



**OCR ADVANCED GCE
IN ECONOMICS (7812)**

**TEACHER'S GUIDE
A2 UNITS 2884, 2885, 2886, 2887, 2888**

October 2005

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1 From AS to A2 – What it means for Teachers and Candidates

The step up from AS to A2 is a substantial one, consisting of **three** main elements. These are:

1.1 Content

The subject matter of Units 2884 – 2887 builds upon the study of micro- and macro-economics introduced in the three AS Level units. At the A2 stage:

- this content is more focused, providing teachers and candidates with the opportunity to select **two** optional units from the paired choices available;
- there is more emphasis on the use, application and evaluation of models of economic analysis; more specifically, each of the paired units contains a common block of economic theory which is subsequently applied to the specific subject matter of the particular unit;
- there is an increased need for candidates to be familiar with and to be able to use published data to underpin their studies of the problems, issues and concepts of the subject content of Units 2884 – 2887.

1.2 Assessment

Units 2884 – 2887 have a common pattern of assessment consisting of a data response question (compulsory) and a structured essay question (choice of **one** of **three**). To be successful, candidates should therefore develop the skills associated with answering these types of question. This should involve some tuition in data-handling techniques and the economic interpretation of real data. Guidance on how to respond successfully to particular command words and on how to structure an essay in order to write in an effective way are also appropriate.

1.3 Synoptic Requirement

This will be assessed in Unit 2888: *Economics in a European context*, which takes the form of a small number of questions drawn from, and building upon, pre-circulated stimulus material. Some of these questions will be of an applied nature drawing directly on this material and may involve the interpretation of data. The majority will be more open-ended questions, requiring extended writing. Candidates will be applying elements of the economists' 'toolkit' of relevant concepts, theories and techniques to the issues raised in the stimulus material. This synoptic focus should be developed throughout the A2 stage of the specification and should build upon the conceptual and theoretical framework laid down at AS.

2 Specification Delivery

The nature of the A2 structure provides teachers with various possibilities for its delivery in centres. These possibilities are:

- staged, whereby all units are taken in June of the A2 year;
- modular, whereby one or more units are taken in January of the A2 year. This approach allows candidates to re-sit these units if required in the June session;
- AS re-sits, in January or June of the A2 year, alongside either of the above two possibilities.

The synoptic unit is available in January and June. There is no longer a terminal requirement for this unit.

An Advanced Extension paper will be available at the June sitting only. This paper has been allocated by QCA to the AQA Awarding Body (for details see their website: www.aqa.org.uk).

3 Types of Question and Advice on Candidate Preparation

3.1 Data Response

This type of question has been widely used in OCR Economics specifications for many years. Typical examples are contained in the Specimen Question Paper booklet.

Three general types of question will be set. These are:

- questions which contain a table or tables of data, preceded by an indicative heading and two or three introductory sentences. The diagrammatic representation of data may also be used alongside a table or as an alternative to a table of data;
- questions which again contain a table of data but where there is an extended introduction and an indicative heading. The diagrammatic representation of data may also be incorporated;
- questions which largely consist of text/prose, which may include some numerical information.

Guidance on typical data sources is provided in the information below for Units 2884-7. This guidance is indicative – a wide range of sources will be used including:

- government publications;
- newspapers and magazines;
- specialist reports, including those from non-government organisations;
- material on the Internet.

Candidates will be expected to develop a number of simple but relevant data-handling skills beyond those used at AS. These skills include:

- the ability to pick out the main trends in a set of time series data;
- the ability to compare data cells by column and by row in two-way cross sectional data;
- the ability to interpret simple pie charts, histograms, frequency distributions and pictorial data representations;
- the ability to interpret and calculate simple index numbers;
- an understanding of the rate of change in a set of data;
- an understanding of how and why economists may have to estimate data and use forecasts.

It may be necessary for some of these skills (e.g. index numbers, rates of change and forecasting) to be introduced specifically into the delivery of a unit by using particular data examples. Additionally, these skills are likely to have been introduced to candidates in their GCSE and AS Level studies.

We recognise that some candidates may lack confidence or feel uncomfortable in tackling this type of question. The following step-by-step guidelines may be of help in improving their confidence when they come across a data response question for the first time:

- look at the title – it should give some clues about the content of the material provided;
- read any table headings, labels or footnotes that confirm the data;
- see if there are any patterns in the data that can be easily picked out;
- if the data contains charts or diagrams, pick out any outstanding features;
- check the source – it may also give some clues about the focus of any arguments contained in the preamble or text.

On completion of the above, the underpinning theme of the data ought to be much clearer.

The structure of most data response questions is as follows:

- the early parts often require a simple interpretation of the data or some simple deduction from it;
- later parts are likely to ask candidates to draw upon recognised economic concepts requiring some form of analysis;
- the final part always requires a demonstration of the highest order skills, usually in the form of a comment/discussion/evaluation of the content of the data and the underpinning concepts.

Data response questions require concise answers. For the early parts, this may simply be a single word, a phrase or possibly a number that has been calculated or derived. For later parts, a diagram may be requested, with one or two sentences of explanation or in most cases, some form of data analysis with appropriate deductions or conclusions. The final part, normally introduced by the directive word 'discuss' or 'comment' will require extended continuous prose.

The mark allocation should always be seen as a clear indication of the length of answer as well as the length of time to be spent on a particular question.

The following books provide some additional support:

Bamford CG (ed) *Economics for AS* (2nd Edition*) CUP 2003

Cramp P *Data Response Techniques: How to get an A grade in Economics* Anforme 2004

Guide to Business Numeracy Economist Publications 1997

All books in the Heinemann SEB series contain data response questions from recent GCE examinations.*

* Please refer to the Introduction section – The Economist's tool-kit.

3.2 Structured Essay Questions

Each of the Units 2884 – 2887 has a choice of **three** structured essay questions, from which candidates have to answer one. Each of these questions will be split into **two** parts, (a) and (b). A 10:15 mark split will always be used.

Some essay questions will be preceded by a stem, which is designed to give candidates an indication of the context of the question. This stem:

- may refer to a relevant recent event or issue;
- may be a theoretical statement.

Questions without a stem will also be set. On any question paper, there may be a mixture of each type.

In general, the essay questions will cover the full range of content of the specification after making allowance for the content of the compulsory data response questions. In developing question papers, it is necessary to ensure that the unit specification is adequately covered. Consequently, the essay questions will cover topics in the main not covered by the data response question.

A list of key directive words has been produced. These are reproduced in the following table.

Directive word	What it means	Where you can expect it to be used
AO1		
Calculate	Work out using the information provided	All AS units, usually in the early parts of the question. Early parts of the A2 data response questions
Define	Give the exact meaning	
Describe	Give a description of	
Give (an account of)	As 'describe'	
Give (an example of)	Give a particular example	
How (explain how)	In what way or in what ways	
Identify	Point out	
Illustrate	Give examples/diagram	
Outline	Describe without detail	
State	Make clear	
Summarise	Give main points, without detail	
Which	Give a clear example/state what	
AO2 + AO3		
Analyse	Set out the main points	All AS units. A2 data response questions. A2 part (a) structured essay questions.
Apply	Use in a specific way	
Compare	Give similarities and differences	
Consider	Give your reasoned thoughts about	
Explain (why)	Give clear reasons or make clear	
Justify/account for	Give reasons for	
AO4		
Assess	Show how important something is	All AS units but usually in the later part questions. A2 data response questions. A2 part (b) structured essay questions.
Comment upon	Give your reasoned opinions on	
Criticise	Give an opinion, but support it with evidence	
Discuss	Give the important arguments, for and against	
Evaluate	Discuss the importance of making some attempt to weight your opinions	
To what extent	Make a judgement	

The step up from AS to A2 means that candidates are required to write continuous prose, split between two parts of the question. The volume of writing required is therefore considerably more extensive than the AS units. In order to write effective answers, it is important that candidates:

- recognise what the directive word means and focus their answers accordingly – so, if the question requires an explanation or a discussion, an answer in these terms is normally assessed up to the highest level of response available, i.e. L3 or L4;
- focus on the point of the question – this is not an easy step for many candidates – there is often a tendency to reproduce prior-learned material or to write an answer which skirts around the key point or issue to be addressed.

(Candidates should be reminded of the simple method suggested on page 177 of Economics for AS.)

The part (a) question will test relatively straightforward concepts or aspects of the specification content of the unit. Part (b) questions will be more challenging and will require some discussion/evaluation of the issues stated in the question. Where there is a stem provided to the question, then some evaluation of it may be asked for in part (b).

All structured essay questions will be assessed by a *level of response* marking scheme (see specimen assessment materials). For part (a), **three** levels of response are prescribed. For part (b) of the questions, **four** levels of response are prescribed. These levels are consistent with the assessment objectives stated on pages 6-7 of the specification and should be seen within the context of the subject content and skills prescribed.

The grid below summarises the allocation of marks for each of the structured essay questions on Units 2884 – 2887.

Assessment Objective	Description	Part (a)	Part (b)
AO1	Knowledge and understanding	1-2	1-2
AO2	Application and critical understanding	3-6	3-5
AO3	Analysis	7-10	6-8
AO4	Evaluation and informed judgement	-	9-15

It should be understood that a high mark on these questions can only be gained where candidates have demonstrated the ability to reach the highest levels of response available.

Quality of Written Communication (QWC) is assessed in the Section B essay question. The QWC 'mark' is embedded within the Level of Response mark scheme and an additional one or two marks may be awarded if there is a discrepancy between the economic content of the answer and the level of QWC achieved. (See the specimen material booklet or a relevant published mark scheme for more explanation of the assessment of QWC).

Unit 2884: Economics of work and leisure

1 Introduction

This is **one** of **two** paired, mainly micro-economic optional A2 units in the specification. The unit has a dual focus – on labour markets and on leisure markets - with the work/leisure trade-off as the clear link between them.

The unit builds largely on the introductory material covered in Units 2881 and 2882, and candidates are assumed to have studied these units before studying Unit 2884. A basic understanding of the workings of the macro-economy, as introduced in Unit 2883, is also expected. The links between Unit 2884 and the different elements of the AS Economics specification can be summarised as follows:

- Unit 2881 Section 2 covers 'Competitive markets and how they work'; Unit 2884 Section 3 builds on this in the context of wage determination, and the forces which underpin demand and supply in labour markets;
- Unit 2884 Section 4 links clearly with Unit 2882, applying the economic concepts of efficiency and market failure, as well as analysis of government intervention, to labour markets;
- the discussion of unemployment, economic growth and of supply-side policies in Unit 2883 has clear links to the coverage of labour market failure and government intervention – this is addressed in Section 4 of Unit 2884;
- Unit 2881 Section 3 is on 'Firms and how they operate', and this leads directly on to Unit 2884 Section 2. Detailed study of market structure models, and their application in leisure markets, is underpinned by the material in Unit 2881 Section 3. (The part of the specification on market structure theories, of course, is common with Unit 2885, though the application to leisure markets is unique to Unit 2884.)

The pattern of assessment for Unit 2884 is as for all four A2 optional units – a compulsory data response question, and, in Section B of the 1½ hour paper, a two-part structured essay, with the candidate having a choice of **one** from **three**. The data in Section A may be either in the form of statistical tables or charts, with some linked prose, or in more continuous prose, often based on a relevant newspaper or magazine article. Four- or five-part questions are set, all linked in some way to the data. In Section B, each essay is in **two** parts, with the first, part (a), normally focusing on economic analysis, linked to one or more of the unit specification's concepts, and the second, part (b), requiring application and evaluation following on from part (a). Each examination paper aims to test each of the **four** major sub-sections of the specification, either in Section A or Section B or both.

Experience over the life of this specification has clearly shown that candidates have found the Unit 2884 content accessible and relevant to their experience and interests. Good candidates have consistently demonstrated a thorough grasp of relevant economic concepts and principles, and an ability to apply this understanding effectively in a labour or leisure market context; in addition, they often show a well-informed awareness of relevant recent economic developments. Most good scripts also have a number of other, more specific, characteristics:

- the length of their answers suggests that approximately equal time has been spent on Sections A and B;
- answers to the earlier sub-parts of Q1 are relatively succinct – they do not involve 300 word answers to a 2-mark question!

- they address the questions directly, in the terms in which they are asked;
- they show, explicitly, an accurate understanding of the technical economic terms used;
- they use accurate diagrams where relevant, and integrate appropriate reference to them within their answers;
- they demonstrate skills of evaluation where a question is phrased in a way which makes clear that this is required. This is always the case in part (b) of each essay, and in the final part (and usually in one other) of the data response sub-questions.

2 Specification weightings

Section 1 is largely concerned with clarification of relevant terms and concepts and familiarisation with relevant data. An approximate weighting for the delivery of the unit is:

Section 1	Nature of work and leisure, and trends in employment and earnings	10%
Section 2	Theories of market structure, and competitive behaviour in markets for leisure	30%
Section 3	Labour demand, supply and wage determination	30%
Section 4	Market failure, and the role of the government and unions, in the labour market	30%

3 General advice on teaching strategies

Although it is not strictly necessary, it seems sensible to teach the unit in the broad order of the specification, although it would certainly be possible to teach Section 2 after Section 3 (and perhaps Section 4). Section 4 clearly follows on logically from Section 3. However, it is certainly advised to begin with Section 1, since this covers the work/leisure trade-off in general terms, which serves to emphasise how the whole unit specification fits together. It also covers relevant factual/statistical information on both labour and leisure markets, which should serve to emphasise the real-world relevance of the specification's subject matter, and hopefully to generate initial interest and motivation amongst candidates.

Since both labour markets and leisure markets are likely to be of intrinsic interest to students of Economics at A2 level, and receive very regular media coverage, a candidate-centred approach ought to be the obvious one to take from the outset. Candidates should be encouraged to build up a collection of relevant newspaper and magazine articles and Internet material throughout, and indeed this may be encouraged usefully whilst candidates are preparing for their AS units. INSET courses have shown that many teachers use the period of time after the end of the AS examinations but before the end of Year 12 to introduce at least one of the optional A2 units to be covered and to encourage their candidates to return at the start of Year 13 with a selection of appropriate articles, ideally structured according to the unit specification's main headings.

General A level Economics text books all cover the traditional theories of market structures (Section 2) and wage determination (Section 3) very thoroughly, and also contain material relevant to Section 4. More specialist texts are also available, and are certainly needed for

the material on the leisure industries in Section 2. However, case study work, including using data-reference material, is strongly recommended as the most effective way of teaching much of the unit's subject matter, and material for this is contained in several of the more specialist texts in particular. Further, use of up-to-date web-based material is essential in the introductory Section 1, and current articles in newspapers and magazines can easily form the basis of teacher-or candidate-generated data-response questions.

Throughout the teaching of Unit 2884, teachers should also bear in mind the European context and the synoptic requirement within the overall specification. This is, in fact, a natural thing to do given the subject material of Unit 2884. Section 1 explicitly includes broad comparisons of the structure of earnings and employment between the UK and the rest of the EU, and of unit labour costs; but whether looking at leisure markets, labour markets, labour market failure, inequality or government policy (including the EU and Social Charter) in these areas, it is valuable to illustrate points by reference to European as well as UK examples. This is not to say that detailed knowledge of specific European data or institutions is required, but that the material lends itself to an approach which emphasises the European context.

4 Additional guidance on content

- 1 (a) *The structure of, and trends in, UK employment and earnings, in total and broken down into categories. Comparative EU and other international data.*
This provides an introduction to a major element of the subject matter of Unit 2884, and an opportunity to revisit skills of data handling and interpretation.
- (b) *Meaning of 'unit labour costs', its implications and comparisons, internationally and over time.*
This is traditionally a concept which A level candidates find difficult. Its relationship with productivity should be emphasised, and also its implications for international competitiveness and globalisation of markets.
- (c) *The work-leisure trade-off, different uses of leisure time.*
The obvious concept to emphasise here is that of opportunity cost – both of leisure compared to work, and between different uses of leisure time. There is a clear link to 3(c) below.
- (d) *Trends within leisure industries both in terms of expenditure and employment.*
Again, this provides a further opportunity to revisit data response skills.
- 2 (a) *Theory of the firm.*
Candidates are expected to understand fully the traditional theoretical models of perfect competition, monopolistic competition, oligopoly and monopoly, and to make comparisons between them, in terms of price, output, profit and efficiency. This builds on the material in Unit 2881 on the characteristics of the different market structures. A detailed analysis of the models and the behaviour of firms operating in such markets is necessary at this level. In addition, by emphasising the concept of contestability, the vital importance of barriers to entry will be stressed, and this can form a central link to 2(b) below.
- (b) *Behaviour of firms in leisure markets.*
The **four** markets mentioned in the specification are package holidays, air travel, spectator sports and TV broadcasting, although this does not mean that others cannot be used in teaching. Indeed, candidates should be encouraged to collect and interpret material on a range of different 'leisure markets'. The objective is to encourage candidates to apply their understanding from 2(a) above to markets in

which they are likely to have some knowledge, and hopefully, interest. They should be encouraged to ask themselves a series of questions when considering any particular market, such as: How contestable is it? What are the important entry barriers? Are there significant economies of scale? How important is price and non-price competition? To what extent is 'efficiency' achieved? How profitable are firms, and why? Are there any significant trends or broad structural changes happening?

- 3 (a) *Relative wages as a function of supply and demand for labour. Concepts of transfer earnings and economic rent.*

This is an opportunity to re-emphasise the elementary supply and demand analysis from Unit 2881, applied to the market for labour services. It is helpful to encourage candidates to think carefully about the nature of the particular market they are attempting to analyse – the labour market(s) in which a firm or industry is operating, or for a whole occupation. When considering changes over time in wages and employment, the emphasis should be on consideration of the direction of shift of either the demand or supply curve – this is often an area which candidates find confusing, particularly when looking at labour markets. It is also, perhaps, helpful to introduce the concepts of transfer earnings and economic rent at this early stage.

- (b) *Demand for labour; MRP.*

Candidates are expected to understand the concepts of marginal physical and marginal revenue product, and factors which determine them in both perfect and imperfect product markets. The focus, though, should be on explaining how they are relevant in influencing the demand for labour, and candidates should also be aware of the limitations of such an explanation.

- (c) *Short-run supply of labour.*

This builds on 1(c) above. Elementary indifference curve analysis can be used to illustrate the nature of the work-leisure decision which individual workers make, but other theoretical and analytical approaches can certainly be employed. What is important is to stress the wage-rate as the opportunity cost of leisure, and to distinguish between the income and substitution effects of a wage change.

- (d) *Long-run supply of labour.*

The emphasis should be on factors which influence the supply of labour to different occupations, pecuniary and non-pecuniary, positive and negative. The concept of human capital, and the influence on it of education and training, is clearly relevant here.

- (e) *Wage determination in theory and practice.*

This brings together the above analysis, including consideration of the relevance of elasticities in determining relative wages, and of the factors which influence them, in both the short-run and the long-run. Real-world labour markets should be considered – with the focus on the extent to which the theory does or does not explain their outcomes in practice.

- 4 (a) *Causes and consequences of labour market failure. Relevant government policies.*

The range of labour market failures which candidates are expected to understand and to analyse is clearly delineated in the unit specification. Teachers may find it best to tackle them one by one, following a standard pattern of: causes, consequences, appropriate government intervention. The emphasis in covering consequences should be on wage rates, supply of and demand for labour, and employment, although wider economic effects are also relevant. The focus when discussing government intervention should be on possible methods, and their effectiveness or otherwise. The extent to which labour markets are, or are not,

flexible would also be a useful unifying theme throughout this section. It is also important to begin by analysing precisely what labour market 'failure' actually means.

(b) *Trade unions and the labour market.*

This is separated out as a particular topic in the unit specification, even though it will clearly have been covered in outline in 4(a) above. There is a requirement to have some background understanding of unionism and of trends in trades union membership, but the main focus should be on collective bargaining and on its impact on the labour market.

(c) *Inequality, poverty and the distribution of income and wealth. Government policies aimed to influence these.*

Although such issues have always formed a part of traditional Economics specifications, they are rather more explicit and central to this unit. The sensible starting point should be meaning and measurement, followed by a consideration of causes. Then, government policies which aim to address aspects which are perceived to be unacceptable should be considered. Clearly, normative and equity issues should be central here.

(d) *The European context.*

The specification for Unit 2884 explicitly involves consideration of the role of the EU and the Social Charter, and their impact on the UK labour market. Reference could also be made to the impact of the 2004 geographical enlargement on labour migration and situations of shortage in labour markets in the more affluent member states.

5 Specialist resources

Clark A, Layard R and Rubin M	<i>UK Unemployment.</i>	SEB Heinemann 1997	0-435-33038-1
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Cooper C et al	<i>Tourism, Principles and Practice</i>	Longmans 1998	
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Cramp P	<i>Labour Markets: The Economics of Work and Leisure</i>	Anforme 2004	
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(This book was published in September 2004 and has been redesigned for OCR's specification. It contains **four** brief units on the leisure markets referred to in Section 4, part 2(b) above.)

Hale G	<i>Labour Markets</i>	SEB Heinemann 2001	0-435-33219-8
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Tribe J	<i>The Economics of Leisure and Tourism</i> (3rd edition)	Butterworth Heinemann 2005	0-750-64232-7
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Wilson I	<i>The Economics of Leisure</i>	SEB Heinemann 2003	0-435-33045-4
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(This book is written by the Principal Examiner for Unit 2884.)

Unit 2885: Transport economics

1 Introduction

This unit is one of the two paired optional units which draw upon and develop the micro-economic content of the AS units. A broad understanding of macro-economics is also needed for candidates to fully appreciate the wider contextual framework for their studies.

The unit has **two** main features:

- to apply economic theory and recognised economic principles to the transport sector;
- to enable candidates to see how present and projected transport problems and issues have an underpinning which can be drawn from core economic concepts and theories.

To succeed in this unit, candidates should have a sound knowledge of current transport policy and related matters, particularly in the UK. The nature of the unit though is that, where appropriate, candidates should be encouraged to draw upon other examples from the rest of the EU and the rest of the world.

The scope of the subject content is that it is not necessary for candidates to have a basic historical knowledge of transport beyond the last **ten** years.

In delivering this unit, teachers are advised that:

- (i) The specification contains a block of economic theory on the models of market structures (Section 5.5.2) identical to that contained in Section 5.4.2 of Unit 2884. Questions on pure theory from this section may be asked in either Section A (Data Response) or the first part of a structured-essay question in Section B. Further questions requiring the application of this theory to transport markets will be set within either Section A or the final part of a Section B structured-essay question.
- (ii) To fully understand the applications, it is necessary for candidates to develop their knowledge of certain aspects of economic theory introduced at AS. These include:
 - an extension of the determinants of demand and supply, particularly to cover the nature of 'derived demand' – Section 5.5.1;
 - a development of the arguments for and against subsidies – Section 5.5.2;
 - an extension of the principles and practice of cost-benefit analysis – Section 5.5.3;
 - a development of the economics of market failure, in particular to cover situations where there are negative externalities – Section 5.5.4;
 - a development of the economic arguments for and against regulation and indirect taxation as a means of combating market failure – Section 5.5.4.

The delivery of the unit should take into account the standard pattern of assessment for the A2 optional units. Data response questions will be consistent in their format and require candidates to use, and apply, data-handling skills. It is therefore important that candidates are familiar with the ways in which transport data are represented and the sort of measurement units used in these representations. An ability to summarise trends is a key feature that has been mentioned in Principal Examiner Reports. A knowledge and understanding of the uses and problems with transport forecasts will be of particular benefit.

At times, transport data can be confusing due to their apparent complexity. It may be useful for candidates to ask themselves the following:

- Does the data relate to transport services or infrastructure?
- Are they relating to the demand side of the market or the supply side?
- Does the data make reference to a regional, national or international context?
- What is the source of the data?

The general advice on how to write structured essays also applies. It is important to remind candidates that essays are assessed using levels of response mark schemes. Part (a) will always require economic analysis and part (b) will ask for evaluative judgements to be made. Candidates who underpin such judgements with appropriate economic analysis will score highly in this section. Candidates should also be reminded to incorporate, and use, clearly-labelled diagrams into their answers, where appropriate.

2 Specification weighting

An approximate sectional weighting for the delivery of the unit is as follows:

Section	Title	%
5.5.1	Transport, transport trends and the economy	20%
5.5.2	Theories of market structure and competition behaviour in transport markets	30%
5.5.3	Resource allocation issues in transport	20%
5.5.4	Market failure and the role of government in transport	30%

3 General advice on teaching strategies

There are various possible schemes of work for the effective delivery of the unit, for example:

Scheme 1 To follow the order of the specification – this is logical and introduces the most challenging new aspects of theory at the outset. It also allows some later issues to be introduced when considering transport trends, e.g. congestion and other environmental concerns.

Scheme 2 Section 5.5.1 – objectives of transport policy and how to achieve the best allocation of resources; the concept of an integrated transport policy – Section 5.5.3;
 Section 5.5.4 – building upon Unit 2882 and developing the policy context introduced above;
 Section 5.5.2 – this leaves the major block of new theory until later in the course;
 Remainder of Section 5.5.3

Other schemes could be developed, for example, introducing a topical issue early and then incorporating the remainder of the unit specification.

In any scheme, Section 5.5.1 should be delivered first: this is necessary to set the remaining sections in a relevant framework. There is much information on the Department for Transport (DfT) website (www.dft.gov.uk) that can help provide this framework and enable teachers to familiarise candidates with transport data. The recently produced (2004) Transport Trends section is particularly useful and relevant.

As with other parts of the specification, this unit does lend itself to a candidate-centred approach to learning. After AS, for example, candidates could be encouraged to build up a file of newspaper cuttings and Internet information (from web newspaper collections) on current transport topics. Local newspapers are often a very good source of transport issues that are topical and of interest to candidates e.g. park-and-ride schemes, proposed closure/openings of rail/bus services, discussions regarding accident-prone roads, etc. All of these can be used to introduce transport issues which can be developed later in the course. This process could persist during the first term of Year 13 in a traditional A Level pattern.

From time to time, there are excellent television programmes on transport topics. Recent examples include discussions on many news programmes regarding the more widespread use of road-user charging. Encourage candidates to look out for these and record them.

Candidate involvement in the delivery of the unit could incorporate regular lessons where copies of relevant articles are exchanged and discussed. Over time, this material will develop into a valuable resource collection.

4 Additional guidance on content

Transport, transport trends and the economy

Candidates should be familiar with transport data, units of measurement and their appropriateness, relevant terms with particular respect to transport operations and infrastructure, the main modes of transport for passenger and freight transport, and the involvement of private and public sectors.

An understanding of why transport is a derived demand is crucial (journey purpose is a good approach). Freight, as well as passenger transport, should be explained in this way. The main factors influencing the supply of transport services and infrastructure are also important and a good approach is to use the theory developed in Unit 2881. This, together with an understanding of recent trends in the demand and supply of transport in the UK, and how and why transport forecasts are made, make a good theoretical start to the unit. Familiarity with such analysis is vital to provide the necessary framework for the remainder of the course. The Transport Statistics section of the DfT's website contains a more than adequate database.

Market structure and competitive behaviour in transport markets

This section requires a theoretical development of the characteristics of the market structures which were introduced at AS. Models should be analysed and explained, and the implications evaluated in terms of resource allocation efficiency. (Remember questions can be set purely on aspects of theory alone and therefore it may be appropriate to teach the theoretical models in isolation from transport markets, at least initially).

Furthermore, it is necessary to explore contestability and how this concept can be applied to the actual behaviour of firms in transport markets. The importance of barriers to entry should be emphasised.

Deregulation, privatisation and the natural monopoly argument within transport markets should be analysed, with particular attention to rail privatisation and bus and air transport deregulation. Candidates will not be expected to have a complete knowledge of recent changes in legislation affecting transport markets, e.g. rail. However, they should be aware of the impact of recent changes. Locally-based information can often be used to illustrate the concepts in this section.

Resource allocation issues in transport

In practice the 'best' allocation of resources is not always possible in transport. This needs to be understood, together with the objectives of an integrated transport policy.

The role of the private sector through programmes such as the Private Funding Initiative should be understood. Transport operational-cost structures should be analysed in terms of fixed and variable costs. The role of the public sector and the use and limitations of cost-benefit analysis in transport decision-making should also be understood. The main differences between a cost-benefit and a financial appraisal of a project should be understood. Examples could be used from airport developments and toll roads where recent projects have been assessed purely on a financial basis. This again requires candidates to develop their understanding of a concept at AS and apply it to transport issues. For example, at AS, social costs and benefits, and how these include private and external costs and benefits, were identified but at A2, an understanding of how such costs and benefits are calculated is required. The use and limitations of such calculations must also be understood.

Market failure and the role of government in transport

There are many examples of market failure in transport. Again, concepts such as negative externalities should be further developed from AS and applied to transport issues. In particular, the impact of transport on the environment and how regulation and taxation are used to reduce negative externalities should be understood, together with the concept of sustainability applied to transport. This is particularly topical at the present time, for freight as well as passenger transport.

Traffic congestion as an example of market failure and policies for combating congestion should be evaluated in both theoretical and practical terms. Comparisons with policies in other countries are to be encouraged. Again, candidates will be rewarded for appropriate use of relevant and up-to-date examples, such as congestion charging in London and proposals for a national road pricing system.

Link to synoptic requirement

The most obvious link is through the additional content on market structures. This new material may resurface in a European context within the Unit 2888 stimulus material. For example, a case study that includes the collusive activities of firms within a European industry could draw upon the theory and principles of oligopoly and contestability.

Examiners are mindful of the need **not** to produce stimulus material which could give an unfair advantage to candidates taking a particular optional unit. Stimulus material on the workings and problems of the EU's Common Transport Policy, for example, would normally be seen as inappropriate for this reason.

5 Resources

Bamford C G	<i>Transport Economics</i> (3rd edition)	SEB Heinemann 2001	0-435-33215-5
(This book has been specifically produced for Unit 2885.)			
Bamford CG	<i>Transport Economics in Developments in Economics</i> (2005 edition)	Causeway Press	
Cole S	<i>Applied Transport Economics</i>	Kogan Page 2005	0-749-43964-5
Glaister S and Travers T	<i>New Directions for British Railways</i>	Institute of Economics Affairs 1993	
Hibbs J	<i>Deregulation</i>	Adam Smith Institute 1998	
Hibbs J	<i>Transport Economics and Policy</i>	Kogan Page 2003	0-749-43772-3
Hibbs J and Bradley M	<i>Deregulated Decade</i>	Adam Smith Institute 1997	1-873-71283-9
	<i>Developing an Integrated Transport Policy: A Consultation Paper</i>	Department of Transport, the Environment and the Regions 1997	
Royal Commission on Environmental Pollution	<i>Transport and the Environment</i>	HMSO 1994 and 1997	
	<i>The Future of Transport</i> (The most recent white paper)	Department for Transport July 2004	
	<i>Breaking the Logjam</i>	The Department of the Environment, Transport and the Regions 1998	

For up-to-date publications, candidates and teachers will find it useful to consult the websites of the Department for Transport (www.dft.gov.uk) and the Commission for Integrated Transport (www.cfit.gov.uk).

A particularly useful website is the one provided by the Independent Transport Commission (www.soton.ac.uk).

Unit 2886: The economics of development

1 Introduction

The unit concentrates on the position of developing countries within the world economy. It considers their nature, how they have reached their present position, the problems that they face and possible ways to tackle these problems. It compares their situation to that of the more developed economies. It examines how economists try to explain the development process in theoretical terms. The background content of international institutions and relationships and the impact of recent and current economic events is considered.

The unit builds on understanding acquired from the AS specification. Topics which are particularly applicable to *the economics of development* are:

- national income (Unit 2883) and economic growth (Unit 2883) – Section 5.6.1;
- factors of production (Unit 2881) – Section 5.6.2;
- gains from trade (Unit 2883) – Section 5.6.3;
- market failure (Unit 2882) and macro-economic problems (Unit 2883) – Section 5.6.4;
- market operation (Unit 2881) and government intervention at the micro and macro levels (Unit 2882) – Section 5.6.5.

In common with Unit 2887: *The UK economy*, this unit introduces absolute and comparative advantage. Understanding of how these principles underpin the pattern of international trade and the position of developing countries within it is considered. How well it operates in practice, given the unequal nature of trading relations and the restrictive nature of its assumptions, is an important issue for consideration.

The content of development economics is, like most of economics, subject to continual change. In terms of the unit specification, this is usually witnessed by the emergence of new examples and adjustments within the institutional framework. Countries which have been economically successful can suddenly move into crisis (e.g. Argentina), while others (e.g. China) can move in the opposite direction. This can also be seen in the speed of globalisation and the changes in world trade arrangements brought about by WTO negotiations. Some awareness of such changes is in keeping with the real-world nature of the unit.

The assessment of the unit combines a data response question and an essay. The data response question is often based upon information relating to individual countries or a comparison of different countries. This does not imply country-specific knowledge is needed but that general principles are to be applied to the data. The intention of the data response assessment is to get candidates to recognise and respond to central issues facing developing countries. The structured essay is intended to allow a more discursive approach and give the candidate the opportunity to draw together and evaluate the threads of an argument. Recent experience has shown that the strongest performances are characterised by a sound development context, up-to-date knowledge, reference to examples, a clearly structured response and the ability to maintain relevance. Less successful outcomes tend to stereotype economies, lack appropriate application of principles and theories, and change the focus of the question to a preferred but inappropriate formulation. Reference to recent Principal Examiner Reports will supply examples of the strengths and weaknesses of responses in particular sessions.

2 Specification weighting

A suggested approximate weighting split for the delivery of the unit is:

Section	Title	%
5.6.1	The concept of development	10
5.6.2	Economies at different stages of development	15
5.6.3	Theories and models linked to development	15
5.6.4	Problems of developing economies	30
5.6.5	Policies to promote development	30

3 General advice on teaching strategies

The unit relates to issues that are both topical and of interest to candidates in this age group. It is, for an increasing number, an area in which they may have direct experience, either as tourists or through family links. Any approach which captures this enthusiasm will be beneficial. The unit offers the opportunity to encourage candidate involvement through research on individual developing economies or development themes. It is rare that some development issue is not in the news so reference to current events via TV, the press and the Internet allows candidates to remain up-to-date and build up a stock of examples for future application. Use of the Virtual Developing Economy website (www.bized.ac.uk/virtual/dc/index) and simulations or games based on development themes can, time permitting, bring variety and a different approach to learning.

A possible order for teaching the unit is:

- 1 The meaning and measurement of economic growth and development.
- 2 The characteristics and structures of developing economies.
- 3 International linkages (governmental, non-governmental and commercial).
- 4 Studies of, and contrasts between, different countries.
- 5 The causes and nature of domestic economic problems.
- 6 The nature and effectiveness of policies for domestic economic problems.
- 7 The causes and nature of international economic problems.
- 8 The nature and effectiveness of policies for international economic problems.

Teachers may prefer not to categorise 'problems', or to adopt an alternative categorisation. It is equally possible to approach the specification in a thematic way, moving from context through problem/issue to resolution. **Theories and models of development may be integrated at the appropriate point rather than treated as a section in their own right.** Candidate case studies could be undertaken at the start of the course, particularly if the unit is started at the end of the AS year, and could form the basis for analysing contrasts between different countries. Alternatively, they may be used as a summary exercise to bring together the concepts in a real context.

Activities involving candidate participation linked to classroom delivery include:

- analysis/interpretation of comparative World Bank data and national statistics;
- researching information via multinationals, embassies, international bodies and non-governmental organisations;
- presentations on the features of contrasting developing economies;
- role plays from the standpoints of those involved in promoting development;
- discussions of the impact of the activities of these groups;
- application of theoretical models to real world situations;
- field trips on the Virtual Developing Economy website.

4 Additional guidance on content

The concept of development

Precise knowledge of the meaning of development and the constituents of the HDI is necessary. The non-material element must be understood and clarification along the lines of, for example, Todaro's view helps to show the width of the concept. As well as recognising how HDI improves on the simple application of national income figures, it is important to recognise its continuing limitations. Some awareness of the different classifications of countries according to their predominant features is expected but it is not the intention to highlight other than the commonly-used categories. Only well-known examples are expected. The classifications may apply to the developing, transitional and developed countries. A basic understanding of differential development in developed economies should be incorporated into the teaching of this section. Candidates must avoid the danger of stereo-typing and oversimplification that may occur with such classifications.

Economies at different stages of development

The typical features of developing economies need to be known and understood, while recognising the uniqueness of individual economies. The structure of the economy needs to be classified in several ways, not simply along the primary, secondary and tertiary division. The existence of formal and informal sectors is significant for developing economies. The possibility of different paths of development and their link to factor endowment and economic/non-economic circumstances should be explored. Dealing with structural change would enable the models of Rostow and Lewis to be introduced as an explanation of the process. The colonial background and pivotal economic events, e.g. the first oil crisis, have been major influences but do not need to be treated from a historical perspective. The influence they have had on the current position is what is important. Dependency theory might, at this stage, be linked to the colonial background and economic structure. This section can use candidate work on individual economies and allow candidates to build up their bank of examples.

Theories and models linked to development

Candidates need to understand that the point of development theories is to explain and predict economic behaviour and events. There has been much evidence, from candidate performance, that this is not appreciated, with theories being treated as policies and becoming the focus of an answer, rather than a contribution to analysing a problem. It is likely that this will be better understood if theories are integrated into the other sections of the specification

rather than taught as discrete units. In dealing with theories, candidates are expected to appreciate their assumptions, operation and weaknesses. The specification identifies those theories which might form the basis of a direct question. Candidates should not be afraid to be critical of the contribution of theorising to the understanding of development.

Problems of developing economies

The emphasis of the section should be on the economic problems which are specific to the situation of developing economies. The models which might be introduced here are Harrod Domar and absolute and comparative advantage. In considering a problem, it is necessary to set its context, establish its nature and judge its significance. Links to the earlier section on characteristics should emerge at this point. Alternatively, a thematic approach might be employed moving from characteristics to problems/issues to policies. It needs to be stressed that the problems are not necessarily common to all countries or all time periods.

Policies to promote development

The policies which aid development may originate from governments, international institutions and non-governmental organisations and will need to be linked to the appropriate problems. The treatment of a policy needs to show how it operates and consider its effectiveness. The alternative approaches of state intervention and free market forces need to be contrasted, as do the balanced-growth and unbalanced-growth approaches. Again, a critical approach to the effectiveness of policy measures is sought. This section draws on recent events and will be affected by changing circumstances: this makes it an area in which candidate research and feedback would be productive.

5 Resources

Cramp P	<i>Economic Development</i> (3rd edition)	Anforme 2003	0-907-52973-9
Nixson F	<i>Development Economics</i> (2nd edition)	SEB Heinemann 2001	0-435-33048-9
Rees and Smith	<i>Economic Development</i>	Palgrave Macmillan 1998	0-333-72228-0
Smith C	<i>International Trade and Globalisation</i> (2nd edition)	Anforme 2004	0-907-52982-8
UNDP	<i>Human Development Report</i>	Oxford, Annual	
World Bank	<i>World Development Report</i>	Oxford, Annual	

Developments, a free quarterly magazine produced by the Department for International Development (DFID) contains many useful articles (e-mail: enquiry@dfid.gov.uk).

The DFID also produce a free CD-ROM, *Development Works* (e-mail: publicity@dfid.gov.uk).

For teacher reference:

Todaro P and Smith G	<i>Economic Development</i> (8th edition)	Addison Wesley 2003	0-273-65549-3
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(with access to its associated website www.aw.com/todaro)

Other useful web addresses include:

www.developmentgateway.org

www.worldbank.org

www.wto.org

www.jusbiz.org.uk

www.christianaid.org.uk

www.oxfam.org.uk

www.afrodad.org

www.globalissues.org

www.whirledbank.org

Unit 2887: The UK economy

1 Introduction

This unit allows candidates to develop not only a good understanding of how the UK economy has performed over recent years but also the key factors which have influenced this performance. Candidates should question the extent to which government policy or other factors have been responsible for changes in the UK economy. The UK economy's performance should also be compared to that of other developed economies.

Current debates are set within this context. For example: Could the UK economy have done better? Should the government have chosen an alternative policy? To what extent are changes in other economies or other influences such as oil price changes and worldwide conflicts relevant in determining what has happened to the UK economy in recent years?

This unit builds on the material introduced within Unit 2883. It is therefore important not only to understand the basic concepts introduced within Unit 2883 but to develop and improve this knowledge and understanding. In particular, this includes the development of both analytical and evaluative skills. This step change is absolutely crucial to achieving a good performance.

The range of core theory that underpins this understanding can be kept relatively brief. The importance of a clear knowledge of the AD/AS diagram together with an understanding of the determinants of shifts in both curves and the relevance of the slopes of these curves in determining the impact on the economy's price level and national income, cannot be underestimated. Fiscal, monetary and supply-side policies can all be compared using this basic macro-economic tool.

Development of theory beyond the AS units is achieved through a greater depth of understanding of the Keynesian multiplier process, the two key monetary transmissions mechanisms, the concept of comparative advantage and the Marshall-Lerner conditions.

The difference between potential and actual economic growth is also essential in understanding the performance of the economy. Candidates should therefore be able to understand the difference between a growth in Aggregate Monetary Demand and economic growth explained through a shift in productive potential. Limits on economic growth should also be introduced – this could be taught within the concept of 'sustainable' economic growth.

An understanding of the balance of payments is developed in several ways. The concept of comparative advantage demonstrates the potential benefits of trade, whilst the Marshall-Lerner condition shows the likely impact of a change in the rate of exchange on the balance of trade. The impact of changes in the rate of interest on both financial flows and the rate of exchange, together with an understanding of the determinants of an economy's external competitiveness, completes the underlying analysis of the balance of payments.

A small number of key developments have taken place in recent years. These include the role of the Monetary Policy Committee of the Bank of England in setting the rate of interest. Governments are now more concerned with achieving 'sustainable' growth, i.e. taking account of the limits on economic growth. The impact of conflict on worldwide recession and world prices, e.g. oil prices, and the consequent impact on the UK economy, cannot be overlooked. However, since 2002, the UK economy has remained in a relatively stable state and consequently there have been few major policy interventions by the government.

Large numbers of candidates appeared in the early examination sessions to have had difficulty in developing their answers beyond AS Level, i.e. Unit 2883. This meant that answers often lacked the quality of analysis and depth of evaluation required to achieve

Level 3 and 4 marks at A2. Thankfully, this has now changed and candidates are much more willing to use tools of analysis such as AD/AS diagrams or basic equations to give an analytical backing to their answers. Evaluative comments are also improving in frequency, relevance and quality. The best of these give alternative approaches either in theoretical terms or to a policy solution to a particular problem.

The remaining major shortcoming is a lack of apparent willingness on the part of some candidates to apply their answers to the recent UK economic performance when asked to do so. These candidates appear content to use theory alone, even when the question clearly asks them to refer to recent UK performance.

2 Specification weighting

An approximate weighting split for the delivery of this unit is:

Section	Title	%
5.7.1	The performance of the UK economy	10%
5.7.2	Controlling the performance of the UK economy	25%
5.7.3	Modelling the economy	30%
5.7.4	Policies to improve UK performance	25%
5.7.5	Conflicts, current issues and controversies	10%

3 General advice on teaching strategies

There are a number of alternative approaches to the teaching of this unit. These are summarised below but any teaching strategy needs to encourage candidates to develop the quality of analysis and evaluation beyond that needed to do well at AS level. Candidates should be encouraged to include appropriate diagrams or equations to explain their answers to the essay question. Whilst it is possible to give a quality answer without doing this, experience has shown that it is only the exceptional candidate that does well using this more verbal approach.

Some centres generate this required change of gear by starting with a topic that has not been previously covered at AS level, e.g. by examining the alternative monetary transmissions mechanisms in depth. This allows use of a range of simple diagrams such as the liquidity preference schedule and the AD/AS diagram together with the basic Quantity Theory of Money equation. Evaluative comments can be introduced through a comparison of the potential impact on key performance indicators of changes in the money supply under each of these alternative approaches.

Whilst teachers who have adopted this approach report that it is successful with a high achieving group, a more traditional approach to the specification delivery, i.e. taking each specification section in turn, may be more appropriate for a group that contains candidates of more mixed ability.

An alternative method of achieving motivation might be to relate developments in theory to recent economic events. Starting with familiar concepts can give confidence to the less able

members of the group, whilst setting the development of the theories into current context adds relevance.

For example, the Monetary Policy Committee of the Bank of England meets on a regular basis to discuss the state of the economy and to debate the appropriate level at which to set interest rates. The news media gives widespread coverage to this debate and thus provides the stimulus to developing an understanding of UK economic performance.

A third approach might be to use a theme-based approach. Themes could be based around different key-policy indicators. Each can be taken in turn and the measurement, theory and evaluation of performance and policy alternatives can be considered before moving on. Alternatively themes may be based around different policy approaches.

4 Additional guidance on content

As seen, the order in which this unit is delivered can vary, although it would seem sensible to start by placing UK economic performance in context.

The performance of the UK economy

Candidates should be able to understand the advantages and limitations of alternative measures of economic performance. They should also be able to use these measures to compare the UK's economic performance with that of other countries. Evaluative comments will not only be based around the appropriateness of alternative measures of economic performance but also questions such as: 'Did the UK perform well?' and 'To what extent is the UK's performance better or worse than another country?'. The most important development of the measures will include consideration of price indices, Lorenz curves and measures of the standard of living.

Controlling the performance of the UK economy

The role of Monetary Policy Committee of the Bank of England and an understanding of the effectiveness of the shift in responsibility for monetary policy needs to be covered in depth as a key plank of UK macro-economic policy to control inflation.

As far as fiscal policy is concerned, candidates need to understand the functions of taxation and have an understanding of the main types of UK taxes. The consequences of changes in UK economic performance for the UK government's budget deficit/surplus also needs to be examined in terms of the impact on UK tax revenue and government expenditure, including transfer payments.

An understanding of what constitutes a supply-side policy through policies to improve productivity of both capital and labour such as the New Deal, skill enhancements and minimum wage completes the discussion of methods of controlling domestic economic performance.

As far as the external sector is concerned, candidates should understand what influences the rate of exchange and how changes in the rate of exchange affects the UK's economic performance.

Modelling the economy

The key models should include an understanding of how a change in an injection will affect the economy via the multiplier in a 3-sector economy and the limitations on the impact of the multiplier using an AS/AD diagram, e.g. the effect of the slope of the AS curve on the multiplier

process. Candidates should also be able to explain the multiplier process and this can be achieved through a circular flow diagram or through a table.

To this is added an understanding of the Keynesian Monetary Transmissions Mechanism through which the effect of a change in the money supply on the rate of interest can be explained by use of a liquidity preference schedule. The impact of an interest rate change on investment should be shown with the ultimate impact on the economy being demonstrated through a shift in the AD curve. The Quantity Theory of Money, and hence the Monetary Transmissions Mechanism, can be introduced through a simple identity such as $MV = PT$. This can be further related to a vertical AS curve.

It is important that candidates understand the reasons for trade using the concept of comparative advantage. This can be introduced either through '2x2' use of tables or through production possibility curves. Candidates must illustrate their answers with examples which show comparative rather than absolute advantage (an approach adopted by surprisingly few). They must also show the gains from trade. An understanding of the Marshall-Lerner condition and the impact on the performance of the UK economy of a change in the exchange rate is also expected when considering the balance of payments. Some understanding of the applied relevance of the principle of comparative advantage is also useful.

Policies to improve performance

Candidates should be able to identify the Key Performance Indicators (KPIs) and use appropriate analysis to explain how a policy change might affect each of them. Questions might be directed to economic performance as a whole or to one KPI in particular. Thus, in the examples below, *economic performance* could, for example, be replaced by *reduce the rate of inflation*.

In general terms, the questions can broadly take one of three forms:

- How effective has a particular policy been in improving the UK's recent *economic performance*?
or
How effective has a particular policy been in reducing the UK's recent rate of inflation?
- What is the best policy to improve the UK's current *economic performance*?
or
What is the best policy to reduce the UK's current rate of inflation?
- To what extent should the UK change its current policy in order to improve *economic performance*?
or
To what extent should the UK change its current policy in order to reduce the rate of inflation?

Policies that are examined should include monetary policy and in particular the role of the Monetary Policy Committee of the Bank of England in setting interest rates in order to achieve a particular target rate of inflation. The effect of an interest rate change on the exchange rate and, taking into account the Marshall-Lerner condition, the effect of an interest rate change on the balance of payments, should also be examined.

Fiscal policy should be examined through the impact of changes in government expenditure and taxation. Candidates should recognise a change in the rate on income tax will not only increase disposable income but also alter the size of the multiplier as the marginal rate of withdrawal has changed.

The contribution of supply-side policies to the improvement of the productivity of the UK economy through shifts in the AS curve should also be analysed.

Finally, candidates should be able to discuss the impact on the UK of a change in economic policy introduced by foreign governments or of changes in other key external factors such as oil price changes or international conflicts.

Conflicts, current issues and controversies

Evaluative judgements on recent UK economic performance and the government's use of macro-economic policy can be developed by considering the various conflicts and controversies that exist both now and in the recent past. These will include trade-offs between the different KPIs and constraints on economic policy, such as the length of time that it takes for a policy to be fully effective.

5 Resources

Bamford CG and Grant S	<i>The UK Economy in a Global Context</i>	SEB Heinemann 2000	0-435-33046-2
Grant S	<i>Economic Growth and Business Cycles</i>	SEB Heinemann 1999	0-435-33212-0
Griffiths A and Wall S (eds)	<i>Applied Economics</i> (10th edition)	FT Prentice Hall 2004	0-273-68432-9
Healey N and Cook M	<i>Supply Side Policies</i>	SEB Heinemann 2001	0-435-38047-0
Smith D	<i>UK Current Economic Policy</i> (3rd edition)	Heinemann 2003	0-435-33228-7
Russell M and Heathfield D	<i>Inflation and UK Monetary Policy</i> (3rd edition)	SEB Heinemann 1999	0-435-33213-9

Two recently produced CD-ROMS containing relevant data are:

The UK Economy, HSBC 2004 (free of charge)
The UK Economy in Focus, Tutor2u 2005

The latter also contains up-to-date commentary and analysis.

Teachers should recognise that candidates will need to refer to good newspapers and web resources to gain an up-to-date understanding of recent UK economic performance and policy debates. Particular attention should be paid to announcements by the MPC of the Bank of England and to budget (and pre-budget) statements. The Bank of England, The Treasury and the Institute of Fiscal Studies all give relevant commentaries. Teachers may want to refer to publications of the National Institute for Economic Research for up-to-date statistics and analysis of current economic performance.

Unit 2888: Economics in a European context

1 Introduction

This is the synoptic unit. It differs in **two** important respects from the A2 optional units, namely:

- questions on the unseen examination paper are drawn from pre-circulated stimulus material that is made available to centres around six weeks prior to the examination;
- its purpose is to assess the extent to which candidates have acquired competence in the application of the economist's toolkit of concepts, theories and techniques that have been progressively built up and studied in the AS and in the A2 optional units. Unlike these units, it requires relatively little by way of formal teaching from a pure content standpoint.

2 Synoptic assessment

QCA defines synoptic assessment as testing 'candidates' understanding of the connections between elements of the subject. It will relate to all the assessment objectives. In particular, synoptic assessment should 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 is on candidates' ability to think as economists and to use effectively the economists' 'toolkit' of concepts, theories and techniques which they have built up during their course of study.

QCA adds that synoptic assessment may be based on **one** section of the specification content provided that the tasks set allow candidates to demonstrate their ability in relation to the above **three** bullet points. From our experience to date, stimulus material has always been drawn from more than one section of the specification, covering both micro and macro aspects. From one session to another, though, this material is likely to have a micro or macro emphasis.

To conclude, additional knowledge of economic concepts over and above that contained in the AS specification and A2 cores (i.e. first part of Section 5.4.2 or 5.5.2 and absolute and comparative advantage in Sections 5.6.3 or 5.7.3) is **not** required.

3 The European context

Some *basic* knowledge of the European context is required. Having said this, candidates need only be aware in the broadest sense of the sort of problems and issues that one might expect to find in a good broadsheet newspaper or in documentary television programmes. If a specific knowledge of any European economic problem, policy or institution is required, then this will be contained in the pre-circulated stimulus material.

For the purpose of the unit, 'Europe' is defined in terms of the present EU25 plus the remaining potential members such as Romania and Bulgaria. For these economies and the new member states that joined in May 2004, the emphasis of any stimulus material will be on their economic performance during transition and some of the difficulties they have faced and are likely to face as full EU members.

Pages 191 – 239 of the OCR-endorsed text provide a concise summary of the basic knowledge that is required and a wide range of examples as to how the economic concepts that are contained in the specification can be applied in a European context.

The new Europe

Basic knowledge – how the 'New Europe' has evolved over the past decade or so and what is meant by economic integration.

Synoptic knowledge

- Link to Section 5.3.4 (Unit 2883).
- Link to absolute and comparative advantage in Section 5.6.3 (Unit 2886) or Section 5.7.3 (Unit 2887).

The Single European Market and Economic and Monetary Union

Basic knowledge – the rationale for the Single European Market and what it means in theory and practice. The nature of Economic and Monetary Union and the general implication of a single currency and a central interest rate set by the ECB.

Synoptic knowledge

- Extension of link to Section 5.3.4 (Unit 2883) and to principles of absolute and comparative advantage.
- Link to Section 5.1.2 (Unit 2881) and Section 5.2.1 (Unit 2882) to consider the dynamic advantages of integration.
- Link to Section 5.1.3 (Unit 2881) to assess the benefits of large-scale production.
- Link to Section 5.2.2 (Unit 2882) to consider why markets may not always work efficiently.
- Link to first parts of Section 5.4.2 (Unit 2884) or Section 5.5.2 (Unit 2885) to evaluate how the SEM could affect market structures.
- Link to Section 5.3.3 (Unit 2883) to assess the implication of EMU for the operation of monetary and fiscal policies.
- Link to Section 5.3.1 (Unit 2883) to consider the relative performance of the eurozone and (say) the UK economy.

The transition economies of Europe

Basic knowledge – problems of transition from a planned to a market economy and the costs and benefits that might arise from full EU membership.

Synoptic knowledge

- Link to Section 5.2.3 (Unit 2882) to understand the inefficiencies of central planning.
- Link to Section 5.3.1 (Unit 2883) to analyse recent macroeconomic performance.
- Link to Section 5.3.3 (Unit 2883) to assess how macroeconomic policies can assist in making a successful transition.

It can be seen therefore that there is nothing new in terms of economic concepts, theories and techniques. All have been introduced in earlier AS and A2 optional units. What is new is the context in which these are being applied.

4 Advice on delivering this unit

Experience to date has shown the benefit of incorporating European examples where possible in the teaching of AS and A2 optional units. Realistically though, there is only a limited opportunity for this to occur at AS – as a minimum it is recommended that data from European economies is included in the teaching of Unit 2883, Section 5.3.1 especially.

Some teachers have found it useful to introduce aspects of basic content knowledge in the short period after completion of AS examinations in Year 12. This could also be a good opportunity for prospective A2 candidates to be taking some responsibility for ‘thinking European’ by starting a collection of up-to-date newspaper and magazine articles and by becoming familiar with Internet data sources of statistics on European economies. (Further details can be found in Section 6.)

The basic knowledge content can then be incorporated progressively into the A2 teaching, say a weekly or fortnightly session looking at one of the topics referred to in the previous section.

The pre-circulation of the stimulus material takes some pressure off candidates and allows teachers to spend most time in the Autumn and Spring terms preparing candidates for the optional units. A further advantage of pre-circulation is that the stimulus material ought to provide a good indication as to which parts of the specification will be examined synoptically. It should also indicate which parts of the specification are not likely to be examined synoptically!

A growing number of centres are now entering candidates for the January session. This is obviously a good idea as it then allows the June session to be used for re-sits. Having said this, it is important, from the candidate’s standpoint, that an adequate amount of time has been spent preparing candidates for a January sitting. If this does not occur, then it can have a demotivating effect if the outcomes are poor.

Finally, a health warning! The tutor2u website chat-line now has a lot of hits from candidates looking for help and advice on what questions there might be on the examination paper. As stated above, the broad specification areas should be clear from the stimulus material. This does not mean to say that the exact questions will be as clear. Tutor2u may get it wrong. This could be to the detriment of those candidates who rote-learn answers to questions that they believe will be on the examination paper, only to be disappointed. It has generally been

found that 'question spotting' is best avoided but that 'concept identification' pays high dividends in terms of preparation for this unit.

5 Assessment of the unit and typical question paper structure

Unit assessment

As indicated in the specification, the assessment of this unit is by mean of an unseen question paper that contains a small number of questions based on the pre-issued stimulus material.

Time available: 1 hour 45 minutes

Marks available: 60

Weighting: 40% of A2, 20% of overall A Level

Assessment objectives weighting: AO1 – 20%

AO2 – 20%

AO3 – 30%

AO4 – 30%

Typical question paper structure

In order to meet the above weightings, the following structure has been applied to recent examination papers:

Typically, there have been **five** questions requiring:

- data handling skills (6 marks);
- economic analysis only (9 marks);
- economic analysis with some commentary (10 marks);
- economic analysis with extended commentary (15 marks);
- a final wider ranging question based around the main theme of the extracts or integrating the stimulus material (20 marks).

Therefore a good mark on this paper can only be obtained by candidates who produce answers that reach the L4 level of response, i.e. their answers incorporate appropriate commentary.

Candidates who merely understand and reproduce the pre-circulated extracts are likely to struggle to get marks above the L2 level.

The requirement for a very good L4 mark is for an answer containing commentary or discussion to be underpinned by relevant economic analysis or concepts.

6 Resources

Unlike other units, the nature of this unit is such that most text books tend to over-emphasise the content that is required for the unit, although they may also provide relevant contextual material. The advice provided in Section 3 is very important and should avoid a situation where the context is over-taught.

Units 11-13 in the OCR-endorsed text, Bamford CG et al, *Economics for AS*, CUP 2003, provides the basic knowledge that is required and an extensive range of self-assessment tasks that draw upon indicative stimulus material.

The following texts provide appropriate material on background content and context:

Hill B	<i>The European Union</i> 4th Edition	Heinemann 2001	0-435-33214-7
Romer S	<i>Understanding the European Union</i> 3rd Edition	Anforme 2002	0-907-52971-2

<http://www.economist.com> is a useful data source and has a backlog of short punchy articles.

Tutor2u has produced a CD-ROM, *European Economy in Focus, 2005*, that contains a considerable amount of data and some up-to-date contextual material. Sections 1 – 5 and 8 are appropriate. The rest of the CD, which appears to have been produced for the AQA specification, covers more extensive context than is required for this unit.

Candidates should also be encouraged to read a good newspaper from time to time. The weekly 'Business' newspaper is particularly useful. (It is pink and available on Sundays!)