

# A LEVEL

*Specification*

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Accredited

# ECONOMICS

H460

For first assessment in 2017

[ocr.org.uk/aleveleconomics](http://ocr.org.uk/aleveleconomics)



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## Introducing...

### A Level Economics (from September 2015)

We want our Economics qualifications to captivate the imagination of students so that, when they leave the classroom, they'll want to explore and read around the subject further.

While serving as an introduction to the study of economics, the specification will also provide opportunities for Stretch and Challenge to extend students' understanding of the world of economics. With this in mind, this specification will appeal to students across the ability range.

The classroom is where the majority of students will be introduced to the study of economics. It's within this environment that they will confront issues, tackle the challenges that these issues raise, and engage in debate and discussion with fellow students.

This exciting atmosphere will be supported by a complete, comprehensive and high-quality OCR Economics support package, with materials for you to adapt and use to suit your class as appropriate. This package will respect your professionalism to construct the course of learning in your own way.

At the heart of our Economics qualifications will be their relevance to the modern world; their topicality is designed to engage students and facilitate an understanding of their role in society. The stimulating specification content will encourage them to develop their skills as independent learners, critical thinkers and decision-makers – all personal assets that can make them stand out as they progress to higher education and/or the workplace.

#### Meet the team

We have a dedicated team of people working on our A Level Economics qualifications.

Find out more about our Economics team at [ocr.org.uk/economicsteam](http://ocr.org.uk/economicsteam)

If you need specialist advice, guidance or support, get in touch as follows:

- **01223 553998**
- [economics@ocr.org.uk](mailto:economics@ocr.org.uk)
- [@OCR\\_exams](https://www.facebook.com/OCR_exams)

## Teaching and learning resources

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We recognise that the introduction of a new specification can bring challenges for implementation and teaching. Our aim is to help you at every stage and we're working hard to provide a practical package of support in close consultation with teachers and other experts, so we can help you to make the change.

### Designed to support progression for all

Our resources are designed to provide you with a range of teaching activities and suggestions so you can select the best approach for your particular students. You are the experts on how your students learn and our aim is to support you in the best way we can.

### We want to...

- Support you with a body of knowledge that grows throughout the lifetime of the specification
- Provide you with a range of suggestions so you can select the best activity, approach or context for your particular students
- Make it easier for you to explore and interact with our resource materials, in particular to develop your own schemes of work
- Create an ongoing conversation so we can develop materials that work for you.

### Plenty of useful resources

You'll have four main types of subject-specific teaching and learning resources at your fingertips:

- Delivery Guides
- Transition Guides
- Topic Exploration Packs
- Lesson Elements.

Along with subject-specific resources, you'll also have access to a selection of generic resources that focus on skills development and professional guidance for teachers.

**Skills Guides** – we've produced a set of Skills Guides that are not specific to Economics, but each covers a topic that could be relevant to a range of qualifications – for example, communication, legislation and research. Download the guides at [ocr.org.uk/skillsguides](https://ocr.org.uk/skillsguides)

**Active Results** – a free online results analysis service to help you review the performance of individual students or your whole school. It provides access to detailed results data, enabling more comprehensive analysis of results in order to give you a more accurate measurement of the achievements of your centre and individual students. For more details refer to [ocr.org.uk/activeresults](https://ocr.org.uk/activeresults)

## Professional development

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Take advantage of our improved Professional Development Programme, designed with you in mind. Whether you want to come to face-to-face events, look at our new digital training or search for training materials, you can find what you're looking for all in one place at the CPD Hub.

### **An introduction to the new specifications**

We'll be running events to help you get to grips with our A Level Economics qualification.

These events are designed to help prepare you for first teaching and to support your delivery at every stage.

Watch out for details at [cpdhub.ocr.org.uk](https://cpdhub.ocr.org.uk)

To receive the latest information about the training we'll be offering, please register for A Level email updates at [ocr.org.uk/updates](https://ocr.org.uk/updates)

# 1 Why choose an OCR A Level in Economics?

## 1a. Why choose an OCR qualification?

Choose OCR and you've got the reassurance that you're working with one of the UK's leading exam boards. Our new A Level in Economics course has been developed in consultation with teachers, employers and Higher Education to provide learners with a qualification that's relevant to them and meets their needs.

We're part of the Cambridge Assessment Group, Europe's largest assessment agency and a department of the University of Cambridge. Cambridge Assessment plays a leading role in developing and delivering assessments throughout the world, operating in over 150 countries.

We work with a range of education providers, including schools, colleges, workplaces and other institutions in both the public and private sectors. Over 13,000 centres choose our A Levels, GCSEs and vocational qualifications including Cambridge Nationals and Cambridge Technicals.

### Our Specifications

We believe in developing specifications that help you bring the subject to life and inspire your students to achieve more.

We've created teacher-friendly specifications based on extensive research and engagement with the teaching community. They're designed to be straightforward and accessible so that you can tailor the delivery of the course to suit your needs. We aim to encourage learners to become responsible for their own learning, confident in discussing ideas, innovative and engaged.

We provide a range of support services designed to help you at every stage, from preparation through to the delivery of our specifications. This includes:

- A wide range of high-quality creative resources including:
  - Delivery Guides
  - Transition Guides
  - Topic Exploration Packs
  - Lesson Elements
  - ...and much more.
- Access to subject specialists to support you through the transition and throughout the lifetimes of the specifications.
- CPD/Training for teachers to introduce the qualifications and prepare you for first teaching.
- Active Results – our free results analysis service to help you review the performance of individual students or whole schools.
- ExamCreator – our new online past papers service that enables you to build your own test papers from past OCR exam questions.

All A level qualifications offered by OCR are accredited by Ofqual, the Regulator for qualifications offered in England. The accreditation number for OCR's A Level in Economics is QN: 601/4799/4.

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## 1b. Why choose an OCR A Level in Economics?

The OCR Economics specification gives a strong grounding in both microeconomics and macroeconomics, through a three-component externally assessed qualification. The specification content has been designed to capture and inspire the learner's interest in making links to modern life and the world around them. It provides the opportunity to study a wide range of concepts which can be applied in a variety of contexts.

At the heart of OCR Economics is its relevance to the modern world; its topicality will engage the learner and facilitate an understanding of their role in society. The stimulating specification content will encourage learners to develop their skills as independent learners,

critical thinkers and decision makers – all personal assets that can make them stand out as they progress to higher education and/or the workplace.

The aims of the OCR A Level in Economics are to encourage the learners to think as economists. They will develop the skills necessary (including those relating to analysis, evaluation and quantitative methods) in order to achieve that aim. In addition the learners will develop a knowledge and understanding of those aspects of microeconomics and macroeconomics which are assessed within the qualification in order to develop an enquiring, critical and thoughtful approach to the study of economics.

### Aims and learning outcomes

A level specifications in Economics must encourage learners to:

- develop an interest in and enthusiasm for 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 an ability to use those 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
- understand that economic behaviour can be studied from a range of perspectives
- develop analytical and quantitative skills, together with qualities and attitudes which will equip them for the challenges, opportunities and responsibilities of adult and working life.



## 1c. What are the key features of this specification?

This specification will enable:

- learners to develop the necessary analytical, questioning and quantitative skills to learn how to 'think as economists' and to progress towards higher education in economics or a related subject
- the captivation of the learner's imagination so that they will want to explore the subject further
- the co-teachability with AS Level in Economics H060, with the interaction of the two central to the planning and writing of this specification.

The OCR A level specification in Economics provides the ideal foundation for those learners who wish to pursue further study of economics or related work, at

the same time as offering a complete course for those who are interested in achieving greater understanding of what they see in the news and the world around them. There is a simple, straight-forward assessment structure with no coursework, just three two-hour examinations at the end of the course.

There are three mandatory components, focusing on microeconomics, macroeconomics and themes in economics, with the latter offering an exciting opportunity for learners to apply theories and concepts to up-to-date contexts. This content structure gives a superb grounding in economic theory, before learners have the opportunity to apply the technical and analytical tools they have acquired in an engaging content which is relevant to the modern world.

## 1d. How do I find out more information?

If already using OCR specifications you can contact us at: [www.ocr.org.uk](http://www.ocr.org.uk)

If you are not already a registered OCR centre then you can find out more information on the benefits of becoming one at: [www.ocr.org.uk](http://www.ocr.org.uk)

If you are not yet an approved centre and would like to become one go to: [www.ocr.org.uk](http://www.ocr.org.uk)

Find out more?

Ask a Subject Specialist: [economics@ocr.org.uk](mailto:economics@ocr.org.uk)

## 2 The specification overview

### 2a. Overview of A Level in Economics (H460)

Learners must complete all components (01, 02 and 03) to be awarded the OCR A Level in Economics.

Content Overview	Assessment Overview	
<div>2</div> <ul style="list-style-type: none"> <li>• Microeconomic theory</li> <li>• Theoretical working of the free market</li> <li>• Imperfections and market failures</li> <li>• Macroeconomy functions on a domestic and global level</li> <li>• Policy approaches</li> <li>• Changes in macroeconomics over time</li> </ul>	<p>Microeconomics (01)</p> <p>80 marks</p> <p>2 hour written paper</p>	<p><b>33.33%</b></p> <p>of total A level</p>
	<p>Macroeconomics (02)</p> <p>80 marks</p> <p>2 hour written paper</p>	<p><b>33.33%</b></p> <p>of total A level</p>
	<p>Themes in economics* (03)</p> <p>80 marks</p> <p>2 hour written paper</p>	<p><b>33.33%</b></p> <p>of total A level</p>

\* Indicates synoptic assessment

## 2b. Content of A Level in Economics (H460)

The OCR A Level in Economics content encourages the learners to ‘think as economists’ and develop the appropriate range of analytical, questioning and reasoning skills to achieve this objective. In addition the qualification will enable learners to develop strong grounding in both microeconomics and macroeconomics, drawing on local, national and global contexts.

The qualification also encourages learners to apply the concepts and techniques which they have learned throughout the course to a range of ‘real world’ issues and contexts. In particular, Themes in economics (component 3) draws together both microeconomic and macroeconomic concepts in relation to a specific unseen theme.

This specification enables learners to foster an understanding of economics concepts and theories in a range of contexts and to develop a critical consideration of their value and limitation in explaining

real world phenomena. As a result of following this course of study learners will be able to explain, analyse and evaluate the strengths and weaknesses of the market economy and the role of the government within a market economy, and be able to criticise economic models of enquiry, recognising the limitations of economic models.

In addition, learners will understand microeconomic and macroeconomic market models and will be able to use these to explore current economic behaviours and make causal connections. They will be able to develop an understanding of how the models shed light on the economy as a whole.

The detailed specification content is presented in three columns. The first column details the areas of study, the second column details the topics which need to be covered during the A level course and the third column details the actual content which needs to be addressed within each individual topic.

## 2c. Content of Component 1: Microeconomics (H460/01)

Component 1 of OCR's A Level in Economics focuses on microeconomics. From a base of microeconomic theory, this component enables learners to discuss and evaluate how well microeconomic theories explain our observations of economic agents in the real world. The theoretical workings of the free market provide a useful starting point for explanation and analysis. Imperfections and market failures provide a lead into a discussion of the merits and drawbacks of government intervention. The study of microeconomics encourages the learners to consider the usefulness of theory in

explaining observations taken from the real world of economics.

The content of the specification is expressed in three columns in relation to components 1 and 2. The first column identifies the areas of study (taken from the Subject Criteria), the second column states the topics which need to be covered within each area of study and the third column lists the actual content which learners should be able to do.

Area of Study	Topic	Learners should be able to:
<b>Scarcity and choice</b>	<b>The basic economic problem</b>	<ul style="list-style-type: none"> <li>• explain what is meant by economic goods and free goods</li> <li>• distinguish between economic goods and free goods</li> <li>• explain what is meant by the basic 'economic problem'</li> <li>• evaluate the implications of the basic 'economic problem'</li> <li>• explain what is meant by normative and positive statements</li> <li>• distinguish between normative and positive statements</li> <li>• explain what is meant by 'needs' and 'wants'</li> <li>• distinguish between 'needs' and 'wants'</li> <li>• explain what is meant by scarcity</li> <li>• evaluate, using examples, the problem of scarcity and the requirement to make choices</li> <li>• explain, using examples, the impact of sustainability on scarcity and choice</li> <li>• explain the role of economic agents:               <ul style="list-style-type: none"> <li>○ government</li> <li>○ firms</li> <li>○ households</li> </ul> </li> <li>• explain the nature and role of the different factors of production as economic resources</li> <li>• explain the rewards to the factors of production.</li> </ul>
	<b>The market economy</b>	<ul style="list-style-type: none"> <li>• evaluate the strengths and weaknesses of the market economy</li> <li>• evaluate the role of government within the market economy.</li> </ul>
	<b>The concept of the margin</b>	<ul style="list-style-type: none"> <li>• explain what is meant by the concept of the margin</li> <li>• calculate the appropriate marginal value from a given set of data</li> <li>• evaluate the extent to which the marginal concept is useful to economic agents in decision making</li> <li>• evaluate the concept of rationality as a way of understanding the behaviour of economic agents.</li> </ul>

Area of Study	Topic	Learners should be able to:
<b>Scarcity and choice</b>	<b>Opportunity cost</b>	<ul style="list-style-type: none"> <li>explain the concept of opportunity cost</li> <li>explain what is meant by a 'trade-off'</li> <li>explain what is meant by a production possibility curve/frontier (PPC/F)</li> <li>explain the factors causing a PPC/F to shift</li> <li>explain how a PPC/F can be used to illustrate scarcity, choice, opportunity cost and productive efficiency</li> <li>evaluate the usefulness of the concept of opportunity cost.</li> </ul>
	<b>Specialisation and trade</b>	<ul style="list-style-type: none"> <li>explain what is meant by specialisation and the division of labour</li> <li>evaluate the role of specialisation and the division of labour in addressing the problem of scarcity</li> <li>explain how specialisation encourages trade and exchange in an economy</li> <li>explain how money facilitates trade and exchange compared to barter systems.</li> </ul>
<b>How competitive markets work</b>	<b>Allocation of resources</b>	<ul style="list-style-type: none"> <li>explain what is meant by resource allocation</li> <li>explain the impact of incentives on the behaviour of economic agents and resource allocation</li> <li>evaluate the effectiveness of incentives on the behaviour of economic agents and resource allocation</li> <li>explain how market, planned and mixed economies allocate resources</li> <li>evaluate the advantages and disadvantages of different types of economy in allocating resources.</li> </ul>
	<b>The objectives of economic agents</b>	<ul style="list-style-type: none"> <li>explain, using examples, what is meant by maximisation</li> <li>identify possible objectives of economic agents</li> <li>evaluate the different objectives of the economic agents in an economy.</li> </ul>
	<b>Supply and demand and the interaction of markets</b>	<ul style="list-style-type: none"> <li>explain what is meant by a market and by sub-markets</li> <li>explain the relationship between individual and market demand</li> <li>explain what is meant by derived, joint, composite and competitive demand</li> <li>explain the relationship between price and quantity demanded using marginal utility theory and income and substitution effects</li> <li>explain, with the aid of a diagram, the difference between a movement along the demand curve (extension/contraction) and a shift of the demand curve (increase/decrease)</li> <li>explain the factors which cause a shift of the demand curve</li> <li>explain, with the aid of a diagram, what is meant by consumer surplus</li> <li>explain and calculate how changes in price affect consumer surplus</li> <li>evaluate the impact of changes in price on consumer surplus</li> </ul>

Area of Study	Topic	Learners should be able to:
How competitive markets work	Supply and demand and the interaction of markets	<ul style="list-style-type: none"> <li>• explain the relationship between individual supply and market supply</li> <li>• explain what is meant by joint, composite and competitive supply</li> <li>• explain the relationship between price and quantity supplied</li> <li>• explain, with the aid of a diagram, the difference between a movement along the supply curve (extension/contraction) and a shift of the supply curve (increase/decrease)</li> <li>• explain the factors which cause a shift of the supply curve</li> <li>• explain, with the aid of a diagram, what is meant by producer surplus</li> <li>• explain and calculate how changes in price affect producer surplus</li> <li>• evaluate the impact of changes in price on producer surplus</li> <li>• explain, with the aid of a diagram, how demand and supply interact to produce market equilibrium in product markets, financial markets and the markets for factors of production</li> <li>• evaluate the impact of changes in demand and/or supply in one market on a related market(s)</li> <li>• explain the causes and consequences of disequilibrium in a market</li> <li>• explain, with the aid of a diagram, how changes in the factors affecting supply and demand will impact on equilibrium price and quantity in moving from an initial equilibrium to a new equilibrium</li> <li>• explain, with the aid of a diagram, why the price and output of some goods and services may be volatile</li> <li>• evaluate, with the aid of a diagram, the usefulness of demand and supply in analysing markets, such as commodities, housing and transport</li> <li>• explain the assumptions underlying the model of supply and demand</li> <li>• explain the way in which the model of supply and demand operates using a range of techniques</li> <li>• analyse the model to describe and predict economic behaviour</li> <li>• evaluate the usefulness and limitations of the economic model of supply and demand in explaining real world phenomena.</li> </ul>

Area of Study	Topic	Learners should be able to:
How competitive markets work	Elasticity	<ul style="list-style-type: none"> <li>• explain what is meant by elasticity</li> <li>• explain what is meant by price elasticity of demand (PED)</li> <li>• calculate PED using point elasticity</li> <li>• explain, with the aid of a diagram, the different values of PED</li> <li>• explain why price elasticity of demand varies along a straight line demand curve</li> <li>• explain, with the aid of a diagram, the relationship between PED and a firm's total revenue</li> <li>• evaluate the factors which determine the degree of PED</li> <li>• evaluate the effect of PED on the impact of an indirect tax and of a subsidy</li> <li>• explain what is meant by income elasticity of demand (YED)</li> <li>• calculate YED</li> <li>• evaluate the significance of the numerical value and sign of YED</li> <li>• explain the difference in YED of inferior, normal and superior goods</li> <li>• explain what is meant by cross elasticity of demand (XED)</li> <li>• calculate XED</li> <li>• evaluate the significance of the numerical value and sign of XED</li> <li>• explain the difference in XED of substitute, complementary and non-related goods</li> <li>• explain what is meant by price elasticity of supply (PES)</li> <li>• calculate PES using point elasticity</li> <li>• explain, with the aid of a diagram, the different values of PES</li> <li>• evaluate the factors which determine the degree of price elasticity of supply</li> <li>• evaluate the usefulness of and significance of PED, YED, XED and PES to all economic agents.</li> </ul>
	Productive and allocative efficiency	<ul style="list-style-type: none"> <li>• explain what is meant by productive efficiency</li> <li>• explain what is meant by allocative efficiency</li> <li>• explain what is meant by economic efficiency</li> <li>• distinguish between static and dynamic efficiency</li> <li>• explain what is meant by x-inefficiency</li> <li>• explain the conditions under which productive and allocative efficiency can be achieved</li> <li>• evaluate whether other market structures may not always lead to productive and allocative efficiency</li> <li>• evaluate the importance of productive, allocative and dynamic efficiency.</li> </ul>



Area of Study	Topic	Learners should be able to:
<b>Competition and market power</b>	<b>Business objectives</b>	<ul style="list-style-type: none"> <li>• evaluate the assumptions underlying profit maximisation as a business objective</li> <li>• evaluate the relevance of profit maximisation to businesses</li> <li>• evaluate alternative maximisation objectives for businesses to profit maximisation, including sales revenue maximisation, sales volume maximisation, growth maximisation and utility maximisation</li> <li>• evaluate non-maximising objectives for businesses, such as profit satisficing, social welfare, corporate social responsibility (CSR)</li> <li>• explain the principle agent problem</li> <li>• evaluate the factors which influence the choice of objectives.</li> </ul>
	<b>Market structures and their implications for the way resources are allocated and the interdependence of firms</b>	<ul style="list-style-type: none"> <li>• distinguish between the short run and long run in terms of fixed and variable factors</li> <li>• explain the law of diminishing returns</li> <li>• evaluate the significance of the law of diminishing returns</li> <li>• explain what is meant by: total cost (TC), total fixed cost (TFC), total variable cost (TVC), average cost/average total cost (AC/ATC), average fixed cost (AFC), average variable cost (AVC), marginal cost (MC)</li> <li>• calculate: TC, TFC, TVC, AC (ATC), AFC, AVC, MC</li> <li>• explain, with the aid of a diagram(s), the relationship between costs and output</li> <li>• explain the relationship between short run AC and long run AC</li> <li>• explain what is meant by internal and external economies and diseconomies of scale</li> <li>• evaluate the causes of internal and external economies and diseconomies of scale</li> <li>• evaluate the significance of economies and diseconomies of scale to businesses and other economic agents</li> <li>• explain what is meant by the minimum efficient scale (MES)</li> <li>• evaluate the importance of MES</li> <li>• explain what is meant by: <ul style="list-style-type: none"> <li>○ total revenue (TR), average revenue (AR), marginal revenue (MR)</li> </ul> </li> </ul>

Area of Study	Topic	Learners should be able to:
Competition and market power	Market structures and their implications for the way resources are allocated and the interdependence of firms	<ul style="list-style-type: none"> <li>calculate: TR, AR, MR</li> <li>calculate profit/loss</li> <li>explain, with the aid of a diagram(s), the relationship between price, revenue, PED and output</li> <li>explain what is meant by accounting profit and economic profit</li> <li>distinguish between accounting profit and economic profit</li> <li>explain what is meant by supernormal (abnormal) profit, normal profit and loss</li> <li>explain, using calculations and/or diagrams, the relationship between supernormal profit, normal profit, loss, TR and TC</li> <li>explain, using diagrams, why supernormal profits are maximised (losses minimised) at the level of output where <math>MC=MR</math></li> <li>explain the characteristics of perfect competition</li> <li>explain, with the aid of a diagram, why the individual firm in perfect competition is a price taker</li> <li>explain, with the aid of a diagram, the equilibrium price and output for a firm in perfect competition in the long run</li> <li>explain, with the aid of a diagram, why the individual firm in perfect competition can make supernormal profits or losses in the short run</li> <li>explain, with the aid of a diagram, why the individual firm in perfect competition can only earn normal profits in the long run</li> <li>explain, with the aid of a diagram, why the individual firm in perfect competition will be allocatively efficient</li> <li>explain, with the aid of a diagram, why the individual firm in perfect competition will be productively efficient in the long run</li> <li>evaluate, with the aid of a diagram, the usefulness of perfect competition theory</li> <li>explain the characteristics of monopoly</li> <li>explain what is meant by monopsony</li> <li>explain, with the aid of a diagram, a natural monopoly</li> <li>evaluate the impact of the existence of a natural monopoly</li> <li>explain, with the aid of a diagram, why a monopolist is a price maker</li> <li>explain, with the aid of a diagram, the equilibrium price and output for a profit maximising monopolist</li> <li>explain, with the aid of a diagram, why a monopolist can make supernormal profits in both the short run and the long run</li> <li>explain, with the aid of a diagram, why the profit maximising monopolist may be neither allocatively nor productively efficient</li> <li>explain, with the aid of a diagram, what is meant by price discrimination by a business with monopoly power</li> <li>evaluate, with the aid of a diagram, the advantages and disadvantages of monopoly power</li> <li>explain the characteristics of monopolistic competition</li> </ul>

Area of Study	Topic	Learners should be able to:
Competition and market power	Market structures and their implications for the way resources are allocated and the interdependence of firms	<ul style="list-style-type: none"> <li>• explain, with the aid of a diagram, the equilibrium price and output for a business in monopolistic competition in the short run and the long run</li> <li>• explain, with the aid of a diagram, why a business in monopolistic competition can make supernormal profits or losses in the short run but only normal profits in the long run</li> <li>• evaluate, with the aid of a diagram, the advantages and disadvantages of monopolistic competition</li> <li>• explain the characteristics of oligopoly</li> <li>• explain what is meant by non-price competition</li> <li>• explain the significance of interdependence in oligopoly markets using, for example, game theory and the kinked demand curve</li> <li>• explain the significance of types of collusion in oligopoly markets</li> <li>• explain the significance of product differentiation in oligopoly markets</li> <li>• evaluate, with the aid of a diagram, the advantages and disadvantages of oligopoly markets</li> <li>• explain and calculate concentration ratios</li> <li>• explain barriers to entry and exit</li> <li>• using diagrams, compare and contrast the outcomes of perfect competition, monopolistic competition, oligopoly and monopoly</li> <li>• evaluate, using examples, the extent to which theory of the firm explains the behaviour and performance of firms</li> <li>• explain the characteristics of a perfectly contestable market</li> <li>• explain why a business in a perfectly contestable market will be both allocatively and productively efficient</li> <li>• evaluate, with the aid of a diagram, the advantages and disadvantages of a perfectly contestable market</li> <li>• evaluate the contribution of contestable market theory to the analysis of behaviour and performance of firms</li> <li>• explain what is meant by horizontal, vertical and conglomerate integration/merger</li> <li>• evaluate the advantages and disadvantages of integration to economic agents</li> <li>• evaluate the factors which influence the growth of firms</li> <li>• evaluate the impact of regulation and ownership on the behaviour of firms</li> <li>• evaluate the impact of competition policy on the behaviour of firms</li> <li>• evaluate the extent to which firms are interdependent.</li> </ul>

Area of Study	Topic	Learners should be able to:
Labour market	<b>Wage determination</b>	<ul style="list-style-type: none"> <li>• explain the concept of the derived demand for labour</li> <li>• explain the concept of sub-markets with respect to the market for labour in an economy</li> <li>• explain the difference between nominal (money) and real wages</li> <li>• explain the factors affecting the demand for labour in an industry/economy</li> <li>• explain the factors affecting the wage elasticity of demand for labour</li> <li>• explain what is meant by productivity</li> <li>• explain what is meant by unit labour costs</li> <li>• evaluate the implications of variations in unit labour costs and productivity between firms and countries</li> <li>• explain what is meant by human capital</li> <li>• evaluate the impact of changes in wages and unit labour costs on firms</li> <li>• explain the monetary and non-monetary factors affecting the supply of labour to an industry/economy</li> <li>• explain the factors affecting the wage elasticity of supply of labour</li> <li>• explain the difference between the short run and long run supply of labour</li> <li>• evaluate, with the aid of a diagram, the substitution and income effects on an individual's supply of labour</li> <li>• explain, with the aid of a diagram, the difference between economic rent and transfer earnings</li> <li>• explain the determinants of economic rent and transfer earnings</li> <li>• explain, with the aid of a diagram, how wages are determined in a highly competitive labour market</li> <li>• explain, with the aid of a diagram, marginal revenue product theory in relation to employment and wage determination</li> <li>• evaluate, with the aid of a diagram, the impact of trade union activity on labour markets</li> <li>• evaluate, with the aid of a diagram, the impact of a monopsonist employer on a labour market</li> <li>• evaluate, with the aid of a diagram, the impact of a bilateral monopoly on a labour market</li> <li>• explain the reasons why wage differentials exist in an economy</li> <li>• evaluate the usefulness of wage determination theories in explaining the determination of wages in different regional and occupational sectors of an economy.</li> </ul>
	<b>Labour market issues and themes</b>	<ul style="list-style-type: none"> <li>• explain what is meant by the labour force</li> <li>• explain what is meant by the working population</li> <li>• explain what is meant by the dependency ratio, the participation rate, and the replacement ratio</li> <li>• evaluate, with the aid of a diagram, the impact of the imposition of and changes in maximum wages, minimum wages and the 'living wage'</li> </ul>

Area of Study	Topic	Learners should be able to:
<b>Labour market</b>	<b>Labour market issues and themes</b>	<ul style="list-style-type: none"> <li>• evaluate the impact of the imposition of, and changes in, maximum wages, minimum wages and the 'living wage'</li> <li>• evaluate the impact of changes in labour market flexibility</li> <li>• evaluate the impact of changes in the occupational and geographical mobility of labour</li> <li>• evaluate the impact of individual bargaining, collective bargaining, productivity bargaining and trade union activity on labour markets</li> <li>• evaluate the impact on labour markets of:               <ul style="list-style-type: none"> <li>○ migration, discrimination, demographic changes, incentives.</li> </ul> </li> <li>• evaluate the significance of informal labour markets.</li> <li>• evaluate the effectiveness of government policies to reduce labour immobility and increase labour flexibility.</li> </ul>
	<b>Government intervention</b>	<ul style="list-style-type: none"> <li>• explain what is meant by income inequality</li> <li>• explain what is meant by wealth inequality</li> <li>• distinguish between income inequality and wealth inequality</li> <li>• evaluate the impact of the introduction and changes in government intervention in the labour market, including:               <ul style="list-style-type: none"> <li>○ pensions, migration, education and training, UK and EU legislation and regulation, participation ages, tax and benefit system.</li> </ul> </li> </ul>
<b>Market failure and government intervention</b>	<b>Market failure</b>	<ul style="list-style-type: none"> <li>• explain what is meant by market failure</li> <li>• explain the implication(s) of market failure for efficiency/inefficiency</li> <li>• explain what is meant by market failure in terms of over or under consumption/production and resource allocation.</li> </ul>
	<b>Externalities</b>	<ul style="list-style-type: none"> <li>• explain, with the aid of a diagram, what is meant by positive and negative externalities (external benefits and external costs) of consumption</li> <li>• explain, with the aid of a diagram, what is meant by positive and negative externalities (external benefits and external costs) of production</li> <li>• explain what is meant by marginal social cost, marginal external cost, marginal private cost, marginal social benefit, marginal external benefit and marginal private benefit</li> <li>• explain, with the aid of a diagram, why the following cause market failure:               <ul style="list-style-type: none"> <li>○ negative externalities of consumption</li> <li>○ negative externalities of production</li> <li>○ positive externalities of consumption</li> <li>○ positive externalities of production</li> </ul> </li> <li>• evaluate how the existence of externalities affects markets, such as education, health, transport and the environment.</li> </ul>

Area of Study	Topic	Learners should be able to:
<b>Market failure and government intervention</b>	<b>Market power/ Information asymmetries</b>	<ul style="list-style-type: none"> <li>• explain what is meant by information failure</li> <li>• explain what is meant by asymmetric information and moral hazard</li> <li>• explain, with the aid of a diagram, how information failure causes market failure</li> <li>• explain what is meant by merit and demerit goods</li> <li>• explain what is meant by merit and demerit goods in terms of information failures</li> <li>• evaluate the significance of merit and demerit goods.</li> </ul>
	<b>Public goods</b>	<ul style="list-style-type: none"> <li>• explain what is meant by a private good, a public good and a quasi-public good</li> <li>• distinguish between a private good, a public good and a quasi-public good</li> <li>• explain the characteristics of a public good, including: <ul style="list-style-type: none"> <li>○ non-excludability, non-diminishability/non-rivalry, non-rejectability and zero marginal cost</li> </ul> </li> <li>• explain why the existence of public goods results in the free rider problem</li> <li>• explain why the existence of public goods may result in market failure</li> <li>• evaluate the significance of public goods</li> <li>• evaluate the role of the government in the provision of a public good.</li> </ul>
	<b>Inequity</b>	<ul style="list-style-type: none"> <li>• explain the causes of inequality of income and wealth</li> <li>• evaluate the significance of inequality of income and wealth</li> <li>• explain why there may be differences in access to resources</li> <li>• evaluate the significance of differences in access to resources.</li> </ul>
	<b>Environment</b>	<ul style="list-style-type: none"> <li>• explain the three functions of the environment: provider of resources, provider of amenities and absorber of waste</li> <li>• explain, with the aid of a diagram, how externalities arising from the impact of production on the environment cause market failure</li> <li>• explain, with the aid of a diagram, how externalities arising from the impact of consumption on the environment cause market failure</li> <li>• explain, with the aid of a diagram, the environmental Kuznets curve</li> <li>• evaluate whether economic growth will result in environmental degradation/resource depletion and limit sustainable development</li> <li>• evaluate the effectiveness of policies used to reduce the rate of environmental degradation/resource depletion at a local, national, regional and global level, including for example: <ul style="list-style-type: none"> <li>○ indirect taxation and subsidies</li> <li>○ legislation and regulation, including environmental standards</li> <li>○ tradable pollution permits</li> <li>○ information provision</li> <li>○ government expenditure</li> <li>○ public and private partnerships.</li> </ul> </li> </ul>

Area of Study	Topic	Learners should be able to:
<b>Market failure and government intervention</b>	<b>Alternative methods of government intervention</b>	<ul style="list-style-type: none"> <li>• explain why governments intervene in markets</li> <li>• explain, with the aid of a diagram, how government intervention in markets corrects or reduces market failure and inequity by using, for example:               <ul style="list-style-type: none"> <li>○ taxation and subsidies</li> <li>○ government expenditure/state provision</li> <li>○ buffer stock systems</li> <li>○ price controls</li> <li>○ public/private partnerships</li> <li>○ legislation and regulation</li> <li>○ tradable pollution permits</li> <li>○ information provision</li> <li>○ competition policy</li> </ul> </li> <li>• evaluate the effectiveness of different types of government intervention in correcting or reducing market failure and inequity</li> <li>• explain what is meant by Cost Benefit Analysis (CBA)</li> <li>• explain how CBA can be used in assessing infrastructure projects, such as in education, the environment, health and transport</li> <li>• evaluate the value of CBA in helping governments to make decisions in situations where there is market failure.</li> </ul>
	<b>Government failure</b>	<ul style="list-style-type: none"> <li>• explain what is meant by government failure</li> <li>• explain what may cause government failure</li> <li>• evaluate the consequences of government failure.</li> </ul>



## 2c. Content of Component 2: Macroeconomics (H460/02)

Component 2 focuses on macroeconomics. This component provides learners with the technical and analytical tools required to understand how the macroeconomy functions on both a domestic and global level. The content of this component encourages learners to adopt a critical approach to their study of policy through a development of their understanding of the limitations and conflicts which macroeconomic policies cause. Learners should be able to: recognise the assumptions, relationships and linkages of the possible impacts of macroeconomic policies; consider

the possible impact of macro-economic policies; recognise the issues which a government faces in managing the macroeconomy; argue for different approaches; and identify criteria for success and to be able to evaluate the effectiveness of different policy approaches.

Policy approaches are also considered in a historical context, as well as at the current time, in order to develop an understanding of how macroeconomics has changed over time.

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Area of Study	Topic	Learners should be able to:
<b>Economic policy objectives and indicators of macroeconomic performance</b>	<b>Economic growth and development</b>	<ul style="list-style-type: none"> <li>explain what is meant by the structure of an economy in terms of primary, secondary and tertiary sectors</li> <li>explain what is meant by economic growth</li> <li>explain what is meant by economic development</li> <li>explain what is meant by sustainable development</li> <li>evaluate the relationship between economic growth, changes in the structure of an economy and sustainable development</li> <li>explain what is meant by the macroeconomic policy objectives of sustained and sustainable economic growth</li> <li>explain what is meant by a recession</li> <li>explain what is meant by real gross domestic product (GDP)</li> <li>explain what is meant by nominal (money) gross GDP</li> <li>distinguish between real and nominal (money) gross domestic product (GDP)</li> <li>compare changes in real and nominal (money) values of GDP over time</li> <li>explain why GDP and economic growth are measured</li> <li>evaluate the difficulties of measuring economic growth and GDP</li> <li>calculate real and nominal (money) economic growth rates</li> <li>calculate GDP per capita</li> <li>evaluate the causes of economic growth in the short and long run</li> <li>explain, with the aid of a production possibility frontier/curve (PPF/C) and an AD/AS diagram, the difference between short run and long run growth</li> <li>evaluate the costs and benefits of economic growth</li> <li>evaluate the consequences of a recession</li> <li>evaluate the relationship between economic growth and economic development</li> <li>evaluate the relationship between economic growth and sustainable development</li> <li>explain how Overseas Development Assistance (ODA) and trade can promote economic growth and development</li> </ul>

Area of Study	Topic	Learners should be able to:
<b>Economic policy objectives and indicators of macroeconomic performance</b>	<b>Economic growth and development</b>	<ul style="list-style-type: none"> <li>• evaluate the usefulness of macroeconomic measures such as GDP, the Human Development Index (HDI), the Genuine Progress Indicator and other alternative social and cultural indicators</li> <li>• evaluate the relationship between economic growth and happiness, including, for example, a consideration of the Easterlin Paradox and the Office for National Statistics (ONS) Measuring National Well-being programme</li> <li>• explain the role of international organisations, such as the International Monetary Fund (IMF), the World Bank and the World Trade Organization, in promoting economic growth and development</li> <li>• evaluate the effectiveness of international organisations, such as the IMF, the World Bank and the WTO, in promoting economic growth and development.</li> </ul>
	<b>Unemployment/ Employment</b>	<ul style="list-style-type: none"> <li>• explain what is meant by unemployment</li> <li>• explain what is meant by employment</li> <li>• explain what is meant by the macroeconomic policy objective of full employment</li> <li>• distinguish between the Labour Force Survey and claimant count measures of unemployment</li> <li>• explain what is meant by the natural/non-accelerating inflation rate of unemployment</li> <li>• evaluate the difficulties of accurately measuring unemployment</li> <li>• evaluate the causes of unemployment</li> <li>• evaluate the consequences of unemployment</li> <li>• evaluate the causes and consequences of changes in the pattern of employment</li> <li>• evaluate the effects of full employment.</li> </ul>
	<b>Inflation</b>	<ul style="list-style-type: none"> <li>• explain what is meant by inflation</li> <li>• explain what is meant by the macroeconomic policy objective of low and stable inflation</li> <li>• explain what is meant by deflation, disinflation and hyperinflation</li> <li>• explain how the current official measure of inflation in the UK is constructed</li> <li>• calculate the rate of inflation using index numbers</li> <li>• calculate real values using index numbers</li> <li>• evaluate the advantages and disadvantages of using an index, such as the Consumer Prices Index (CPI) and the Retail Prices Index, to measure inflation</li> <li>• evaluate the causes of inflation</li> <li>• evaluate the consequences of inflation</li> <li>• evaluate the causes of deflation</li> <li>• evaluate the consequences of deflation.</li> </ul>

Area of Study	Topic	Learners should be able to:
<b>Economic policy objectives and indicators of macroeconomic performance</b>	<b>Income distribution and welfare</b>	<ul style="list-style-type: none"> <li>distinguish between income and wealth distribution</li> <li>distinguish between income and wealth inequality</li> <li>explain why achieving a more even distribution of income may be an important macroeconomic policy objective</li> <li>explain how income and wealth are distributed with the aid of a Lorenz Curve diagram</li> <li>explain and interpret inequality data, including Gini coefficients and relevant quantiles</li> <li>explain the causes of income and wealth inequality</li> <li>explain what is meant by absolute poverty</li> <li>explain what is meant by relative poverty</li> <li>distinguish between absolute and relative poverty</li> <li>evaluate the causes of poverty and inequality</li> <li>evaluate the consequences of poverty and inequality.</li> </ul>
	<b>Trends in macroeconomic indicators</b>	<ul style="list-style-type: none"> <li>explain the key trends in UK macroeconomic performance in the last 20 years</li> <li>evaluate the current performance of the UK economy compared with other developed economies, emerging economies and developing economies.</li> </ul>
<b>Aggregate demand and aggregate supply</b>	<b>Circular flow of income</b>	<ul style="list-style-type: none"> <li>explain the income, output and expenditure methods of measuring national income</li> <li>explain what is meant by the circular flow of income</li> <li>explain what is meant by injections and leakages within the circular flow</li> <li>distinguish between physical and monetary flows</li> <li>explain what is meant by the average and marginal propensities to consume and save</li> <li>explain what is meant by the marginal propensity to withdraw (marginal propensity to save, marginal rate of tax, marginal propensity to import)</li> <li>calculate average and marginal propensities to consume, save and withdraw.</li> </ul>
	<b>Aggregate demand (AD)</b>	<ul style="list-style-type: none"> <li>explain what is meant by aggregate demand</li> <li>explain the determinants of the components of aggregate demand</li> <li>evaluate the relationship between changes in income and consumption</li> <li>evaluate how the accelerator theory can be used to explain the level of investment</li> <li>explain the relationship between aggregate demand and the price level</li> <li>explain why the aggregate demand curve may shift.</li> </ul>

Area of Study	Topic	Learners should be able to:
<b>Aggregate demand and aggregate supply</b>	<b>Aggregate supply (AS)</b>	<ul style="list-style-type: none"> <li>explain what is meant by aggregate supply</li> <li>distinguish between the Keynesian and neo-classical approaches to aggregate supply</li> <li>explain the relationship between aggregate supply and the price level in both the short run and the long run</li> <li>explain why the aggregate supply curve may shift in both the short run and the long run.</li> </ul>
	<b>Aggregate demand and supply</b>	<ul style="list-style-type: none"> <li>complete, understand and interpret AD/AS diagrams</li> <li>understand the assumptions underlying the AD/AS model</li> <li>use the aggregate AD/AS model and data to understand why supply-side and/or demand side policies may be seen as appropriate ways of managing an economy.</li> </ul>
	<b>Macroeconomic equilibrium</b>	<ul style="list-style-type: none"> <li>explain what is meant by equilibrium in the macroeconomy and how it might change</li> <li>evaluate, using an AD/AS diagram, how changes in aggregate demand and aggregate supply may affect macroeconomic performance, including economic growth, unemployment and inflation</li> <li>evaluate the Keynesian, neo-classical and Austrian schools of thought on how the macroeconomy operates.</li> </ul>
	<b>The Phillips Curve</b>	<ul style="list-style-type: none"> <li>explain what is meant by the Phillips Curve</li> <li>explain what is meant by the natural rate of unemployment</li> <li>explain why the natural rate of unemployment can be referred to as the non-accelerating inflation rate of unemployment (NAIRU)</li> <li>explain why the Phillips Curve may be vertical in the long run, using theories such as the adaptive-expectations hypothesis</li> <li>evaluate whether the Phillips Curve accurately explains the relationship between inflation (money wages) and changes in unemployment</li> <li>evaluate the usefulness of the Phillips Curve for macroeconomic policymakers.</li> </ul>

Area of Study	Topic	Learners should be able to:
<b>Aggregate demand and aggregate supply</b>	<b>The economic cycle</b>	<ul style="list-style-type: none"> <li>• explain the different stages of the economic cycle</li> <li>• distinguish between actual and trend rates of growth</li> <li>• evaluate the factors which determine the trend rate of economic growth</li> <li>• explain what is meant by the national income multiplier</li> <li>• explain the role and purpose of the multiplier</li> <li>• explain the factors which determine the size of the national income multiplier</li> <li>• calculate the size of the national income multiplier</li> <li>• explain the concept of the multiplier using the circular flow model</li> <li>• explain the impact of the multiplier in terms of shifts in the aggregate demand curve</li> <li>• explain the economic cycle using the multiplier-accelerator model</li> <li>• explain the concept of output gaps using a diagram of the economic cycle, an AD/AS diagram and a PPF/C diagram</li> <li>• evaluate the causes of an output gap</li> <li>• evaluate the consequences of an output gap.</li> </ul>
<b>The application of policy instruments</b>	<b>Fiscal policy</b>	<ul style="list-style-type: none"> <li>• explain what is meant by the government budget</li> <li>• identify the main sources of tax revenue and government expenditure in the UK economy</li> <li>• explain what is meant by current and capital government expenditure</li> <li>• distinguish between current and capital government expenditure</li> <li>• explain what is meant by progressive, proportional and regressive taxation</li> <li>• distinguish between progressive, proportional and regressive taxation</li> <li>• calculate average and marginal tax rates</li> <li>• explain what is meant by direct taxation</li> <li>• explain what is meant by indirect taxation</li> <li>• distinguish between direct and indirect taxation</li> <li>• explain the features of a 'good' tax</li> <li>• evaluate the relationship between the tax rate and tax revenue, including consideration of the Laffer Curve</li> <li>• evaluate the advantages and disadvantages of a flat rate tax system</li> <li>• explain what is meant by the budget position/fiscal stance</li> <li>• explain what is meant by a budget surplus, a budget deficit and a balanced budget</li> <li>• distinguish between a budget surplus, a budget deficit and a balanced budget</li> <li>• distinguish between the cyclical budget position and the structural budget position</li> <li>• distinguish between an overall budget position and the budget position on current expenditure</li> </ul>

Area of Study	Topic	Learners should be able to:
<b>The application of policy instruments</b>	<b>Fiscal policy</b>	<ul style="list-style-type: none"> <li>distinguish between a budget deficit and government debt</li> <li>explain how budget deficits can be financed</li> <li>evaluate policies to correct a budget surplus or deficit</li> <li>evaluate the consequences of government debt</li> <li>explain what is meant by the national debt</li> <li>explain how automatic stabilisers work to achieve economic stability</li> <li>explain how discretionary fiscal policy may be used to improve macroeconomic performance</li> <li>explain how crowding out and crowding in can occur as a result of fiscal policy</li> <li>evaluate the effectiveness of using fiscal policy to achieve the government's macroeconomic objectives</li> <li>explain how fiscal rules can influence the behaviour of economic agents</li> <li>evaluate the effectiveness of fiscal rules.</li> </ul>
	<b>Monetary policy</b>	<ul style="list-style-type: none"> <li>explain what is meant by monetary policy instruments/measures, such as interest rates, money supply, techniques such as quantitative easing and exchange rates</li> <li>explain how these can be used to influence macroeconomic variables</li> <li>explain how monetary policy instrument(s)/measures affect the macroeconomic performance</li> <li>explain what is meant by the liquidity trap</li> <li>explain what is meant by inflation rate targeting</li> <li>explain how inflation targeting may affect the behaviour of economic agents</li> <li>explain what is meant by symmetric and asymmetric inflation targeting</li> <li>distinguish between symmetric and asymmetric inflation targeting</li> <li>evaluate the effectiveness of using monetary policy to achieve the government's macroeconomic objectives</li> <li>explain how a central bank works to achieve its aim(s).</li> </ul>

Area of Study	Topic	Learners should be able to:
The application of policy instruments	Supply side policy	<ul style="list-style-type: none"> <li>explain policies which are used to increase the quality or quantity of factors of production, including:               <ul style="list-style-type: none"> <li>education and training</li> <li>reforming tax and benefits</li> <li>reducing marginal tax rates</li> <li>National Minimum Wage legislation and promoting a 'living wage'</li> <li>improving labour market flexibility – including consideration of the housing market</li> <li>immigration</li> <li>privatisation</li> <li>deregulation</li> <li>trade union reform</li> <li>infrastructure investment – including consideration of transport market</li> <li>research and development incentives</li> <li>subsidies</li> </ul> </li> <li>evaluate the effectiveness of using supply side policy measures to achieve the government's macroeconomic objectives.</li> </ul>
	Policy conflicts	<ul style="list-style-type: none"> <li>explain the possible trade-offs which exist between policy objectives, such as:               <ul style="list-style-type: none"> <li>unemployment and inflation</li> <li>growth and inflation</li> <li>inflation and the balance of payments</li> <li>growth and the balance of payments</li> <li>growth and income and wealth equality</li> </ul> </li> <li>evaluate the consequences of conflicts between policy objectives</li> <li>evaluate the methods through which policy conflicts can be resolved or reduced.</li> </ul>
	Approaches to policy and macroeconomic context	<ul style="list-style-type: none"> <li>evaluate debates in macroeconomic thinking concerning:               <ul style="list-style-type: none"> <li>the extent to which prices and wages are flexible</li> <li>the flexibility/elasticity of aggregate supply</li> <li>the role of expectations</li> </ul> </li> <li>explain why approaches to macroeconomic policy change in accordance with economic circumstances, with reference to:               <ul style="list-style-type: none"> <li>the Great Depression</li> <li>Keynesian demand management in the 1970s</li> <li>the monetarist approach in the 1980s</li> <li>the 2007–08 financial crisis and its aftermath.</li> </ul> </li> </ul>



Area of Study	Topic	Learners should be able to:
The global context	<b>Globalisation</b>	<ul style="list-style-type: none"> <li>explain what is meant by globalisation</li> <li>explain the characteristics of globalisation</li> <li>explain the causes of globalisation</li> <li>evaluate the impact of globalisation on developed, emerging and developing economies</li> <li>evaluate the impact of multinational firms on the world economy</li> <li>evaluate the impact of the performance of emerging economies on other economies.</li> </ul>
	<b>International trade</b>	<ul style="list-style-type: none"> <li>explain what is meant by international trade</li> <li>explain what is meant by absolute advantage</li> <li>explain what is meant by comparative advantage</li> <li>distinguish between absolute and comparative advantage</li> <li>calculate opportunity cost ratios to illustrate the gains from trade derived from absolute and comparative advantage</li> <li>explain what is meant by the terms of trade</li> <li>calculate the terms of trade</li> <li>explain what determines the terms of trade, including Heckscher-Ohlin theory</li> <li>explain how the pattern of global trade has changed over time</li> <li>evaluate comparative advantage as an explanation of global trade patterns</li> <li>explain how countries achieve international competitiveness, considering, for example, productivity, unit labour costs, exchange rates, and product quality</li> <li>evaluate the advantages and disadvantages of international trade and aid to developed, emerging and developing economies.</li> </ul>
	<b>Balance of payments</b>	<ul style="list-style-type: none"> <li>explain what is meant by the balance of payments</li> <li>distinguish between the current account, capital account and financial account components of the balance of payments</li> <li>explain the components of the current account – trade in goods, trade in services and income and current transfers</li> <li>calculate the balances on the different components on the balance of payments</li> <li>explain what is meant by imbalances on the balance of payments</li> <li>explain why achieving a sustainable balance of payments position is an important macroeconomic policy objective</li> <li>evaluate the causes of imbalances on the balance of payments</li> <li>evaluate the consequences of imbalances on the balance of payments</li> <li>evaluate policies to correct imbalances on the balance of payments.</li> </ul>

Area of Study	Topic	Learners should be able to:
The global context	Exchange rates	<ul style="list-style-type: none"> <li>• explain what is meant by an exchange rate</li> <li>• explain, with the aid of a diagram, how exchange rates are determined in fixed and floating exchange rate systems</li> <li>• explain different measures of exchange rates, such as:               <ul style="list-style-type: none"> <li>○ bilateral</li> <li>○ effective</li> <li>○ nominal</li> <li>○ real</li> </ul> </li> <li>• explain trends in exchange rate data</li> <li>• evaluate the causes of exchange rate changes</li> <li>• evaluate the consequences of exchange rate changes</li> <li>• explain what is meant by a hybrid exchange rate system and be able to provide current examples</li> <li>• evaluate the relative merits and drawbacks of different exchange rate systems</li> <li>• explain purchasing power parity (PPP) theory</li> <li>• evaluate PPP theory</li> <li>• explain why some countries might manage their exchange rate to achieve international competitiveness</li> <li>• explain the Marshall-Lerner condition and the J-curve</li> <li>• evaluate the impact of exchange rate changes on international competitiveness</li> <li>• evaluate the effectiveness of changing the value of a currency to achieve macroeconomic policy objectives.</li> </ul>
	Trade policies and negotiations	<ul style="list-style-type: none"> <li>• explain different methods of protectionism</li> <li>• explain the impact of methods of protectionism to include a diagrammatic explanation of tariffs and quotas</li> <li>• evaluate the effectiveness of different methods of protectionism</li> <li>• evaluate the case for and against protectionism</li> <li>• evaluate the case for and against free trade</li> <li>• evaluate the effectiveness of government policies to achieve international competitiveness</li> <li>• explain, with examples, the stages of economic integration:               <ul style="list-style-type: none"> <li>○ free trade areas</li> <li>○ customs union</li> <li>○ monetary union</li> <li>○ economic union</li> </ul> </li> <li>• evaluate the internal and external consequences of economic integration, including a diagrammatic analysis of trade creation and trade diversion</li> <li>• evaluate the advantages and disadvantages of EU membership and how these vary between member states</li> <li>• evaluate the role of the WTO in promoting free trade</li> <li>• evaluate the progress made and difficulties faced by the WTO, such as agricultural disputes and trade agreements.</li> </ul>

Area of Study	Topic	Learners should be able to:
The financial sector	<b>The role of the financial sector in the real economy</b>	<ul style="list-style-type: none"> <li>• explain the functions of money</li> <li>• explain the characteristics of money</li> <li>• explain what is meant by the money supply</li> <li>• distinguish between narrow and broad money in terms of liquidity</li> <li>• explain how banks create money both in theory and in practice</li> <li>• explain, with the aid of a diagram, how the interest rate is determined (liquidity preference theory and loanable funds theory)</li> <li>• explain the relationship between the inflation rate and the nominal interest rate</li> <li>• explain the relationship between the money supply and the price level using the Fisher equation of exchange</li> <li>• evaluate the relevance of the quantity theory of money</li> <li>• explain the possible impact on the macroeconomy of the financial sector, including the effect of the role of retail, commercial and investment banks; pension funds, hedge funds and insurance funds, the stock market, the bond market; and the foreign exchange market</li> <li>• explain the role of inter-bank lending in the modern economy</li> <li>• explain the different forms of borrowing, including mortgages, unsecured loans, overdrafts, credit cards and pay day lending</li> <li>• explain why the rate of interest varies in different money markets using the concepts of risk and security</li> <li>• evaluate the role of the financial sector in the real economy.</li> </ul>
	<b>The financial sector in developing and emerging economies</b>	<ul style="list-style-type: none"> <li>• explain the role of the financial sector in developing and emerging economies in promoting economic development</li> <li>• explain the role of saving and investment in promoting economic development using, for example, the Harrod-Domar model</li> <li>• explain what is meant by microfinance</li> <li>• evaluate the role of microfinance in supporting economic development</li> <li>• evaluate the extent to which international financial markets have influenced flows of financial capital into and out of developing and emerging economies</li> <li>• evaluate the impact of public and private sector debt on developing and emerging economies</li> <li>• evaluate the role of the financial sector in developing and emerging economies in promoting economic development</li> <li>• explain what is meant by remittances</li> <li>• evaluate the impact on and importance of remittances to economies.</li> </ul>

Area of Study	Topic	Learners should be able to:
The financial sector	The role of the central bank	<ul style="list-style-type: none"> <li>• explain the functions of a central bank</li> <li>• explain how the role and functions of an independent central bank differ from those of a central bank under 'government control'</li> <li>• explain the policy measures available to a central bank in the achievement of its primary and secondary objectives</li> <li>• evaluate the effectiveness of different policy measures available to a central bank in the achievement of its primary and secondary objectives</li> <li>• evaluate the advantages and disadvantages of a central bank targeting macroeconomic indicators (in the case of the Bank of England – its inflation target(s))</li> <li>• evaluate the advantages and disadvantages of a central bank acting as the lender of last resort</li> <li>• evaluate the effectiveness of an independent central bank and a 'controlled' central bank.</li> </ul>
	Financial regulation	<ul style="list-style-type: none"> <li>• explain why financial institutions are regulated</li> <li>• explain the disadvantages of the under-regulation of financial institutions</li> <li>• explain how financial institutions can be regulated</li> <li>• explain how changes in the regulation of financial institutions may contribute to financial crises, such as in 2007–08</li> <li>• explain the benefits of increased regulation of financial institutions in an economy</li> <li>• evaluate the importance of the regulation of financial institutions within an economy</li> <li>• evaluate the role of the IMF and the World Bank in regulating the global financial system.</li> </ul>

## 2c. Content of Component 3: Themes in economics (H460/03)

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The assessment of this component will be fully synoptic in nature and will draw on both the microeconomic and macroeconomic components. Although there is no specific content prescribed within

the assessment of this component, it is anticipated that both the microeconomic and the macroeconomic subject content will be applied, as appropriate, in relation to a specific unseen theme.

## 2d. Prior knowledge, learning and progression

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No prior learning or knowledge of economics is required for taking the A Level Economics qualification. A qualification in GCSE Economics is available for those interested in a study of the subject at Key Stage 4. Many other subjects supplement the study of economics which prides itself on being cross-curricular. Other social sciences such as sociology and psychology engage the learner to think about their personal circumstances and their role in society. History,

geography, business, critical thinking, mathematics and the sciences can be taught cohesively and complement the study of Economics. The study of any of these subjects can assist those learners studying to progress to Higher Education and employment.

Find out more about the OCR Economics offering, or other related qualifications, at [www.ocr.org.uk](http://www.ocr.org.uk)

# 3 Assessment of OCR A Level in Economics

## 3a. Forms of assessment

The A Level in Economics is a linear qualification with 100% external assessment. There will be three question papers each of two hours in length and each will carry a maximum of 80 marks. Within each of the three question papers there will be a combination of short answer questions which carry a low tariff (maximum 4 marks) and higher tariff extended response questions (ranging from a minimum of 8 marks up to a maximum of 25 marks).

The assessment of Component 1 relates entirely to microeconomics and consists of a data response question and two high tariff questions. The assessment of Component 2 has the same format but focuses entirely on macroeconomics. Within both Component 1 and Component 2 there will be an optional element to the high tariff extended response questions. Learners will be required to select one question from a choice of two, both of which require a quantitative response. Learners then select one question from a choice of two which do not require a quantitative response (although the use of a quantitative response, along with a narrative response, would be credited). This optionality only arises at the point of assessment – it is not a part of the specification requirements. Learners will, therefore, be required to develop an understanding of the entire content of each component.

Component 3 – Themes in economics – consists of a series of 30 multiple choice questions (MCQs) which will mainly focus on the assessment of AO1 and AO2, although there will still be some of the multiple choice questions which assess analytical and evaluative skills (AO3 and AO4). Learners will also be required to respond to a series of short answer and extended response questions based on an unseen theme for a total of 50 marks.

A minimum of 20% of the overall assessment marks are targeted at the assessment of quantitative skills across the three components.

In Components 1 and 2, it is advised that the 30 marks allocated to Section 1 (the data response question) will require learners to spend approximately 45 to 50 minutes reading the stimulus material and responding to the questions. This allows approximately 40 minutes for learners to respond to each of the two 25 mark high tariff questions within Section 2.

In Component 3, learners are advised to spend approximately 40 to 45 minutes responding to the 30 multiple choice questions in Section A, 15 to 20 minutes to read the data response stimulus material, leaving approximately 60 minutes to respond to the questions covering the remaining 50 marks on the question paper.

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### 3b. Assessment objectives (AO)

There are four assessment objectives in OCR's A Level in Economics. These are detailed in the table below.

Learners are expected to demonstrate their ability to:

	Assessment Objective
AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

### AO weightings in A Level in Economics

The relationship between the assessment objectives and the components is shown in the following table:

Component	% of A Level in Economics (H460)				
	AO1	AO2	AO3	AO4	Total
Microeconomics (H460/01)	8	8	8.33	9	33.33
Macroeconomics (H460/02)	8	8	8.33	9	33.33
Themes in economics (H460/03)	9	9	8.33	7	33.33
	25	25	25	25	100

In addition the learners will be required to demonstrate competence in the quantitative skills which are relevant to the subject content and which are applied in the context of the A Level in

Economics as detailed in Annex 1. The assessment of these quantitative skills will include at least Level 2 mathematical skills as a minimum of 20% of the overall A level marks.

### 3c. Assessment availability

There will be one examination series available each year in May/June to all learners. This specification will be certificated from the June 2017 examination series

onwards. Each of the assessments by examination within this qualification must be taken in a single year at the end of the course.

### 3d. Retaking the qualification

Learners can retake the qualification as many times as they wish. They retake all components of the qualification.

### 3e. Assessment of extended responses

The assessment materials for this qualification provide learners with the opportunity to demonstrate their ability to construct and develop a sustained and

coherent line of reasoning and marks for extended responses are integrated into the marking criteria.

### 3f. Synoptic assessment

Component 3 – Themes in economics – is entirely synoptic and learners will be expected to draw on any element of the microeconomics and macroeconomics specification content in order to respond to the questions posed. Synoptic assessment allows learners to demonstrate their understanding across the different aspects of the subject. Synoptic assessment involves the explicit drawing together of knowledge, skills and understanding of different aspects of the A level course. The emphasis of synoptic assessment is to encourage the understanding of Economics as a discipline and not as a series of non-related topics.

Component 3 will, in part, focus on a series of multiple choice questions which will be drawn from across the microeconomics and macroeconomics elements of the specification content. It will also require learners to ‘think as economists’ in the application of the specification content to a specific current economics theme.

In addition the assessment of the content of each of Components 1 and 2 will, in part, be synoptic.

Each of the extended writing questions within Section B will require the learners to draw on their knowledge and understanding of different aspects of the microeconomic and macroeconomic content and demonstrate the links which exist between the relevant aspects in order to produce a response which fully addresses the requirements of the question.

It is important that the content of this course is taught in such a way that the learners develop a clear understanding of the links which exist between the various elements and aspects of the subject content. Economics is very much a subject which requires the learners to develop a clear understanding of the different aspects of the subject and, more importantly, to be able to demonstrate an ability to show the links which exist between those aspects. It is not possible to ‘think as economists’ without the ability to understand the subject in its entirety.

There is, therefore, a need for the teaching of the subject to allow the learners to develop this crucial understanding.

### 3g. Calculating qualification results

A learner’s overall qualification grade for A Level in Economics will be calculated by adding together their marks from the three components taken to give their total weighted mark. This mark will then be

compared to the qualification level grade boundaries for the entry option taken by the learner and for the relevant exam series to determine the learner’s overall qualification grade.



## 4 Admin: what you need to know

The information in this section is designed to give an overview of the processes involved in administering this qualification so that you can speak to your exams officer. All of the following processes require you to submit something to OCR by a specific deadline. More

information about these processes, together with the deadlines, can be found in the *OCR Admin Guide and Entry Codes: 14–19 Qualifications*, which can be downloaded from the OCR website: [www.ocr.org.uk](http://www.ocr.org.uk)

### 4a. Pre-assessment

#### Estimated entries

Estimated entries are your best projection of the number of learners who will be entered for a qualification in a particular series. Estimated entries

should be submitted to OCR by the specified deadline. They are free and do not commit your centre in any way.

#### Final entries

Final entries provide OCR with detailed data for each learner, showing each assessment to be taken. It is essential that you use the correct entry code, considering the relevant entry rules and ensuring that you choose the entry option for the moderation you intend to use.

Final entries must be submitted to OCR by the published deadlines or late entry fees will apply.

All learners taking A Level in Economics must be entered for H460.

Entry code	Title	Component code	Component title	Assessment type
H460	Economics	01	Microeconomics	External Assessment
		02	Macroeconomics	External Assessment
		03	Themes in economics	External Assessment

## 4b. Accessibility and special consideration

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Reasonable adjustments and access arrangements allow learners with special educational needs, disabilities or temporary injuries to access the assessment and show what they know and can do, without changing the demands of the assessment. Applications for these should be made before the examination series. Detailed information about eligibility for access arrangements can be found in the JCQ *Access Arrangements and Reasonable Adjustments*.

Special consideration is a post-assessment adjustment to marks or grades to reflect temporary injury, illness or other indisposition at the time the assessment was taken.

Detailed information about eligibility for special consideration can be found in the JCQ *A guide to the special consideration process*.

## 4c. External assessment arrangements

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Regulations governing examination arrangements are contained in the JCQ publication *Instructions for conducting examinations*.

Learners are permitted to use a scientific or graphical calculator for component 01, 02 and 03. Calculators are subject to the rules in the document *Instructions for Conducting Examinations* published annually by JCQ ([www.jcq.org.uk](http://www.jcq.org.uk)).

4

### Head of Centre Annual Declaration

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The Head of Centre is required to provide a declaration to the JCQ as part of the annual NCN update, conducted in the autumn term, to confirm that the centre is meeting all of the requirements detailed in the specification.

Any failure by a centre to provide the Head of Centre Annual Declaration will result in your centre status being suspended and could lead to the withdrawal of our approval for you to operate as a centre.

## 4d. Results and certificates

### Grade scale

A level qualifications are graded on the scale: A\*, A, B, C, D, E, where A\* is the highest. Learners who fail to reach the minimum standard for E will be Unclassified

(U). Only subjects in which grades A\* to E are attained will be recorded on certificates.

### Results

Results are released to centres and learners for information and to allow any queries to be resolved before certificates are issued.

Centres will have access to the following results' information for each learner:

- the grade for the qualification
- the raw mark for each component
- the total weighted mark for the qualification.

The following supporting information will be available:

- raw mark grade boundaries for each component
- weighted mark grade boundaries for each entry option.

Until certificates are issued, results are deemed to be provisional and may be subject to amendment. A learner's final results will be recorded on an OCR certificate.

The qualification title will be shown on the certificate as 'OCR Level 3 Advanced GCE in Economics'.

## 4e. Post-results services

A number of post-results services are available:

- **Enquiries about results** – If you are not happy with the outcome of a learner's results, centres may submit an enquiry about results.
- **Missing and incomplete results** – This service should be used if an individual subject result for a learner is missing, or the learner has been omitted entirely from the results supplied.
- **Access to scripts** – Centres can request access to marked scripts.

## 4f. Malpractice

Any breach of the regulations for the conduct of examinations and coursework may constitute malpractice (which includes maladministration) and must be reported to OCR as soon as it is detected.

Detailed information on malpractice can be found in the *Suspected Malpractice in Examinations and Assessments: Policies and Procedures* published by JCQ.

## 5 Appendices

### 5a. Overlap with other qualifications

There is significant overlap between the content of this specification and that for OCR's AS Level in Economics to allow for co-teachability.

### 5b. Avoidance of bias

The A Level qualification and subject criteria have been reviewed in order to identify any feature which could disadvantage learners who share a protected

Characteristic as defined by the Equality Act 2010. All reasonable steps have been taken to minimise any such disadvantage.

### 5c. Quantitative skills annex

#### Annex 1: Quantitative Skills in Economics

In order to develop their skills, knowledge and understanding in economics, students need to have acquired competence in the quantitative skills that are relevant to the subject content and which are applied in the context of an economics A level, including:

- **calculate, use and understand ratios and fractions**
- **calculate, use and understand percentages and percentage changes**
- **understand and use the terms mean, median and relevant quantiles**
- **construct and interpret a range of standard graphical forms**
- **calculate and interpret index numbers**

- calculate cost, revenue and profit (marginal, average, totals)
- make calculations to convert from money to real terms
- **make calculations of elasticity and interpret the result**
- **interpret, apply and analyse information in written, graphical and numerical forms**

Quantitative skills not in **bold** do not form part of the AS core content requirement; however, an exam board may include them in their AS specifications.

The assessment of quantitative skills will include at least Level 2 mathematical skills as a minimum of 15% of the overall AS marks and a minimum of 20% of the overall A level marks. These skills may be assessed across the assessment objectives.



# Your checklist

**Our aim is to provide you with all the information and support you need to deliver our specifications.**

- ☐ Bookmark [ocr.org.uk/aleveleconomics](https://ocr.org.uk/aleveleconomics) for all the latest resources, information and news on AS and A Level Economics
- ☐ Be among the first to hear about support materials and resources as they become available – register for Economics updates at [ocr.org.uk/updates](https://ocr.org.uk/updates)
- ☐ Find out about our professional development at [cpdhub.ocr.org.uk](https://cpdhub.ocr.org.uk)
- ☐ View our range of skills guides for use across subjects and qualifications at [ocr.org.uk/skillsguides](https://ocr.org.uk/skillsguides)
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- ☐ Join our Economics social network community for teachers at [social.ocr.org.uk](https://social.ocr.org.uk)

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Free resources and support for our A Level Economics qualification, developed through collaboration between our Economics Subject Specialists, teachers and other subject experts, are available from our website. You can also contact our Economics Subject Specialists for specialist advice, guidance and support, giving you individual service and assistance whenever you need it.

Meet the team at [ocr.org.uk/economicsteam](http://ocr.org.uk/economicsteam) and contact them at:

01223 553998

[economics@ocr.org.uk](mailto:economics@ocr.org.uk)

[@OCRexams](https://twitter.com/OCRexams)

To stay up to date with all the relevant news about our qualifications, register for email updates at

[ocr.org.uk/updates](http://ocr.org.uk/updates)

## Economics community

The social network is a free platform where teachers can engage with each other – and with us – to share ideas and best practice, offer guidance, and access a range of Sociology support materials produced by other teachers.

To sign up, go to [social.ocr.org.uk](http://social.ocr.org.uk)

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