understand the rationing, incentive and signalling functions of prices in allocating resources and co-ordinating the decisions of buyers and sellers in a market economy.

They should also be able to use the economists' model of the market mechanism to assess the effectiveness of markets in allocating resources.

*Note: candidates are **not** expected to know the formal model of perfect competition and the associated diagrammatic analysis using cost and revenue curves. This is assessed in Unit 3.*

3.1.3 Production and Efficiency

Specialisation, Division of Labour and Exchange

Candidates should understand the benefits of specialisation and why specialisation necessitates an efficient means of exchanging goods and services, such as the use of money as a medium of exchange.

Production

Candidates should understand that production converts inputs, or the services of factors of production such as capital and labour, into final output.

Candidates should understand the meaning of productivity (including labour productivity).

Candidates should understand the meaning of productive efficiency. They should be able to illustrate the concept both on a production possibility diagram, and on an average cost curve diagram.

*Note: candidates are **not** expected to know the distinction between short-run and long-run cost curves at AS or explanations of the shape of cost curves. Candidates do **not** need to know about types of efficiency, apart from productive efficiency. However, candidates must understand that the decisions of individuals, producers and government can, under certain circumstances, improve resource allocation, but that in other circumstances resource misallocation can result.*

Economies and Diseconomies of Scale

Candidates should be able to categorise and give examples of economies of scale, recognise that they lead to lower average costs and may underlie the development of monopolies. Candidates should be able to give examples of diseconomies of scale, and recognise that they lead to higher average costs and may discourage the growth of firms.

3.1.4 Market Failure**The Meaning of Market Failure**

Candidates should understand that market failure occurs whenever a market leads to a misallocation of resources. They should appreciate the difference between complete market failure (resulting in a missing market), and partial market failure, where a market exists but contributes to resource misallocation.

Candidates should understand how public goods, positive and negative externalities, merit and demerit goods, monopoly and other market imperfections, and inequalities in the distribution of income and wealth can lead to market failure.

Candidates should be able to give examples of each of these causes of market failure.

Public Goods

Candidates should understand that pure public goods are non-rival and non-excludable and recognise the significance of these characteristics. Candidates should understand the difference between a public good and a private good, and consider whether under certain circumstances, a public good may take on some of the characteristics of a private good.

Positive and Negative Externalities in Consumption and Production

Candidates should understand that externalities exist when there is a divergence between private and social costs and benefits and that negative externalities are likely to result in over-production.

Candidates should be able to illustrate the misallocation of resources resulting from externalities in both production and consumption, using diagrams showing marginal private and social cost and benefit curves.

Merit and Demerit Goods

Candidates should understand that the classification of merit and demerit goods depends upon a value judgement and that such products may also be subject to positive and negative externalities in consumption. They should also understand how under-provision of merit goods, and over-provision of demerit goods may result from imperfect information.

Candidates should be able to illustrate the misallocation of resources resulting from the consumption of merit and demerit goods using diagrams showing marginal private and social cost and benefit curves.

Note: at AS, externalities and merit and demerit goods provide the only contexts in which candidates are expected to use diagrams showing the concept of the margin.

Monopoly and the Allocation of Resources

Candidates should understand that monopolies have market power and that the basic model of monopoly suggests that higher prices and profits and inefficiency may result in a misallocation of resources compared to the outcome in a competitive market. Candidates should understand that monopoly can provide an example of market failure.

Candidates should be aware of the various factors which affect the behaviour and performance of firms in a variety of real world markets and are sources of monopoly power. The factors include different barriers to entry and the degree of concentration and product differentiation.

Candidates should understand the potential benefits from monopoly, for example, economies of scale and possibly more invention and innovation.

*Note: candidates are **not** expected to know the formal model of monopoly. However, candidates should be able to use two diagrams to illustrate the costs and benefits of monopoly: a market demand curve showing the effect on price of producing a lower output; and a cost curve to show economies and diseconomies of scale. Knowledge of monopoly revenue curves is **not** required. These topics are assessed in Unit 3.*

Immobility of Factors of Production

Candidates should understand that the immobility of factors of production is likely to result in a misallocation of resources and therefore cause market failure.

Inequalities in the Distribution of Income and Wealth

Candidates should understand that, in a market economy, an individual's ability to consume goods and services depends upon his/her income and wealth and that an unequal distribution of income and wealth may result in an unsatisfactory allocation of resources.

*Note: it is **not** necessary at this stage for candidates to study the causes of inequalities in the distribution of income and wealth. This is assessed in Unit 3.*

3.1.5 Government Intervention in the Market**Rationale for Government Intervention**

Candidates should understand the reasons for government intervention in markets.

Methods of Government Intervention to Correct Distortions in Individual Markets

Candidates should be able to use basic economic models to analyse and evaluate the use of indirect taxation, subsidies, price controls, buffer stocks, pollution permits, state provision and regulation to correct market failure.

Government Failure

Candidates should understand that government failure occurs when government intervention in the economy leads to a misallocation of resources.

Candidates should appreciate that government intervention in the economy, for example to try to correct market failure, does not necessarily result in an improvement in economic welfare. Governments may create, rather than remove, market distortions.

Inadequate information, conflicting objectives and administrative costs should be recognised as possible sources of government failure.

The Impact of Government Intervention on Market Outcomes

Candidates should be able to apply economic models to assess the role of markets and the government in areas such as health care, housing, agriculture and the European Union's Common Agricultural Policy (CAP), transport and the environment.

3.2 Unit 2 ECON2 Economics: The National Economy

This Unit introduces candidates to **macroeconomics**.

Candidates will be required to acquire knowledge and understanding of AD/AS analysis and should be provided with opportunities to use this analysis to explore recent and current economic behaviour. They should understand, and be able to analyse and evaluate, macroeconomic policy.

Candidates should have a good knowledge of developments in the UK economy and government policies over the past ten years.

Candidates should be aware that the performance of the United Kingdom economy is influenced by its membership of the European Union (EU) and external events in the international economy.

They should be familiar with the various types of statistical and other data which are commonly used by economists.

During their course of study, candidates should be encouraged to develop a critical approach to economic models and methods of enquiry.

3.2.1 The Measurement of Macroeconomic Performance

Macroeconomic Indicators

Candidates should be familiar with the data which is commonly used to measure the performance of an economy, e.g. GDP, GDP per capita, Consumer Price and Retail Price Indices (CPI/RPI), unemployment, and the balance of payments on current account. They should have an understanding of the use of index numbers. They should be able to make comparisons with other economies from data presented to them.

The Economic Cycle

Candidates should understand the concept of the economic cycle and be able to use a range of economic indicators, such as GDP, the rate of inflation, unemployment and investment, to identify the various phases of the economic cycle. They should be able to distinguish between demand-side and supply-side shocks.

An understanding of potentially inflationary, positive, and potentially deflationary, negative, output gaps is also expected in the context of the economic cycle.

Candidates should understand that positive output gaps occur when actual GDP is above the productive potential of the economy, and negative output gaps occur when actual GDP is below the economy's productive potential.

3.2.2 How the Macroeconomy Works: AD/AS Analysis, the Circular Flow of Income, and Related Concepts

The Circular Flow of Income

There should be an understanding of the circular flow of income concept, the equation $\text{income} = \text{output} = \text{expenditure}$, and of the concept of macroeconomic equilibrium.

*Note: candidates are **not** expected to have a detailed knowledge of the construction of national income accounts.*

Aggregate Demand (AD) and Aggregate Supply (AS) Analysis

Candidates should understand that changes in the price level are represented by movements along the AD and AS curves. They should understand the various factors that shift the short-run AD and AS curves and be able to distinguish clearly the factors which affect long-run aggregate supply from those which affect short-run aggregate supply. They need to understand that economic growth is represented by a rightward shift in the long-run AS curve.

Candidates should be able to use AD and AS analysis to help them explain macroeconomic problems and issues. For example, they should be able to use AD and AS diagrams to illustrate changes in the price level, demand-deficient (cyclical) unemployment and economic growth.

The Determinants of Aggregate Demand

Candidates should be able to define aggregate demand and explain and analyse the determinants of aggregate demand, i.e. the determinants of consumption, investment, government spending, exports and imports. In the context of investment, there should be an elementary understanding of the accelerator process.

*Note: candidates will **not** be required to undertake any calculations to illustrate the operation of the accelerator.*

Candidates should be able to explain and analyse the determinants of savings, and to appreciate the difference between saving and investment.

Aggregate Demand and the Level of Economic Activity

Candidates should have an understanding of the role of aggregate demand in influencing the level of economic activity. They should be aware of the multiplier process and be able to explain that an initial change in expenditure may lead to a larger impact on local or national income.

*Note: candidates will **not** be required to undertake any calculations to illustrate the operation of the multiplier.*

Determinants of Short-Run Aggregate Supply

Candidates should be able to define short-run aggregate supply and identify the determinants of the short-run AS curve, such as money wage rates, business taxation and productivity

Determinants of Long-Run Aggregate Supply

Candidates should be able to discuss the fundamental determinants of long-run aggregate supply such as technology, productivity, attitudes, enterprise, factor mobility, and economic incentives. The importance of the institutional structure of the economy, such as the role of the banking system in providing business investment funds, should also be understood.

*Note: a detailed knowledge of institutions is **not** required.*

Candidates should understand that the position of the long-run AS curve represents the normal capacity level of output of the economy. In the teaching of this part of the unit, emphasis should be given to the assumption that the LRAS curve is vertical but candidates should also have an understanding of the Keynesian AS curve.

3

3.2.3 Economic Performance**The Objectives of Government Economic Policy**

Candidates should be aware of the main objectives of government macroeconomic policy: increasing the growth potential of the economy and achieving that potential; price stability; minimising unemployment; and improving those aspects of the domestic economy, such as productivity performance, which will serve to improve the external performance of the economy, as reflected in the balance of payments on current account. There should be an understanding of the possibility of conflict arising, at least in the short run, when attempting to achieve these objectives.

Economic Growth

Candidates should understand that economic growth occurs when the productive capacity of the economy is increasing and is a term used to refer to the growth of real output in an economy over time. They should be able to use a production possibility curve and AD/AS diagrams to illustrate the distinction between short-run and long-run economic growth.

Candidates should be able to analyse and evaluate the various demand-side and supply-side determinants of short-run growth of GDP and the long-run trend rate of economic growth.

Inflation and Deflation

Candidates should have an understanding of the concepts of price inflation and price deflation.

They should understand that there are in an economy demand-pull and cost-push influences on the price level.

Employment and Unemployment

Candidates should be aware of the main UK measures of unemployment, i.e. the claimant count and the Labour Force Survey measure.

There should be an understanding of how employment and unemployment may be determined by both demand-side and supply-side factors and candidates should be able to analyse and evaluate these determinants with the help of production possibility curves and AD/AS diagrams. Candidates should understand the terms cyclical, frictional, seasonal and structural unemployment.

There should be an understanding of the output gap in relation to economic growth, unemployment and the price level as detailed in Section 3.2.1.

Note: more advanced concepts such as real wage unemployment and natural rate unemployment are examined at A2.

The Balance of Payments on Current Account

Candidates should understand that the current account comprises trade in goods, trade in services, investment income and transfers. They should understand the meaning of a deficit and a surplus on current account and how the strengths (e.g. an improvement in labour productivity) and weaknesses (e.g. a rise in the rate of inflation) of the domestic economy may impact on the balance of payments on current account.

*Note: a detailed knowledge of the structure of the balance of payments is **not** required.*

3.2.4 Macroeconomic Policy**Fiscal Policy**

Candidates should understand that fiscal policy can have both macroeconomic and microeconomic functions. They should be able to explain how it could be used to influence aggregate demand and aggregate supply, and also how government spending and taxation can affect the pattern of economic activity.

Monetary Policy

Candidates should know that monetary policy can involve the use of interest rates, the money supply and exchange rates. They should understand how the Monetary Policy Committee (MPC) of the Bank of England uses interest rates to achieve the government's target rate of inflation.

There should be an understanding that changes in the exchange rate can affect the prices of exports and imports, the level of domestic economic activity, as well as the balance of payments on current account.

*Note: candidates do **not** need to know about how interest rates and exchange rates are determined. These topics are included in Unit 4.*

Supply-side Policies

Candidates should understand how supply-side policies, such as tax changes designed to change personal incentives, may increase the potential output of the economy and improve the underlying trend rate of economic growth. They should appreciate how supply-side policies also affect the level of unemployment, the rate of change of prices, and UK external performance as reflected in the balance of payments on current account. Supply-side policies need to be linked to the relevant parts of sections 3.2.2 and 3.2.3.

Candidates should recognise that supply-side improvements in the economy need not necessarily rely on government policy initiatives, but may originate in the business sector independently of government, e.g. productivity improvements, innovation and investment.

3.3 Unit 3 ECON3 Economics: Business Economics and the Distribution of Income

Unit 3 is synoptic.

It is assumed that the knowledge and skills candidates have acquired in other units will be used to consider concepts, theories and issues introduced in this Unit. Candidates should be able to recognise both the value and limitations of economic models as a means of explaining and evaluating the conduct and performance of firms in the real world. They should be able to evaluate economic models in written, numerical and graphical forms.

This Unit builds on the knowledge and skills candidates have developed in Unit 1. It will require candidates to use and evaluate more complex microeconomic models; for example, perfect competition, monopoly and oligopoly, and to develop further their critical approach to such economic models and methods of enquiry. Candidates will need to demonstrate a realistic understanding of the decisions made by firms and how their behaviour can be affected by the structure and characteristics of the industry. In this Unit, candidates are required to develop a more formal understanding of economic efficiency and the arguments for and against government intervention in markets than was required at AS level.

The Module also requires candidates to understand the operations of the labour market and the factors which influence relative wage rates, poverty and the distribution of income and wealth.

Candidates should appreciate the ways in which developments in United Kingdom markets and government microeconomic policy can be related to the global and European Union (EU) contexts.

Examples of issues which could be examined in the **global context** are the impact of globalisation on markets and firms within the UK economy, for example through the increased economic power of multinational (transnational) companies and through a greater international mobility of capital and labour. Environmental issues should also be seen from a global perspective.

Examples of issues in the **EU context** are increased competitiveness of UK markets resulting from firms' access to the wider EU market, and the potential exposure of UK firms to EU competition policy as well as to UK national competition policy. Candidates should also consider the impact on UK product and labour markets of EU common economic policies, e.g. the Common Agricultural Policy and the microeconomic aspects of other EU measures such as the Single European Market, the free movement of labour and policies addressing income inequalities across the EU.

3

3.3.1 The Firm: Objectives, Costs and Revenues

The Objectives of Firms Candidates should understand that the models that comprise the traditional theory of the firm are based upon the assumption that firms aim to maximise profits. They need to understand the $MR=MC$ profit maximising rule. They should also understand the satisficing principle and know that firms have a variety of other possible objectives.

The Divorce of Ownership from Control Candidates should understand the reasons for the separation of ownership from control in modern industrial economies and be able to discuss its significance for the conduct and performance of firms.

The Law of Diminishing Returns and Returns to Scale Candidates should understand the difference between the short run and the long run and between the marginal returns (or product) of a variable factor of production in the short run and returns to scale in the long run. They should appreciate how productivity and factor prices affect firms' costs of production and the choice of factor inputs.

Note: at A2, the concept of the margin is important and for this unit candidates must understand the difference between marginal returns (or marginal product), marginal cost and marginal revenue, as well as the difference learnt at AS between marginal private and social cost and benefit.

Fixed and Variable Costs, Marginal, Average and Total Costs, Short-run and Long-run Costs

Candidates should be able to calculate a firm's costs and draw cost curves from given data. They should understand the reasons for the shape of cost curves and be able to interpret how costs affect decision-making by firms.

Economies and Diseconomies of Scale

Candidates should understand the concept of the minimum efficient scale of production and its implications for the structure of an industry and barriers to entry.

Technological Change

Candidates should understand how technological change and technical progress are affecting the structure of markets and the production and consumption of goods and services.

Candidates should understand the impact of invention, innovation and technological change upon a firm's methods of production, its efficiency and its cost structure.

Total, Average and Marginal Revenue

Candidates should be able to calculate a firm's revenue from given data and be able to draw and interpret revenue curves. They should understand the reasons for the shape of revenue curves and be able to interpret how revenue affects decision-making by firms.

3.3.2 Competitive Markets**The Model of Perfect Competition**

A formal diagrammatic analysis of the perfectly competitive model in the short and long run is expected.

Candidates should be able to discuss the implications of the following for the behaviour of firms and the industry: large numbers of producers, identical products, freedom of entry and exit, and readily available information.

Competition and the Efficient Allocation of Resources

Candidates should understand the proposition that, given certain assumptions, relating for example to a lack of externalities and a lack of economies of scale, perfect competition will result in an efficient allocation of resources. Candidates should also be able to assess critically this proposition.

The Dynamics of Competition and Competitive Market Processes

An understanding of both the short-run and long-run benefits which are likely to result from competition is expected. Candidates should understand that firms do not just compete on the basis of price but that competition will also lead firms to strive to improve products, reduce costs, improve the quality of the service provided, etc.

3.3.3 Concentrated Markets

Monopoly and Oligopoly	Candidates should be aware of the various factors which affect the behaviour and performance of firms in a variety of real world markets. The factors include different barriers to entry and the degree of concentration and product differentiation.
Price Makers and Price Takers	Candidates should understand the factors which affect the ability of a firm to fix the price of its product.
The Growth of Firms	Candidates should understand how and why firms grow. They should be aware of the difference between internal (organic) growth and external growth via merger or takeover, and different types of integration.
Sources of Monopoly Power	Candidates should understand that monopoly power is influenced by factors such as barriers to entry, the number of competitors, advertising and the degree of product differentiation.
The Model of Monopoly	A formal diagrammatic analysis of the monopoly model is expected.
Collusive and Non-Collusive Oligopoly	Candidates should understand the ways in which firms behave in concentrated markets in the real world and the meaning of oligopoly. They should understand the factors which influence prices, output, investment, expenditure on research, advertising and the marketing policies in oligopolistic industries. Candidates should appreciate that oligopoly can be defined in terms of market structure or in terms of market conduct (behaviour). They should also understand the reasons for non-price competition, the operation of cartels, price leadership, price agreements, price wars and barriers to entry.
Interdependence in Oligopolistic Markets	<p>Candidates should understand the roles of interdependence and uncertainty in oligopoly. The kinked demand curve model should be used as an illustration of the interdependence between firms and not taught as if it is the only model of oligopoly. Similarly, candidates should be introduced to game theory as a tool for illustrating possible consequences of interdependence for the behaviour of firms in oligopolistic markets.</p> <p><i>Note: candidates do not need to understand the model of monopolistic competition.</i></p>
Price Discrimination	Candidates should understand the conditions necessary for price discrimination and be able to assess the advantages and disadvantages of such policies. Real world examples should be used to illustrate price discrimination.
Consumer and Producer Surplus	Candidates should be able to apply these concepts when discussing economic efficiency and welfare issues, such as price discrimination and the dead-weight losses associated with monopoly.
Contestable and Non-contestable Markets	Candidates should be able to discuss the significance of market contestability for the performance of an industry. They should be familiar with concepts such as sunk costs and hit-and-run competition.
Market Structure, Static Efficiency, Dynamic Efficiency and Resource Allocation	Candidates should understand the conditions required for productive and allocative efficiency. They should appreciate the difference between static efficiency and dynamic efficiency and understand that dynamic efficiency is influenced by, for example, research and development, investment in human and non-human capital and technological change. Candidates should be able to apply efficiency concepts when comparing the performance of firms in competitive markets with those in concentrated markets.

3.3.4 The Labour Market

The Demand for Labour, Marginal Productivity Theory

Candidates should understand that the demand for a factor is derived from the demand for the product and that it will be influenced by the productivity of the factor.

Influences upon the Supply of Labour to Different Markets

Candidates should understand that the supply of labour to a particular occupation is influenced by monetary and non-monetary considerations. Non-monetary considerations include job satisfaction and dissatisfaction and the economic welfare derived from leisure time.

The Determination of Relative Wage Rates and Levels of Employment in Perfectly Competitive Labour Markets

Candidates should understand the economists' model of wage determination in perfectly competitive labour markets and be able to assess the role of market forces in determining relative wage rates.

Note: candidates should be aware that perfect competition, in both goods or product markets and labour markets, provides a yardstick for judging the extent to which real world markets perform efficiently or inefficiently, and the extent to which a misallocation of resources occurs. Candidates should appreciate that all, or almost all, real world markets are imperfectly competitive to a greater or lesser extent.

The Determination of Relative Wage Rates and Levels of Employment in Imperfectly Competitive Labour Markets

Candidates should understand how various factors such as monopsony power, trade unions and imperfect information contribute to labour market imperfection. They should appreciate how, in a monopsony labour market, the employer can use market power to reduce both the relative wage rate and the level of employment below those that would exist in a perfectly competitive labour market.

The Influence of Trade Unions in Determining Wages and Levels of Employment

Candidates should understand the various factors that affect the ability of trade unions to influence wages and levels of employment in different labour markets. They should appreciate that the effect on employment may differ following the introduction of a trade union into a previously perfectly competitive labour market and into a monopsony labour market. The use of relevant diagrams is expected.

The Impact of a National Minimum Wage Rate

Candidates should understand the effect of a national minimum wage upon labour markets.

Discrimination in the Labour Market

Candidates should understand the conditions necessary for wage discrimination and be able to assess the advantages and disadvantages of such policies. Real world examples should be used to illustrate wage discrimination.

Candidates should be able to discuss the impact of gender, ethnic and other forms of discrimination on wages, levels and types of employment.

The Distribution of Income and Wealth

Knowledge of the distribution of household income and wealth in the United Kingdom is expected. Candidates should understand the various factors which influence the distribution of income and wealth and the possible costs and benefits of more equal and more unequal distributions.

3.3.5 Government Intervention in the Market

Market Failure and Government Failure

Candidates will be expected to extend and develop the models of market failure introduced in Unit 1. For example, they will be expected to be able to distinguish clearly between pure public goods and non-pure (or quasi) public goods and explain how technical change can lead to markets efficiently providing goods previously regarded as non-excludable and non-rival.

Candidates should display greater understanding of how imperfect information and the absence of property rights may lead to market failure and be able to evaluate the extent to which an unequal distribution of income and wealth is the result of market failure.

Candidates should also be able to discuss the causes of environmental market failure and the impact of environmental change on economic behaviour. They should be able to assess the consequences of the variety of government policies that are used to deal with market failure. These policies should include extending property rights. Candidates should also be able to evaluate sources of government failure including the possibility of regulatory capture.

Competition Policy

Candidates should know the general features of UK and EU competition policy. They should be able to evaluate the costs and benefits of such policies. Examples of real world applications of such policies should provide contexts in which candidates can evaluate the use of economic models to explore economic behaviour and further develop their appreciation of the behaviour of firms in concentrated markets.

Public Ownership, Privatisation, Regulation and De-regulation of Markets

Candidates should understand the arguments relating to such policies, be aware of their application in the United Kingdom, and be able to assess their effects on economic performance. They should also understand competitive tendering, the possibility of creating internal markets for the provision of public sector services such as education and health care, and public private partnerships (PPPs).

Notions of Equity

Candidates should understand the difference between equity and equality. They should recognise that people hold different views concerning what is fair and that these views will influence policy prescriptions. They should be able to distinguish between horizontal and vertical equity.

The Problem of Poverty

Candidates should understand the difference between relative and absolute poverty. They should be able to discuss the causes and effects of poverty.

Government Policies to Alleviate Poverty and to Influence the Distribution of Income and Wealth

Knowledge of the policies which are available to influence the distribution of income and wealth is required. Candidates should be able to discuss the economic consequences of such policies and be able to evaluate the various approaches to alleviating poverty.

Cost Benefit Analysis

Candidates should be able to understand the principles of cost benefit analysis and evaluate the advantages and disadvantages of using cost benefit analysis. They should realise that while, in principle, cost benefit analysis can be used for measuring the costs and benefits of a wide range of economic decisions, in practice there are often considerable difficulties in placing accurate monetary values on costs and benefits.

*Note: candidates are **not** expected to have a detailed knowledge of techniques such as discounting and shadow pricing, but they should understand that money in the future is worth less than money now and that prices have to be put on economic activities where there is no market price. Candidates are expected to relate cost benefit analysis to the problems caused by externalities and to market failure and government failure.*

3.4 Unit 4 ECON4 Economics: The National and International Economy

Unit 4 is synoptic.

It is assumed that the knowledge and skills candidates have acquired in other units will be used to consider concepts, theories and issues introduced in this unit. Candidates are expected to develop further their critical approach to economic models and methods of enquiry. They should be able to analyse and evaluate economic models in written, numerical and graphical forms.

Candidates should be able to apply the AD/AS analysis from Unit 2 to the issues raised in this unit. They should be able to analyse and evaluate the causes of changes in macroeconomic indicators in greater depth than expected at AS Level. There is an emphasis in Unit 4 on the consequences of changes in macroeconomic indicators.

It is expected that candidates will acquire a good knowledge of trends and developments in the economy which have taken place during the past ten years and also have an awareness of earlier events where this helps to give recent developments a longer term perspective.

Candidates should appreciate the ways in which developments in the United Kingdom economy can be related to the global and European Union (EU) contexts.

Examples of issues which could be examined in the **global context** are the impact of China's recent industrial development on the UK economy or the consequences for the UK economy of increased inward investment by multinational companies.

Examples of issues in the **EU context** are the implications for the UK economy of EU enlargement or the possible consequences of postponing a decision on UK membership of the Single European Currency.

Candidates should be prepared to propose, analyse and evaluate possible solutions to macroeconomic problems. They will be required to assess the impact and effectiveness of current government policies to deal with these problems as well as considering alternative policies.

3.4.1 Macroeconomic Indicators

The Economic Cycle and Economic Growth

Candidates should be able to analyse and evaluate the causes of changes in the various phases of the economic cycle, including demand-side and supply-side shocks.

Candidates should be able to analyse and evaluate the supply-side factors that are likely to determine the long-run trend rate of growth, such as investment, technology, education and training.

Candidates should be able to analyse and evaluate the various costs and benefits of economic growth. There should be the ability to discuss whether or not economic growth is sustainable and to evaluate the impact of growth on individuals, the economy and the environment.

Uses of National Income Data

Candidates should be able to discuss the use and limitations of national income data to draw conclusions on living standards. They should be able to interpret different types of economic data, such as the Human Development Index, and use them to compare the living standards of the residents of different countries. They should be able to discuss the limitations of using such data to arrive at conclusions.

Unemployment

Candidates should be able to analyse and evaluate the causes of unemployment and the consequences for individuals and the performance of the economy.

They should understand the concept of, and the factors which determine, the natural rate of unemployment and both the short-run and long-run Phillips curves, and be able to discuss the implications of these for economic policy.

Inflation and Deflation

Candidates should have an understanding of how index numbers are calculated and used to measure changes in the price level. Although a detailed technical knowledge is not expected of indices such as the Retail Price Index (RPI) and Consumer Price Index (CPI), candidates should have an awareness of the underlying features, for example, the Family Expenditure Survey, the concept of the 'average family', the basket of goods and services, and weighting.

Candidates should be able to analyse and evaluate the causes of changes in the price level and the consequences for both individuals and the performance of the economy, including the potential impact of a rising or falling price level.

There should be an understanding of Fisher's equation of exchange and the Quantity Theory of Money in relation to the monetarist model.

The possible relevance of expectations to changes in the price level should be understood.

3.4.2 Managing the National Economy**Macroeconomic Models and Policies**

Candidates should be able to use macroeconomic models, including the AD/AS model, to analyse the causes of possible conflicts between policy objectives in the short run and long run. They should be able to discuss approaches to reconciling these conflicts and the monetarist/supply-side view that the major macroeconomic objectives are compatible in the long run.

There should be an awareness of the changes in monetary and fiscal policy which have occurred in the last ten years or so.

Fiscal Policy

Candidates should be able to discuss the issue of the budget balance and be able to evaluate the possible economic consequences of a budget deficit or budget surplus and the possible corrective measures.

They should be able to assess the economic significance of changes in the level and distribution of public expenditure.

They should be able to analyse and evaluate the microeconomic significance of taxation and the various roles and relative merits of the different UK taxes. There should be an awareness of the taxation principles which are likely to underlie a taxation system, such as the ability to pay and the impact on incentives.

There should be an awareness of the introduction of fiscal rules such as the Stability and Growth Pact within the euro area.

Candidates should be able to assess the economic significance of changes in the level of the national debt.

Note: given the requirements of this Unit and those of Unit 2, it is expected that candidates will have an understanding of both the potential demand-side and supply-side effects of fiscal policy, including its microeconomic role and the influence over the pattern of economic activity.

Supply-Side Policies

Candidates should develop a more sophisticated understanding of supply-side policies using A2 concepts such as progressive taxation and the natural rate of unemployment. They should understand the contribution of supply-side policies to the management of the economy and to achieving particular macroeconomic policy objectives.

They should also appreciate that supply-side policies, such as tax changes, privatisation and labour market reforms, can have microeconomic as well as macroeconomic effects.

Monetary Policy, the Money Supply and Interest Rates

Candidates should be able to build on their knowledge of the role of the Monetary Policy Committee (MPC) of the Bank of England from Unit 2 and be able to discuss how the Bank can influence the money supply (including quantitative easing) and the rate of interest. In particular, they should be aware of the objectives of monetary policy. They should be able to identify and explain the instruments of policy which are currently employed by the Bank of England to achieve the inflation target set by the government.

Candidates should understand how the demand for, and supply of, funds in different markets affect interest rates. Candidates should have an understanding of the factors considered by the MPC when setting interest rates.

*Note: knowledge of the credit multiplier and liquidity preference theory is **not** expected.*

Exchange Rate Policy

Candidates should understand the relationship between interest rates and the exchange rate and how the exchange rate might be an influence on policy objectives such as price stability and unemployment.

3.4.3 The International Economy

Globalisation

Candidates should have an understanding of the causes of globalisation, its main characteristics, and the different consequences for developing and for developed countries. There should be some understanding of the role of multinational corporations in the development of globalisation.

Trade

Candidates should understand the model of comparative advantage, the distinction between comparative and absolute advantage, and be able to use a simple numerical example to illustrate this distinction. They should be able to evaluate the importance and limitations of these concepts as well as discuss the costs and benefits of trade generally.

There should be an understanding of the reasons for changes in the pattern of trade between the UK and the rest of the world, as well as the potential costs and benefits of trade for an economy. Candidates should also be able to discuss the nature and importance of trade between developed and developing countries for both parties.

There should be an awareness of the extent of progress towards free trade in recent years, especially through the role of the World Trade Organisation (WTO). Equally, candidates should understand the causes and consequences of protectionist policies such as tariffs, quotas and export subsidies.

The Balance of Payments

Candidates should know the difference between the current and capital and financial accounts on the UK balance of payments.

*Note: candidates will be aware of the composition of the current account from Unit 2; a detailed knowledge of the remainder of the accounts is **not** required, but the nature and significance of both short-term and long-term international capital flows should be understood.*

An understanding of the importance of the City of London to the trade in financial services should be conveyed to candidates.

Candidates should understand the possible significance of deficits and surpluses for an individual economy. They should also understand the possible implications for the global economy of a major economy or economies with imbalances deciding to take corrective action. Candidates should also be able to analyse and evaluate measures which may be taken to deal with balance of payments deficits or surpluses.

Exchange Rate Systems

Candidates should understand how exchange rates are determined in both fixed and floating exchange rate systems (whether completely free or managed periodically by the authorities).

Candidates should be able to evaluate these exchange rate systems and have an understanding of their implications for the management of the domestic economy.

The European Union (EU)

Candidates should have an elementary understanding of the institutional structure of the EU, notably the role of the European Commission and the European Central Bank.

*Note: a detailed knowledge of these institutions is **not** expected.*

Candidates should be able to discuss the main features of customs unions and understand the significance of the EU as a customs union. The EU as a customs union should be considered in relation to the Single European Market (SEM).

Candidates should have an appreciation of the potential impact on the UK economy of EU enlargement.

They should be able to evaluate Economic and Monetary Union (EMU) and the single European currency in the context of the debate over UK membership.

4 Scheme of Assessment

4.1 Aims

AS and A Level courses based on this specification should encourage candidates to:

- develop an interest in and enthusiasm for the study of the subject
- appreciate the contribution of economics to the understanding of the wider economic and social environment
- develop an understanding of a range of concepts and acquire an ability to use these concepts in a variety of different contexts
- use an enquiring, critical and thoughtful approach to the study of economics and develop an ability to think as an economist
- develop skills, qualities and attitudes which will equip them for the challenges, opportunities and responsibilities of adult and working life.

4.2 Assessment Objectives (AOs)

The Assessment Objectives are common to AS and A Level. The assessment units will assess the following Assessment Objectives in the context of the content and skills set out in Section 3 (Subject Content).

- AO1 Demonstrate knowledge and understanding of the specified content
- AO2 Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations
- AO3 Analyse economic problems and issues
- AO4 Evaluate economic arguments and evidence, making informed judgements

Quality of Written Communication (QWC)

In GCE specifications which require candidates to produce written material in English, candidates must:

- ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear
- select and use a form and style of writing appropriate to purpose and to complex subject matter
- organise information clearly and coherently, using specialist vocabulary when appropriate.

In this specification, QWC will be assessed in **all** units. QWC is one of the factors taken into account in the Levels Mark Scheme.

Weighting of Assessment Objectives for AS

The table below shows the approximate weighting of each of the Assessment Objectives in the AS units.

Assessment Objectives	Unit Weightings (%)		Overall Weighting of AOs (%)
	Unit 1	Unit 2	
AO1 Knowledge	15	15	30
AO2 Application	15	15	30
AO3 Analysis	12	12	24
AO4 Evaluation	8	8	16
Overall weighting of units (%)	50	50	100

Weighting of Assessment Objectives for A Level

The table below shows the approximate weighting of each of the Assessment Objectives in the AS and A2 units.

Assessment Objectives	Unit Weightings (%)				Overall Weighting of AOs (%)
	Unit 1	Unit 2	Unit 3	Unit 4	
AO1 Knowledge	7.5	7.5	6.5	6.5	28
AO2 Application	7.5	7.5	6.5	6.5	28
AO3 Analysis	6.0	6.0	6.0	6.0	24
AO4 Evaluation	4.0	4.0	6.0	6.0	20
Overall weighting of units (%)	25	25	25	25	100

4.3 National Criteria

This specification complies with the following.

- The Subject Criteria for GCE AS and A Level Economics
- The Code of Practice for GCE
- The GCE AS and A Level Qualification Criteria
- The Arrangements for the Statutory Regulation of External Qualifications in England, Wales and Northern Ireland: Common Criteria

4

4.4 Prior Learning

There are no prior learning requirements. It is not necessary for candidates to have studied GCSE Economics before commencing work on this specification and no prior knowledge of economics is necessary.

4.5 Synoptic Assessment and Stretch and Challenge

Synoptic assessment in Economics is included in both A2 units.

Synoptic assessment tests candidates' understanding of the connections between the different elements of the Subject Content. It relates to all the Assessment Objectives. In particular, synoptic assessment will test candidates' ability to:

- understand the inter-relatedness of many economic issues, problems and institutions;
- understand how certain economic concepts, theories and techniques may be relevant to a range of different contexts;
- apply such concepts, theories and techniques in analysing economic issues and problems and in evaluating arguments and evidence.

The emphasis in the synoptic assessment will be on candidates' ability to think as economists and to use effectively the economist's 'tool kit' of concepts, theories and techniques which they have developed during their course of study.

The requirement that **Stretch and Challenge** is included at A2 is met by those questions which involve extended writing. The Levels Mark Scheme indicates the high expectations which candidates are required to meet in order to achieve high marks.

4.6 Access to Assessment for Disabled Students

AS/A Levels often require assessment of a broader range of competences. This is because they are general qualifications and, as such, prepare candidates for a wide range of occupations and higher level courses.

The revised AS/A Level qualification and subject criteria were reviewed to identify whether any of the competences required by the subject presented a potential barrier to any disabled candidates. If this was the case, the situation was reviewed again to ensure that such competences were included only where essential to the subject. The findings of this process were discussed with disability groups and with disabled people.

Reasonable adjustments are made for disabled candidates in order to enable them to access the assessments. For this reason, very few candidates will have a complete barrier to any part of the assessment.

Candidates who are still unable to access a significant part of the assessment, even after exploring all possibilities through reasonable adjustments, may still be able to receive an award. They would be given a grade on the parts of the assessment they have taken and there would be an indication on their certificate that not all the competences had been addressed. This will be kept under review and may be amended in the future.

5 Administration

5.1 Availability of Assessment Units and Certification

Examinations and certification for this specification are available as follows:

	Availability of units		Availability of certification	
	AS	A2	AS	A Level
January 2009	✓			
June 2009	✓		✓	
January 2010	✓	✓	✓	
June 2010	✓	✓	✓	✓
January 2011 onwards	✓	✓	✓	✓
June 2011 onwards	✓	✓	✓	✓

5.2 Entries

Please refer to the current version of *Entry Procedures and Codes* for up to date entry procedures. You should use the following entry codes for the units and for certification.

Unit 1 - ECON1
 Unit 2 - ECON2
 Unit 3 - ECON3
 Unit 4 - ECON4

AS certification - [1141]
 A Level certification - [2141]

5.3 Private Candidates

This specification is available to private candidates. Private candidates should write to AQA for a copy of *Supplementary Guidance for Private Candidates*.

5.4 Access Arrangements and Special Consideration

We have taken note of equality and discrimination legislation and the interests of minority groups in developing and administering this specification.

We follow the guidelines in the Joint Council for Qualifications (JCQ) document: *Access Arrangements, Reasonable Adjustments and Special Consideration: General and Vocational Qualifications*. This is published on the JCQ website (<http://www.jcq.org.uk>) or you can follow the link from our website (<http://www.aqa.org.uk>).

Access Arrangements

We can make arrangements so that candidates with disabilities can access the assessment. These arrangements must be made **before** the examination. For example, we can produce a Braille paper for a candidate with a visual impairment.

Special Consideration

We can give special consideration to candidates who have had a temporary illness, injury or indisposition at the time of the examination. Where we do this, it is given **after** the examination.

Applications for access arrangements and special consideration should be submitted to AQA by the Examinations Officer at the centre.

5.5 Language of Examinations

We will provide units in English only.

5.6 Qualification Titles

Qualifications based on this specification are:

- AQA Advanced Subsidiary GCE in Economics, and
- AQA Advanced Level GCE in Economics.

5.7 Awarding Grades and Reporting Results

The AS qualification will be graded on a five-point scale: A, B, C, D and E. The full A Level qualification will be graded on a six-point scale: A*, A, B, C, D and E. To be awarded an A*, candidates will need to achieve a grade A on the full A Level qualification and an A* on the aggregate of the A2 units.

For AS and A Level, candidates who fail to reach the minimum standard for grade E will be recorded as U (unclassified) and will not receive a qualification certificate. Individual assessment unit results will be certificated.

5.8 Re-Sits and Shelf-life of Unit Results

Unit results remain available to count towards certification, whether or not they have already been used, as long as the specification is still valid.

Candidates may re-sit a unit any number of times within the shelf-life of the specification. The best result for each unit will count towards the final qualification. Candidates who wish to repeat a

qualification may do so by re-taking one or more units. The appropriate subject award entry, as well as the unit entry/entries, must be submitted in order to be awarded a new subject grade.

Candidates will be graded on the basis of the work submitted for assessment.

Appendices

A Performance Descriptions

These performance descriptions show the level of attainment characteristic of the grade boundaries at A Level. They give a general indication of the required learning outcomes at the A/B and E/U boundaries at AS and A2. The descriptions should be interpreted in relation to the content outlined in the specification; they are not designed to define that content.

The grade awarded will depend in practice upon the extent to which the candidate has met the Assessment Objectives (see Section 4) overall. Shortcomings in some aspects of the examination may be balanced by better performances in others.

AS Performance Descriptions for Economics

	Assessment Objective 1	Assessment Objective 2	Assessment Objective 3	Assessment Objective 4
Assessment Objectives	Demonstrate knowledge and understanding of the specified content.	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	Analyse economic problems and issues.	Evaluate economic arguments and evidence, making informed judgements.
A/B boundary performance descriptions	Candidates characteristically: a) demonstrate detailed knowledge of a range of facts and concepts included in the AS specification b) demonstrate clear understanding of: <ul style="list-style-type: none"> terminology institutions models. 	Candidates characteristically: a) apply: <ul style="list-style-type: none"> concepts numerical and graphical techniques theories and models terminology to issues arising in familiar and unfamiliar situations.	Candidates characteristically: a) select relevant concepts, models, theories and techniques b) demonstrate, for the most part, development of logical explanations of economic problems and issues with focus and relevance.	Candidates characteristically: a) evaluate straightforward economic arguments and evidence by: <ul style="list-style-type: none"> prioritising evidence and arguments making judgements reaching and presenting conclusions.
E/U boundary performance descriptions	Candidates characteristically: a) demonstrate knowledge of some facts and concepts included in the AS specification b) demonstrate some understanding of: <ul style="list-style-type: none"> terminology institutions models. 	Candidates characteristically: a) apply in part some of the following: <ul style="list-style-type: none"> concepts numerical and graphical techniques theories and models terminology to issues arising in familiar situations.	Candidates characteristically: a) demonstrate some evidence of selecting relevant concepts, models, theories and techniques b) demonstrate partial explanations of economic problems and issues.	Candidates characteristically: a) evaluate straightforward economic arguments and evidence at a simple level, for example by: <ul style="list-style-type: none"> offering judgements stating conclusions.

A2 Performance Descriptions for Economics

	Assessment Objective 1	Assessment Objective 2	Assessment Objective 3	Assessment Objective 4
Assessment Objectives	Demonstrate knowledge and understanding of the specified content.	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	Analyse economic problems and issues.	Evaluate economic arguments and evidence, making informed judgements.
A/B boundary performance descriptions	<p>Candidates characteristically demonstrate, across the AS and A2 specifications:</p> <p>a) detailed knowledge of a range of facts and concepts</p> <p>b) clear understanding of:</p> <ul style="list-style-type: none"> • terminology • institutions • models <p>c) detailed knowledge and clear understanding of the interconnections between the different elements of the subject content.</p>	<p>Candidates characteristically:</p> <p>a) apply clearly and effectively:</p> <ul style="list-style-type: none"> • concepts • numerical and graphical techniques • theories and models • terminology <p>to complex issues arising in familiar and unfamiliar situations.</p>	<p>Candidates characteristically:</p> <p>a) select relevant concepts, models, theories and techniques</p> <p>b) demonstrate, for the most part, development of logical explanations for complex economic problems and issues, with focus and relevance.</p>	<p>Candidates characteristically:</p> <p>a) evaluate effectively complex economic arguments:</p> <ul style="list-style-type: none"> • prioritise evidence and arguments • make reasoned judgements • reach and present supported conclusions • make reasoned recommendations.
E/U boundary performance descriptions	<p>Candidates characteristically demonstrate, across the AS and A2 specifications:</p> <p>a) knowledge of some facts and concepts</p> <p>b) some understanding of:</p> <ul style="list-style-type: none"> • terminology • institutions • models <p>c) some knowledge and understanding of the interconnections between the different elements of the subject content.</p>	<p>Candidates characteristically:</p> <p>a) apply appropriately some:</p> <ul style="list-style-type: none"> • concepts • numerical and graphical techniques • theories and models • terminology <p>to complex issues arising in a range of situations, some of which may be unfamiliar.</p>	<p>Candidates characteristically:</p> <p>a) demonstrate some evidence of selecting relevant concepts, models, theories and techniques</p> <p>b) demonstrate partial development of logical explanations for complex economic problems and issues.</p>	<p>Candidates characteristically:</p> <p>a) demonstrate some evaluative skills in relation to complex economic arguments and evidence:</p> <ul style="list-style-type: none"> • make judgements • reach and present conclusions with some supporting evidence • make recommendations.

B Spiritual, Moral, Ethical, Social and other Issues

This specification seeks to provide opportunities for candidates to consider spiritual, moral, ethical and social issues when economic issues are investigated. In particular, candidates need to be aware that policy recommendations and subsequent decisions are influenced invariably by the value systems of individuals, firms and governments which reflect their cultural background and spiritual and moral views of the world.

More specifically, the study of the subject can help candidates to:

- recognise their contribution and that of firms to the well-being of local and national communities (Units 1 and 3);
- recognise the dependence of society on individuals' and firms' goodwill, enterprise and effort (Units 1 and 3);
- clarify the values and objectives of individuals, firms and governments (Units 1–4);
- understand the importance of trust and co-operation to the successful operation of markets (Units 1 and 3);
- appreciate the views of others and the effects of individuals' choices on society and the environment (Units 1–4).

European Dimension

AQA has taken account of the 1988 Resolution of the Council of the European Community in preparing this specification and associated specimen units.

This specification is designed to improve candidates' knowledge of the economic aspects of the European Union and to appreciate the effects of the UK's membership. This is illustrated in Units 1–4.

Environmental Education

AQA has taken account of the 1988 Resolution of the Council of the European Community and the Report "Environmental Responsibility: An Agenda for Further and Higher Education" 1993 in preparing this specification and associated specimen units.

This specification is designed so that it can be used as a medium for improving environmental education in the curriculum. This is illustrated in parts of the subject content in Units 1–4 which allow the economic aspects of environmental issues to be investigated through classroom and coursework activities.

Avoidance of Bias

AQA has taken great care in the preparation of this specification and specimen units to avoid bias of any kind.

C Overlaps with other Qualifications

There is a potential overlap between aspects of GCE Economics and GCE Business Studies.

D Key Skills - Teaching, Developing and Providing Opportunities for Generating Evidence

Introduction

The Key Skills Qualification requires candidates to demonstrate levels of achievement in the Key Skills of Communication, Application of Number and Information Technology.

The units for the 'wider' Key Skills of Improving own Learning and Performance, Working with Others and Problem Solving are also available. The acquisition and demonstration of ability in these 'wider' Key Skills is deemed highly desirable for all candidates, but they do not form part of the Key Skills Qualification.

The units for each Key Skill comprise three sections:

- What you need to know
- What you must do
- Guidance.

Candidates following a course of study based on this specification for Economics can be offered opportunities to develop and generate evidence of attainment in aspects of the Key Skills of:

- Communication
- Application of Number
- Information Technology
- Working with Others
- Improving own Learning and Performance
- Problem Solving.

Areas of study and learning that can be used to encourage the acquisition and use of Key Skills, and to provide opportunities to generate evidence for Part B of the units, are signposted on the next page.

The above information is given in the context of the knowledge that Key Skills at level 3 will be available until 2010 with last certification in 2012.

Key Skills Qualifications of Communication, Application of Number and Information and Communication Technology will be phased out and replaced by Functional Skills qualifications in English, Mathematics and ICT from September 2010 onwards. For further information see the AQA website:

<http://web.aqa.org.uk/qual/keyskills/com04.php>.

Key Skills Opportunities in AQA GCE Economics

	Unit 1	Unit 2	Unit 3	Unit 4
Communication				
C3.1a	✓	✓	✓	✓
C3.1b	✓	✓	✓	✓
C3.2	✓	✓	✓	✓
C3.3	✓	✓	✓	✓
Application of Number				
N3.1	✓	✓	✓	✓
N3.2	✓	✓	✓	✓
N3.3	✓	✓	✓	✓
Information Technology				
ICT3.1	✓	✓	✓	✓
ICT3.2	✓	✓	✓	✓
ICT3.3	✓	✓	✓	✓
Working With Others				
WO3.1	✓	✓	✓	✓
WO3.2	✓	✓	✓	✓
WO3.3	✓	✓	✓	✓
Improving Own Learning and Performance				
LP3.1	✓	✓	✓	✓
LP3.2	✓	✓	✓	✓
LP3.3	✓	✓	✓	✓
Problem Solving				
PS3.1	✓	✓	✓	✓
PS3.2	✓	✓	✓	✓
PS3.3	✓	✓	✓	✓



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