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**OCR AS GCE in Economics (3812)**  
**OCR Advanced GCE in Economics (7812)**

**Approved Specifications – Revised Edition**

First Advanced Subsidiary GCE certification was 2001  
First Advanced GCE certification was 2002

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**Foreword to Revised Edition**

This Revised Edition has been produced to consolidate earlier revisions to these specifications and any changes contained within have previously been detailed in notices to centres. **There is no significant change to the structure or teaching content of the specification and most differences are cosmetic.** Sidelining will be used to indicate any changes.

The main changes are:

**Re-sits of Units** – The restrictions on re-sitting units have been removed, enabling candidates to re-take units more than once (for details see page 16).

Specific questions on ‘methods of economic enquiry’ will not be asked in Units 2881 and 2882 (see page 20).

Inclusion of the concept of ‘user-charging’ in Unit 2885 (see page 37).

Some contextual up-dating in Unit 2888: specifically, Section 5.8.1 The New Europe; Section 5.8.2 SEM and EMU; and 5.8.3 The Transition Economies of Europe (see pages 48-51).

Significant review of Reading Lists and Resources (Section 7).

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## Foreword (continued)

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This booklet contains OCR's Advanced Subsidiary GCE (AS) and Advanced GCE (A level) Economics specifications for teaching from September 2004.

The AS GCE is assessed at a standard appropriate for candidates who have completed the first year of study of a two year Advanced GCE course, i.e. between GCSE and Advanced GCE. It forms the first half of the Advanced GCE course in terms of teaching time and content. When combined with the second half of the Advanced GCE course, known as 'A2', the AS forms 50% of the assessment of the total Advanced GCE. However, the AS can be taken as a 'stand-alone' qualification. A2 is weighted at 50% of the total assessment of the Advanced GCE.

In these specifications the term **module** is used to describe specific teaching and learning requirements. The term **unit** describes a unit of assessment.

Each teaching and learning module is assessed by its associated unit of assessment.

These specifications meet the requirements of the Common Criteria (Qualifications and Curriculum Authority, 1999), the GCE AS and Advanced Level Qualification-Specific Criteria (QCA, 1999) and the relevant Subject Criteria (QCA, 1999).

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# Specification Summary

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## Outline

The overall aim of these specifications is to enable Centres to devise courses which encourage candidates to:

- develop an understanding of economic concepts and theories through a critical consideration of current economic issues, problems and institutions that affect everyday life;
- apply economic concepts and theories in a range of contexts and to appreciate their value and limitations in explaining real-world phenomena;
- analyse, explain and evaluate the strengths and weaknesses of the market economy and the role of government within it.

The specifications provide candidates with:

- a coherent combination of micro- and macro-economic content and methods of enquiry;
- the ability to explore a range of current economic issues, particularly at the A2 stage, and to draw upon data from local, national and international sources;
- the ability to develop a critical approach to economic models and methods of enquiry.

The specifications encourage the development of a 'tool kit' of knowledge and skills used by economists. On completion of the AS, candidates are able to develop further their understanding of appropriate micro- and macro-economic aspects of applied economics. The subject matter of the modules is of relevance in today's complex global economy as well as being of significance in fostering a better appreciation of contemporary economic issues in the UK economy. Through the synoptic unit, Economics in a European Context (Unit 2888), candidates are able to demonstrate their understanding of the relationship between different aspects of the subject, specifically within a European context.

- The specifications are self-contained qualifications and, for some candidates, an AS GCE in Economics will be consistent with broadening the basis of their sixth form studies. For others, the AS GCE and Advanced GCE qualifications will be:
  - (a) an appropriate foundation for a higher education in Economics or in other areas such as business administration, environmental planning, transport and logistics, development studies and European Studies which have an economic underpinning to them;
  - (b) an appropriate entry qualification for a wide range of business and professional service sector employment.

## Scheme of Assessment

The AS GCE forms 50% of the assessment weighting of the full Advanced GCE. AS GCE is assessed at a standard between GCSE and Advanced GCE and can be taken as a stand-alone qualification or as the first part of the full Advanced GCE course.

Assessment is by means of **3 units of assessment** for AS GCE and **6 units of assessment** for Advanced GCE.

AS GCE Candidates take Units 2881, 2882 and 2883.

Advanced GCE Candidates take Units 2881, 2882, 2883 and 2888,  
plus either Unit 2884 or Unit 2885,  
plus either Unit 2886 or Unit 2887.

Advanced GCE is designed to offer maximum flexibility through a choice of two paired A2 optional modules, focusing on applied economics and incorporating aspects of micro- and macro-economics.

### Units of Assessment

Unit	Level	Unit Title	Duration	Weighting %	
				AS	Advanced GCE
2881	AS	The Market System	1 hour	30	15
2882	AS	Market Failure and Government Intervention	1 hour	30	15
2883	AS	The National and International Economy	1 hour	40	20
2884	A2	Economics of Work and Leisure	1 hour 30 mins	—	15
2885	A2	Transport Economics	1 hour 30 mins	—	15
2886	A2	Economics of Development	1 hour 30 mins	—	15
2887	A2	The UK Economy	1 hour 30 mins	—	15
2888	A2	Economics in a European Context	1 hour 45 mins	—	20

All units are assessed by a written examination.

Unit 2888 is a compulsory synoptic unit, involving pre-issued stimulus material.

## Question Paper Requirements

### AS

The question paper for each unit contains compulsory questions based on a particular theme or a short unseen case study drawn from real or synthetic material which may also contain quantitative information.

### A2

The question paper for each optional unit (i.e. 2884 or 2885 and 2886 or 2887) contains two sections. Section A contains a compulsory data-response question. Section B offers a choice of one from three structured essay questions.

The question paper for the synoptic unit (2888) consists of a small number of compulsory questions where candidates have to draw upon the stimulus material provided. This stimulus material consists of information drawn from a range of inter-related sources. These sources may be articles from newspapers or journals, extracts from textbooks and quantitative material. This stimulus material is pre-issued to Centres in order to provide a more specific framework for the study of the synoptic module. The question paper includes the stimulus material. Candidates are not allowed to take the original pre-issued material into the examination room.

### Overlap with VCE

The VCE in Business unit, The Competitive Business Environment (VCE unit 7231), overlaps with AS Module 2881, The Market System (interaction of demand and supply elements and the role of markets; how firms operate in a competitive marketplace) and AS Module 2882, Market Failure and Government Intervention (the impact of government policy upon the firm). Similarly, the VCE unit on Business and the European Union (VCE unit 7251) has some overlap with the synoptic module, Economics in a European Context (Module 2888).

Centres should note that the OCR VCE in Business will be replaced by the OCR GCE in Applied Business for teaching from September 2005.

# 1 Introduction

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These specifications are consistent with the AS GCE and Advanced GCE Subject Criteria for Economics (QCA, 1999).

The overall aim of these specifications is to enable Centres to devise courses which encourage candidates to:

- develop an understanding of economic concepts and theories through a critical consideration of current economic issues, problems and institutions that affect everyday life;
- apply economic concepts and theories in a range of contexts and to appreciate their value and limitations in explaining real-world phenomena;
- analyse, explain and evaluate the strengths and weaknesses of the market economy and the role of government within it.

The specifications provide candidates with:

- a coherent combination of micro- and macro-economic content and methods of enquiry;
- the ability to explore a range of current economic issues, particularly at the A2 stage, and to draw upon data from local, national and international sources;
- the ability to develop a critical approach to economic models and methods of enquiry.

The specifications encourage the development of a 'tool kit' of knowledge and skills used by economists. On completion of the AS, candidates are able to develop further their understanding of appropriate micro- and macro-economic aspects of applied economics. The subject matter of the modules is of relevance in today's complex global economy as well as being of significance in fostering a better appreciation of contemporary economic issues in the UK economy. Through the synoptic unit, Economics in a European Context (Unit 2888), candidates are able to demonstrate their understanding of the relationship between different aspects of the subject, specifically within a European context.

The specifications are self-contained qualifications and, for some students, an AS GCE in Economics will be consistent with broadening the basis of their sixth form studies. For others, the AS GCE and Advanced GCE qualifications will be:

- (a) an appropriate foundation for a higher education in Economics or in other areas such as business administration, environmental planning, transport and logistics, development studies and European Studies which have an economic underpinning to them;
- (b) an appropriate entry qualification into a wide range of business and professional service sector employment.

These specifications assume no previous study of Economics.

## 1.1 Certification Title

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These specifications are shown on a certificate as

- OCR Advanced Subsidiary GCE in Economics.
  - OCR Advanced GCE in Economics.
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## 1.2 Language

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These specifications and associated assessment materials are available in English only.

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## 1.3 Overlap with other qualifications

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The VCE Business unit, The Competitive Business Environment (VCE unit 7231), overlaps with AS module 2881, The Market System (interaction of demand and supply elements and the role of markets; how firms operate in a competitive marketplace) and AS module 2882, Market Failure and Government Intervention (the impact of government policy upon the firm). Similarly, the VCE unit on Business and the European Union (VCE unit 7251) has some overlap with the synoptic module at Advanced GCE, Economics in a European Context (Module 2888).

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## 1.4 Exclusions

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Candidates who enter for this AS GCE specification may **not** also enter for any other AS GCE specification with the certification title Economics or Business Studies & Economics in the same examination session.

Candidates who enter for this Advanced GCE specification may **not** also enter for any other Advanced GCE specification with the certification title Economics or Business Studies & Economics in the same examination session.

Every specification is assigned to a national classification code indicating the subject area to which it belongs.

Centres should be aware that candidates who enter for more than one GCE qualification with the same classification code will have only one grade (the highest) counted for the purpose of the School and College Performance Tables.

The classification code for this specification is 4410.

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## **1.5 Code of Practice Requirements**

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These specifications will comply in all respects with the 2004 revised Code of Practice.

## 2 Specification Aims

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The purpose of these specifications is to enable Centres to devise courses that will provide candidates with a knowledge and understanding of the tools of economic analysis and of the problems to which these tools can be applied. The specifications are intended to enable students to understand the allocative problems and economic issues that affect their lives and those of others, and thereby provide them with the skills and knowledge to analyse and evaluate decision-making by consumers, producers, citizens and government.

In addition to the overall aim stated on page (iv), the specification is intended to encourage candidates to:

- understand current economic issues, problems and institutions that affect their lives;
- develop their understanding of economic concepts and theories and the ability to apply these concepts to an appropriate range of issues;
- use contemporary applications and issues to develop understanding of relevant concepts and an appreciation of their value and limitations in explaining present day economic problems;
- analyse, explain and evaluate the strengths and weaknesses of the market economy and the role of government within it;
- apply their understanding of Economics to aspects of the recent performance of the UK economy, the rest of the European Union and the rest of the world;
- be able to think as economists, see the relationship between different aspects of the subject and apply the economists' 'tool kit' in a meaningful way.

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### 2.1 Spiritual, Moral, Ethical, Social and Cultural Issues

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The specifications are presented in such a way as to include, as appropriate, the spiritual, moral, ethical, social and cultural dimensions of Economics. In particular, the strengths and weaknesses of the market economy (Module 2881), and quality of life and distribution of well-being between and within economies include a spiritual and moral perspective. This is further developed in A2 optional modules; for example, the need to ensure through government intervention that wages paid to workers are fair and equitable (Module 2884), the concept of sustainability in transport policy (Module 2885), the relationships between rich and poor countries (Module 2886), and the distribution of income and wealth within a particular society (Module 2887). The marking of candidates' responses to questions in areas such as the above will reward answers containing relevant material on such spiritual, moral, ethical, social and cultural issues.

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## **2.2 Environmental Education**

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Implications for the environment are covered in Module 2882.

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## **2.3 The European Dimension**

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This specification is designed to support the European Dimension in Economics. Material on the European economy may be introduced across the specification to aid economic knowledge and understanding and the development of appropriate skills. The synoptic module (Unit 2888) places economic principles and concepts specifically within a broad European context.

Note: For the purposes of the specification, Europe is defined as the European Union, the European Economic Area and the remaining transitional economies of central and eastern Europe.

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## **2.4 Avoidance of Bias**

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OCR has taken great care in the preparation of these specifications and associated assessment materials to avoid bias of any kind.

### 3 Assessment Objectives

This section is intended to provide a general indication of the skills which the units are designed to test in conjunction with the subject matter listed in the Specification Content (Section 5). It is not suggested that clear distinctions can always be drawn in constructing examination questions and a particular question may therefore test more than one skill.

These specifications require that the candidate demonstrate the following Assessment Objectives in the context of the subject content and skills prescribed:

**AO 1** demonstrate knowledge and understanding of the specified content;

**AO 2** apply this knowledge and critical understanding to problems and issues arising from both familiar and unfamiliar situations;

**AO 3** analyse economic problems and issues;

**AO 4** evaluate economic arguments and evidence, making informed judgements.

The assessment objectives are weighted, in percentage terms, as follows:

	AS GCE	A2	Advanced GCE
AO1	30%	20%	25%
AO2	30%	20%	25%
AO3	20%	30%	25%
AO4	20%	30%	25%

#### 3.1 Specification Grid

The relationship between the assessment objectives and the units of assessment is shown in the specification grid below.

Unit	Level	Percentage of Advanced GCE				Total
		AO1	AO2	AO3	AO4	
2881	AS	4.5	4.5	3	3	15
2882	AS	4.5	4.5	3	3	15
2883	AS	6	6	4	4	20
A2 option (unit 2884 or 2885)	A2	3	3	4.5	4.5	15
A2 option (unit 2886 or 2887)	A2	3	3	4.5	4.5	15
2888	A2	4	4	6	6	20
<b>Total</b>		25	25	25	25	100

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## 3.2 Quality of Written Communication

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All units contain a question (or questions) in which candidates are required to present answers in continuous prose. Candidates are required to select and use a form and style of writing appropriate to purpose and to complex subject matter; organise relevant information clearly and coherently, using specialist Economics vocabulary and conventions; and ensure text is legible, and spelling, grammar and punctuation are accurate, so that meaning is clear.

The Quality of Written Communication is assessed in the following: one question in each AS unit which requires continuous prose drawn out by command words such as 'discuss' or 'comment upon', Section B essay questions in each of the A2 optional units, and in the synoptic unit (Unit 2888), Economics in a European Context. The assessment of the Quality of Written Communication is included in all the assessment objectives and is embedded within each question paper's specification grid and mark scheme, as appropriate.

Further details of the assessment of the Quality of Written Communication is found in Appendix B.

## 4 Scheme of Assessment

Candidates take three units for AS, followed by three further units at A2 if they are seeking an Advanced GCE award.

Unit	Level	Name	Duration	Weighting	
				AS	Advanced GCE
2881	AS	The Market System	1 hour	30%	15%
2882	AS	Market Failure and Government Intervention	1 hour	30%	15%
2883	AS	The National and International Economy	1 hour	40%	20%
2884	A2	Economics of Work and Leisure	1 hour 30 mins	-	15%
2885	A2	Transport Economics	1 hour 30 mins	-	15%
2886	A2	Economics of Development	1 hour 30 mins	-	15%
2887	A2	The UK Economy	1 hour 30 mins	-	15%
2888	A2	Economics in a European Context	1 hour 45 mins	-	20%

### Rules of Combination

Candidates must take the following combination of units.

AS GCE Units 2881, 2882 and 2883.

Advanced GCE Units 2881, 2882, 2883 and 2888  
plus either Unit 2884 or Unit 2885  
and either Unit 2886 or Unit 2887

## Unit Availability

There are two examination sessions each year, in January and June.

The availability of units is shown below.

Unit	Unit title	January	June
2881	The Market System	✓	✓
2882	Market Failure and Government Intervention	✓	✓
2883	The National and International Economy	✓	✓
2884	Economics of Work and Leisure	✓	✓
2885	Transport Economics	✓	✓
2886	Economics of Development	✓	✓
2887	The UK Economy	✓	✓
2888	Economics in a European Context	✓	✓

## Sequence of Units

The normal sequence in which the units could be taken is Units 2881, 2882 and 2883, leading to an AS GCE award. This should be followed by any combination of two of the paired optional units (i.e. one of 2884 or 2885 and one of 2886 or 2887) and Unit 2888 to give an Advanced GCE award. However, the units may be taken in other sequences. Alternatively, candidates may take all relevant units at the end of their AS GCE or Advanced GCE course in a 'linear' fashion.

## Synoptic Assessment

The Advanced GCE specification includes a minimum of 20% synoptic assessment which tests candidates' understanding of the connections between different elements of the subject. All questions in Unit 2888, Economics in a European Context, are synoptic and represent 20% of the total Advanced GCE assessment.

More specifically, synoptic assessment tests the ability of candidates to

- understand the inter-relatedness of 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;
- see the relationships between different aspects of the subject.

The emphasis in the synoptic assessment is on candidates' ability to think as economists and to use the economists' 'tool kit' of concepts, theories and techniques in a variety of micro- and macro-economic applications set within a European context.

Unit 2888 should normally be taken at the end of a candidate's course of study but this is no longer a requirement.

## **Certification**

Candidates may enter for:

- AS GCE certification;
- AS GCE certification, bank the result, and complete the A2 assessment at a later date;
- Advanced GCE certification.

Candidates must enter the appropriate AS and A2 units to qualify for the full Advanced GCE award.

Individual unit results, prior to certification of the qualification, have a shelf-life limited only by that of the qualification.

## **Re-sits of Units**

The restrictions on re-sitting units have been removed, enabling candidates to re-take units more than once. Upon making an entry for certification, the best attempt will be counted towards the final award. This change applies to all candidates, including those who have already been entered for any units or full qualifications.

## **Re-sits of AS GCE and Advanced GCE**

Candidates may still enter for the full qualification an unlimited number of times.

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## **4.1 Question Papers**

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### **4.1.1 AS**

AS GCE candidates should be able to:

- demonstrate knowledge and understanding of the specified content;
- apply this knowledge and critical understanding to a variety of current economic problems and issues.



In addition, they should also be able to:

- analyse these economic problems and issues;
- evaluate economic arguments and evidence;

whilst recognising that these skills will further be developed, applied and integrated in more depth at the A2 stage.

**Unit 2881: The Market System (1 hour)**

**Unit 2882: Market Failure and Government Intervention (1 hour)**

**Unit 2883: The National and International Economy (1 hour)**

All AS question papers consist of compulsory questions based on a particular theme or case study. For Unit 2881, the theme may be derived from synthetic as well as real material, with the possibility of additional material being provided in the preamble to questions. Units 2882 and 2883 consist of compulsory questions based on a short unseen case study. All three AS units will be presented in the form of separate question and designated answer booklets.

The Quality of Written Communication is assessed where answers are written in continuous prose and are specifically identified in 'Information for Candidates' in the rubric.

#### 4.1.2 A2

Advanced GCE candidates are expected to develop further the skills assessed at AS whilst extending and deepening their ability to:

- analyse economic problems and issues;
- evaluate economic arguments and evidence, making informed judgements.

Candidates take the following units:

**either** Unit 2884 Economics of Work and Leisure (1 hour 30 mins)

**or** Unit 2885 Transport Economics (1 hour 30 mins)

and

**either** Unit 2886 Economics of Development (1 hour 30 mins)

**or** Unit 2887 The UK Economy (1 hour 30 mins)

and

Unit 2888 Economics in a European Context (1 hour 45 mins) (pre-issued stimulus material).

The assessment of A2 optional units consists of:

- a compulsory data response question;
- a choice of one structured essay question from three questions.

The assessment of the synoptic unit (Unit 2888) consists of a small number of questions prompted by the stimulus material. Most questions will require a short essay-style answer written in continuous prose. However, an initial question focusing on textual and data interpretation may also be included.

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## 4.2 Coursework

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There is no coursework in these specifications.

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## 4.3 Differentiation

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In all units, differentiation is achieved by setting questions which are designed to assess candidates at their appropriate levels of ability and which are intended to allow all candidates to demonstrate what they know, what they understand and what they can do.

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## 4.4 Special Arrangements

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For candidates who are unable to complete the full assessment or whose performance may be adversely affected through no fault of their own, teachers should consult the *Inter-Board Regulations and Guidance Booklet for Special Arrangements and Special Consideration*. In such cases, advice should be sought from OCR as early as possible during the course.

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## 4.5 Awarding of Grades

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The AS has a weighting of 50% when used in an Advanced GCE award.

Advanced GCE awards are based on the certification of the weighted AS (50%) and A2 (50%) marks.

Both AS GCE and Advanced GCE results are awarded on the scale A-E and U (unclassified).

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## 4.6 Grade Descriptions

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The following grade descriptions indicate the level of attainment characteristic of the given grade at Advanced GCE. They give a general indication of the required learning outcomes at each specified grade. The descriptions should be interpreted in relation to the content outlined in the specification; they are not designed to define that content. The grade awarded will depend in practice upon the extent to which the candidate has met the assessment objectives overall. Shortcomings in some aspects of the examination may be balanced by better performances in others.

### **Grade A**

Candidates will demonstrate in-depth knowledge and critical understanding of a wide range of economic theories and concepts. They will apply this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, using appropriate numerical and non-numerical techniques accurately. They will effectively evaluate evidence and arguments, making reasoned judgements to present appropriate and well supported conclusions.

### **Grade C**

Candidates will demonstrate knowledge and understanding of a range of economic theories and concepts. They will apply this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, using appropriate numerical and non-numerical techniques. They will evaluate evidence and arguments to present reasoned conclusions.


### **Grade E**

Candidates will demonstrate knowledge and understanding of a limited range of economic theories and concepts. They will show some ability to use this knowledge and understanding in order to analyse familiar and unfamiliar situations, issues and problems making use of numerical and/or non-numerical techniques. Candidates' evaluation of evidence and arguments will be limited.

## 5 Specification Content

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These specifications are set out in the form of teaching modules. Each teaching module is assessed by its associated unit of assessment.

Throughout this section the symbol  is used in the margin to highlight where Key Skills development opportunities are signposted. For more information on Key Skills coverage please refer to Appendix A.

### AS Level

The AS specification requires candidates to study:

- The Market System (Module 2881);
- Market Failure and Government Intervention (Module 2882);
- The National and International Economy (Module 2883).

The content of Module 2881 underpins the whole AS specification - it is therefore recommended that this module is taught as the first of the three AS Level modules. Knowledge of the subject content of this module is required to fully understand the content and context of Modules 2882 and 2883.

**It should be recognised from the outset that the content of all AS Level modules will be further examined through synoptic assessment in Unit 2888, Economics in a European Context.**

Modules 2881 and 2882 emphasise the market model of resource allocation. Through the subject content of these modules, candidates are able to understand the economic behaviour of consumers and producers, and the role and actions of governments in both competitive and non-competitive markets. The context of this study is that candidates will appreciate the impact of technological innovation, environmental change and globalisation, and be better informed consumers in terms of present and future economic behaviour. Some general understanding of the types of data used by economists is required, although the evaluation and the more extensive interpretation of different types of data may be assessed, where relevant, at the A2 stage.

The emphasis of module 2883 is to develop a critical understanding of macro-economic issues relating to the contemporary national and international economy. Although some knowledge of historical trends is required in order to appreciate this context, the data used in the case study and its related questions will normally relate back no more than the last ten years. A basic knowledge of forecasting and why economists make forecasts is also required. More specifically, this module concentrates on the use and application of the basic AD/AS model and the data which underpin it. Candidates should be able to understand why supply side and/or demand side policies may be seen as appropriate ways of managing an economy. They should be able to recognise the assumptions involved, argue for different approaches and identify basic success criteria.

The assessment in each AS unit is by means of an integrated case study from which a series of structured questions are generated. The emphasis throughout is on useful, meaningful and accessible case study material derived from real information. Exceptionally in Unit 2881, synthetic information may be used, though this will draw upon real situations. Teachers are therefore encouraged to set the principles of Economics contained in the specification content within such an applied context.

## **A2 Modules**

In the A2 half of the Advanced GCE course candidates study **two** optional modules from the following pairs:

Module 2884 Economics of Work and Leisure **or** Module 2885 Transport Economics

Module 2886 Economics of Development **or** Module 2887 The UK Economy

**and** the synoptic Module 2888 Economics in a European Context.

The scope of these modules provides candidates with an opportunity to develop and apply their AS Level study of Economics in a wide range of micro- and macro-economic contexts.

Modules 2884 and 2885 focus predominantly on micro-economic concepts and their application, with some macro-economic context. Modules 2886 and 2887 stress the macro-economic framework and its application, although there is some development of the micro-economic context. Each specification for these pairs of modules follows common formats, and in the case of modules 2884 and 2885 has common conceptual content on modelling market structures. The logic of this pairing is that all students receive a well-rounded A2 experience and, from an assessment standpoint, an outcome which is comparable.

All A2 modules have a focus on applied economics and are designed to provide candidates with a varied, interesting and accessible study of a recognised area of the subject.

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## 5.1 Module 2881 The Market System

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C3.1a, C3.1b, C3.2, C3.3; IT3.1, IT3.3;  
N3.2, N3.3

WO3.1, WO3.2; LP3.1, LP3.2, LP3.3

This module provides an introduction as to why economic choices have to be made and how the market model operates. The subject content covers the basic principles of:

- why individuals, organisations and societies have to make choices;
- how competitive markets work;
- the objectives and competitive behaviour of firms and how explanations of market structure are used by economists to explain this behaviour.

### 5.1.1 *Managing Scarce Resources - the reasons for choice and its consequences*

#### Content

The economic problem of what to produce, how to produce and for whom production should take place. Economic resources and the nature of factors of production. The need for choice and exchange. Concepts of opportunity cost and the production possibility curve. Specialisation, the division of labour and exchange.

#### Candidates should be able to:

- describe what economists mean by the 'economic problem';
- understand the factors of production as economic resources;
- explain the concept of specialisation and the economic benefits it offers;
- explain the concept of opportunity cost and the nature of trade-offs;
- explain the principles underlying production possibility curves and how opportunity cost can be used to analyse production decisions which have to be taken in an economy;
- understand the importance of money and exchange in an economy;
- understand the role of markets.

### 5.1.2 *Competitive markets and how they work*

#### Content

The nature of a competitive market. Role of markets in influencing choice and allocating resources. Broad objectives of consumers and producers in markets.

**Demand.** Determinants of demand in product markets. Relationship between price and quantity demanded. The concept of consumer surplus. Individual and market demand curves. Distinction between movements along, and shifts of, demand curves. Elasticity of demand - price, income and cross elasticity of demand: meanings and determinants of each. Their use and relevance in business situations.

**Supply.** Determinants of supply in product markets. Relationship between price and quantity supplied. The concept of producer surplus. The supply curve for an individual firm and for the market as a whole. Distinctions between movements along, and shifts of, supply curves. Elasticity of supply: meaning and determinants.

**Market Equilibrium.** Determination of equilibrium price and quantity. Changes in demand and supply and effects of changes on equilibrium price and quantity.

**Factor Markets.** Application of demand and supply to factor markets. Market equilibrium, particularly in labour markets, and in the money market.

**Candidates should be able to:**

- understand what is meant by a competitive market;
- explain the role of markets in allocating resources;
- understand the different objectives of consumers and producers in markets;
- understand what is meant by individual demand, market demand, effective demand and consumer surplus;
- explain how demand is influenced by price, income, the prices of other goods and taste;
- analyse the difference between shifts in demand and movement along a demand curve;
- explain what is meant by the concepts of price, income and cross elasticity of demand and how they can be calculated;
- evaluate the business relevance of these elasticity estimates;
- explain what is meant by individual supply, market supply and producer surplus;
- understand the range of factors influencing supply;
- analyse the difference between shifts in supply and movement along a supply curve;
- explain the concept of elasticity of supply, how it can be calculated and its economic relevance;
- analyse how equilibrium price and quantity are determined;
- analyse how and why the equilibrium position changes;
- apply the analysis of demand and supply to the labour market and to the money market.

### 5.1.3 *Firms and how they operate*

#### **Content**

The costs of firms. Total, average and marginal concepts. Short and long run distinction. Nature and sources of economies of scale.

Revenue of firms. Total, average and marginal revenue. Profit maximisation as the firm's objective. Alternative objectives such as market share maximisation, sales revenue maximisation and satisficing.

Market operations of firms. The spectrum of competition - main forms of market structure: monopoly, monopolistic competition and oligopoly. Relevance of barriers to entry in explaining differences in market structures.

[Note: the modelling of the market structures of perfect competition, monopoly, monopolistic competition and oligopoly will **not** be required in AS units.]

#### **Candidates should be able to:**

- understand what economists mean by costs;
- distinguish between the short run and long run;
- explain what is meant by economies of scale and how firms might benefit from them;
- understand what economists mean by revenue;
- describe what is meant by the profit maximisation objective;
- understand other alternative objectives of firms;
- describe the characteristics of the main forms of market structure in which firms operate;
- explain why barriers to entry can be used to explain differences between market structures.



## 5.2 Module 2882 Market Failure and Government Intervention



C3.1a, C3.1b, C3.2, C3.3; IT3.1, IT3.3;

WO3.1, WO3.2; LP3.1, LP3.2, LP3.3;  
PS3.1, PS3.2, PS3.3

This module provides an overview of how markets can be efficient and how they can fail. It further considers how governments intervene in markets to try to overcome market failures and how that intervention could itself create inefficiencies.

The emphasis throughout the module should be on the use of economic principles to explain economic issues of current concern. For example, an issue might be pollution: why it represents a market failure; how governments might try to tackle the problems; and the problems involved in governments trying to tackle it on a national and global basis.

### 5.2.1 *Economic efficiency within competitive markets*

#### Content

The conditions for efficient allocation of resources including the concepts of allocative, productive and Pareto efficiency.

Competition and the efficient allocation of resources.

#### Candidates should be able to:

- describe what is meant by efficiency in economics;
- explain what is meant by productive efficiency;
- explain what is meant by allocative efficiency;
- explain what is meant by Pareto efficiency;
- illustrate how the concepts of efficiency can be applied to the productive possibility curve;
- understand how competition can lead to an efficient allocation of resources.

### 5.2.2 *Why markets may not work efficiently*

#### Content

The causes and consequences of why markets may not work efficiently to include the market failures of externalities, market dominance, public goods, merit goods, de-merit goods, information failures and factor immobility. The unequal distribution of income and wealth.

**Candidates should be able to:**

- describe what is meant by market failure;
- understand why market failures arise;
- describe what is meant by positive and negative externalities and explain these in terms of a divergence between private and social benefits and costs;
- analyse why market dominance can lead to inefficiency, including X-inefficiency;
- differentiate between public, quasi-public and private goods with an understanding of the terms 'non-excludability' and 'non-rivalry';
- explain why public goods may not be provided by the market;
- explain the problems created by information failures, including the concepts of merit and de-merit goods and why these create market failures;
- explain the possible inefficiencies caused by factor immobility, such as structural and regional unemployment;
- understand that markets can lead to an 'unacceptable' distribution of resources such as 'unfair' access to healthcare and education;
- apply these concepts of market failure to a range of possible economic issues;
- comment upon their likely impact.

### **5.2.3 *Making choices and the impact of government intervention on market outcomes and efficiency***

#### **Content**

The cost-benefit approach as a means of identifying and measuring market failure. Broad use and limitations of cost-benefit approach.

[**Note:** knowledge of the technical methodology of cost-benefit analysis, including discounting, is **not** required.]

The way governments, in pursuit of their economic, social and distributional objectives, intervene in markets to correct market failure, for example, through taxation, subsidies, price controls, state provision, regulation, information provision and competition policy. The impact of these forms of intervention on markets. The ways in which governments may create rather than remove distortions.

**Candidates should be able to:**

- understand what is meant by a cost-benefit approach;
- understand and interpret information collected in a cost-benefit study;
- understand the limitations of a cost-benefit approach;
- describe the various methods by which governments intervene in markets;
- analyse how the imposition of taxes and subsidies affects equilibrium in markets;
- analyse the effects of price control and minimum wage control in product and factor markets respectively;
- explain how state provision, regulation and standards can be applied in markets;
- discuss the possible role of information provision in a range of possible market failures;
- examine the role and analyse the impact of competition policy in tackling problems of market power;
- discuss how governments may create inefficiencies when they intervene in markets due to such factors as political objectives, distorting incentives and lack of information.

## 5.3 Module 2883 The National and International Economy



C2.3, C3.1a, C3.1b, C3.2, C3.3; IT3.1, IT3.3; N3.1, N3.2, N3.3

WO3.1, WO3.2; LP3.1, LP3.2, LP3.3; PS3.1, PS3.2, PS3.3

The emphasis of the module is on government objectives and policies relating to economic growth, employment and unemployment, the stability of prices and the balance of payments. For this purpose, candidates should have some understanding of the macro-economic circumstances of the last decade. The module emphasises the use of the AD/AS approach as a tool for the analysis of the use of fiscal, monetary and supply-side policies, their impact and the inter-relationship between them. Candidates should also understand the conflicts involved in achieving multiple policy objectives, and be able to predict the effects of policy changes in local, national and international markets.

The subject content covers:

- government policy objectives and indicators of national economic performance;
- the reasons for, and compatibility of, government policy objectives;
- the application of macro-economic policy instruments;
- structure and essential determinants of international transactions.

### 5.3.1 *Government macro-economic policy objectives and indicators of national economic performance*

#### **Content**

A broad overview of government policy objectives for the macro-economy with respect to employment and unemployment, inflation, the balance of payments account and economic growth.

The meaning of Gross Domestic Product (GDP). Measurement through the output, income and expenditure methods.

The meaning of 'real' and 'nominal' values: the use of price index numbers.

The meaning of the following terms, and methods of measurement, including potential difficulties of those measurement approaches: employment/unemployment, inflation, balance of payments, growth. The use of data to measure economic performance, including international comparisons, in broad terms.

Consequences of inflation, unemployment, instability of exchange rates and a balance of payments deficit. The costs, benefits and sustainability of economic growth. Possible conflicts between policy objectives.

**Candidates should be able to:**

- define, in broad terms, employment and unemployment, inflation, the balance of payments account and economic growth;
- understand the objectives of government economic policy in terms of the above and why it is necessary for governments to establish such objectives;
- define GDP;
- outline its measurement through the output, income and expenditure approaches;
- explain the difference between real and nominal values of GDP;
- define unemployment and explain how it is measured in the UK economy;
- explain the difficulties of measuring unemployment;
- define inflation and explain the main methods by which it is measured in the UK economy;
- outline the broad structure of the balance of payments accounts of the UK economy;
- define economic growth and explain how it is measured in the UK economy;
- show an awareness of trends in these key policy indicators;
- discuss the consequences of unemployment, inflation and balance of payments problems;
- discuss the benefits and costs of economic growth;
- explain the reasons for, and consequences of, possible conflicts in macro-economic policies.

**5.3.2 *Aggregate demand and aggregate supply: the determinants of output, employment and prices***

**Content**

The constituents of, and influences upon, aggregate demand - consumer expenditure, investment, government spending, exports minus imports.

The factors which influence aggregate supply - land, labour, capital and changes in technology.

How aggregate demand and supply analysis can be used to illustrate macro-economic problems and issues.

[Note: knowledge of the Keynesian 45° Line Diagram and the mathematical derivation of the multiplier is **not** required.]

**Candidates should be able to:**

- define aggregate demand;
- explain why the AD curve slopes down from left to right;
- describe the main components of AD and explain what determines each of them;
- account for why the AD curve in an economy shifts outwards or inwards;
- define aggregate supply;
- distinguish between short run and long run aggregate supply curves;
- explain why AS curves may shift;
- explain what is meant by equilibrium in the macro-economy and how the equilibrium output and price level is determined;
- analyse how the equilibrium is affected by changes in aggregate demand and aggregate supply;
- explain how changes in AD and AS may affect output, unemployment and inflation;
- show a broad awareness of the multiplier effect and the concepts of leakages and injections;
- use AD and AS analysis to illustrate the macro-economic problems in an economy.

**5.3.3 *The application of macro-economic policy instruments*****Content**

The nature and impact of fiscal, monetary, exchange rate and supply-side policies. Demand management through fiscal and monetary policies. Exchange rate policy and its effects on aggregate demand. The nature of supply-side economics and the scope of supply-side

policies. The use and effects of these policies on the level of employment and unemployment, rate of inflation, economic growth and the balance of payments position. The theories of interest rate and exchange rate determination from a supply and demand perspective only.

**Candidates should be able to:**

- describe what is meant by fiscal policy;
- define monetary policy and understand the basic relationship between money supply and interest rates;
- outline how exchange rate changes are determined by supply and demand for currencies;
- explain how interest rates are determined by supply and demand for money;
- discuss how the AD/AS model may be used to analyse the way fiscal, monetary and supply-side policies, and exchange rate changes, can affect the levels of employment, rate of inflation, economic growth and the balance of payments position.

### **5.3.4 Structure and essential determinants of international transactions**

#### **Content**

The general pattern of trade between the UK and the rest of the world, including developing countries. The nature of the benefits from trade. Free trade and protection. Reasons for, and methods and consequences of, protection.

[Note: knowledge of absolute and comparative advantage is **not** required.]

#### **Candidates should be able to:**

- recognise the similarities and differences between internal and external trade;
- understand the main types of goods and services traded internationally, the main destinations of UK exports and the main sources of UK imports;
- describe the broad impact of EU membership on the pattern of UK international trade;
- explain the gains from international trade in general terms;
- understand the meaning and advantages of free trade;
- explain tariff and non-tariff methods of protection, using relevant diagrams;
- discuss the arguments for and against protection.

## 5.4 Module 2884 Economics of Work and Leisure



C3.1a, C3.1b, C3.2, C3.3;

WO3.1, WO3.2; LP3.1, LP3.2, LP3.3;  
PS3.1, PS3.2, PS3.3

The subject content of this module principally focuses on the economic concepts and theories that help economists to understand and analyse labour market issues. In addition, it considers leisure industries in terms of models of market structure and the ways in which leisure needs have a bearing upon the demand and supply of labour. Candidates should recognise that the specification is set within both UK and international contexts, although questions requiring specific knowledge of labour markets and leisure industries of individual countries other than the UK will not be asked.

Some knowledge of the historical and institutional background to labour market issues over the past 10 years, with particular reference to the UK, is required in order to appreciate contemporary applications. However, the content of the specification focuses on present day issues and their economic underpinnings.

The use of relevant statistical material should be incorporated into the teaching of this module. **Labour Market Trends (DfEE)** is a particularly useful source. Other data are incorporated in newspaper articles, magazines and on the World Wide Web. In terms of leisure industries, a useful source of information that can be accessed is <http://quad.citymutual.com>.

### 5.4.1 *Nature of work and leisure and trends in employment and earnings*

The structure of UK employment and earnings, categorised by age, gender, ethnicity, occupation, region and sector.

Broad comparisons of the structure of earnings and employment between the UK and the rest of the EU, and with other international economies. Unit labour cost comparisons and their implications.

The distinction between work and leisure. Time as a constraint. Distinguishing different uses of leisure time. The allocation of time between these different categories of leisure.

Broad trends in leisure industries by expenditure and employment.

#### **Candidates should be able to:**

- understand the structure of earnings and employment in the UK;
- describe, in general terms, the recent trends in UK employment and earnings;
- explain the above trends using the categories of age, gender, ethnicity, occupation, region and sector;
- make broad comparisons in terms of employment and earnings structures between the UK, the rest of the EU, and the rest of the world;
- explain what is meant by unit labour costs;

- distinguish between work and leisure and the range of leisure activities;
- understand how to categorise leisure time into its competing uses;
- understand in broad terms the contribution of the leisure industries to an economy.

### **5.4.2 Theories of market structure and competitive behaviour in markets for leisure**

The models of perfect competition, monopolistic competition, oligopoly and monopoly. The concept of contestability in markets. Comparison of outcomes in terms of prices, output, profit and efficiency.

Application of these models to the behaviour of firms in leisure markets, to include the market for package holidays, the market for air travel, the market for spectator sports and television broadcasting.

#### **Candidates should be able to:**

- explain the models of perfect competition, monopolistic competition, oligopoly and monopoly;
- explain the characteristics of a contestable market;
- evaluate the implications of different market structures for resource allocation;
- apply the outcomes of the models of market structures to the actual behaviour of firms in leisure markets;
- discuss the relationship between efficiency and market structure in leisure markets;
- analyse the structure of leisure markets such as those for package holidays, spectator sports, television broadcasting;
- comment upon the behaviour of firms in such markets.

### **5.4.3 Labour demand, supply and wage determination**

#### **Content**

Determination of wages and employment, in terms of supply and demand for labour in a market/occupation/firm.

Demand for labour: marginal revenue product and its determination.

Supply of labour in the short-run: choice for the individual between income and leisure, including the backward-sloping supply curve.

Supply of labour in the long-run: net advantages, pecuniary and non-pecuniary, positive and negative. The influence of education and training on human capital.

Transfer earnings and economic rent; elasticity of supply, and factors influencing it.

#### **Candidates should be able to:**

- explain what is meant by the demand for labour in terms of marginal revenue product;
- explain the derivation of the supply curve of labour, both in the short and long run;



- discuss the usefulness of supply-side concepts, including net advantages and pecuniary and non-pecuniary benefits;
- analyse how wage rates are determined in theory in a competitive labour market;
- evaluate the usefulness and relevance of the above model of wage determination within contemporary, real-world labour markets;
- understand what is meant by elasticity of supply of labour and explain the factors which determine it;
- define the terms, transfer earnings and economic rent, and explain their application to labour market situations.

#### **5.4.4 *Market failure and the role of the government and unions in the labour market***

##### **Content**

Causes and consequences of labour market failure: imperfect competition including monopoly in the goods market and monopsony, union power and bilateral monopoly in the labour market, imperfect information, disequilibrium in the labour market, discrimination, segmented labour markets, geographical and occupational immobility of labour.

The changing nature and role of the trade union movement, trends in union membership, forms and outcomes of bargaining (including collective bargaining), the implications of labour market flexibility.

The role of the government in relation to inequality, poverty and the distribution of income and wealth and the meaning, measurement and causes of inequality and poverty. Government policies towards inequality and poverty including the role and effects of taxes and benefits, reform of the tax and benefits system, the minimum wage. Government policies to remove or reduce labour market failure, the role of the EU and the Social Charter.

##### **Candidates should be able to:**

- understand the main causes of market failure in the labour market;
- analyse the nature of the various causes of labour market failure and explain the consequences for wage rates, labour supply and demand and levels of employment;
- discuss the wider economic effects of labour market failures;
- describe, in general terms, the trends in trade union membership in the UK;
- understand the forms of bargaining in the UK and the EU and use them to evaluate theories of wage determination;
- understand the idea of labour market flexibility and explain the consequences of flexibility for the operation of labour markets in the UK and the EU;
- explain how and why governments intervene in the labour market;
- analyse the consequences of such intervention;
- understand the nature and causes of inequality and evaluate measures to reduce inequality in the UK;
- explain how the UK labour market is affected by the Social Charter provisions and directives and evaluate the effects on UK firms and workers.

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## 5.5 Module 2885 Transport Economics

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C3.1a, C3.1b, C3.2, C3.3;

WO3.1, WO3.2; LP3.1, LP3.2, LP3.3;  
PS3.1, PS3.2, PS3.3

The subject content of this module focuses on the economic principles and context underlying a range of transport problems and issues. In particular, it considers transport industries in terms of the models of market structure, especially in the context of the contestability in such markets. Although there is a particular emphasis on the transport situation in the UK, candidates may draw upon the experience of the rest of the EU and rest of the world where this is appropriate to the requirements of the topic. Some knowledge of the recent historical background to transport issues and policies is required in order to appreciate contemporary applications. However, the specification content focuses upon present day transport economics problems and issues.

The use of relevant statistical information should be incorporated into the teaching of this module. **Transport Statistics Great Britain** (annual), Office for National Statistics, is a particularly useful source. Other data is incorporated in newspaper articles and transport publications as well as material on the World Wide Web. The web site of the Department for Transport, (<http://www.dft.gov.uk>) is particularly useful.

### 5.5.1 *Transport, Transport Trends and the Economy*

#### Content

Definition of transport, Transport modes and modal characteristics. Transport as a derived demand. Factors affecting the supply of transport services.

Recent trends in transport demand in the UK. Forecasted demand and the economic basis of transport forecasts. The importance of the transport sector in the UK economy.

#### Candidates should be able to:

- define 'transport' in terms of transport operations and infrastructure;
- understand the advantages and disadvantages of the main modes of transport, for passenger and freight transport;
- apply an understanding of these characteristics to appreciate why transport is a derived demand;

- understand the structure of transport operations in the UK, in terms of private and public sector ownership and responsibilities;
- interpret and understand the reasons for recent trends in the demand for and supply of transport in the UK;
- apply economic principles in order to understand how and why transport forecasts are made and used by transport economists;
- handle and interpret data on the economic importance of transport in the UK economy.

### **5.5.2 Theories of market structure and competitive behaviour in transport markets**

#### **Content**

The models of perfect competition, monopolistic competition, oligopoly and monopoly. The concept of contestability in markets and comparisons of outcomes in terms of prices, output, profits and efficiency.

Application of these models to the behaviour of firms in transport markets, to include: recent ownership trends; transport as a natural monopoly; transport as a franchised monopoly; deregulation and the principle and impact of contestability in road passenger (bus) and air transport in Europe; the process and impact of rail privatisation, including the role of franchising and direct sale of freight.

#### **Candidates should be able to:**

- explain the models of perfect competition, monopolistic competition, oligopoly, monopoly and contestability;
- evaluate the implications of different market structures for resource allocation;
- apply the outcomes of the models of market structures to the actual behaviour of firms in transport markets;
- analyse the natural monopoly argument applied to transport;
- understand what is meant by deregulation and analyse the characteristics of contestable markets;
- evaluate the impact of deregulation in road passenger (bus) and air transport in Europe;
- describe how the transport industry in the UK has been privatised;
- understand how and why the UK's railways have been privatised and evaluate the impact of this privatisation for passenger and freight services;
- discuss the relationship between efficiency and market structure in transport.

### **5.5.3 Resource allocation issues in transport**

#### **Content**

Objectives of transport policy and how to achieve the 'best' allocation of resources; the concept of an 'integrated' transport policy.

How resources are allocated in transport – role of government and the private sector.

New initiatives and opportunities for the private sector in transport projects. The cost structure of the main modes of transport.

Cost-benefit analysis – application in transport decision-making.

#### **Candidates should be able to:**

- understand and evaluate the objectives of transport policy;
- analyse why the 'best' allocation of resources is not always possible and why this may constitute market failure;
- understand the nature and features of an 'integrated' transport policy;
- understand how resources are allocated in the transport sector;
- understand how and why the private sector has funded recent transport projects through initiatives such as the Private Funding Initiative;
- evaluate the contribution of the private sector in transport investment decisions;
- understand and analyse the cost structure of the main modes of transport operations in terms of fixed costs and variable costs;
- understand how and why some costs and benefits can be expressed in monetary terms, whilst others cannot;
- understand how the costs of traffic congestion can be calculated;
- understand and interpret information collected in a transport cost-benefit analysis and apply this knowledge in transport decision-making;
- discuss the uses and limitations of the cost-benefit approach to transport decision-making.

## 5.5.4 *Market failure and the role of the government in transport*

### Content

Negative externalities associated with increased transport use – pollution, noise, accidents, blight, stress, congestion – and how these may be expressed in monetary terms.

Transport and the environment: role of regulation and taxation in dealing with negative externalities; the hypothecation of taxation; transport policy and the environment – the contribution of the Royal Commission of Environmental Pollution; the nature and meaning of sustainability in transport; the relevance of sustainability for transport policy and in transport policy strategies for the future.

Traffic congestion as a market failure: policies for combating congestion – role of transport subsidy, public transport development, user charges, fiscal measures and direct control; the nature of road pricing – its advantages and disadvantages; international comparisons of policies for reducing congestion in cities; road pricing in transport policy in the UK and elsewhere.

### Candidates should be able to:

- discuss how regulation and taxation are used in transport to reduce negative externalities;
- the meaning and rationale of the hypothecation of taxation;
- evaluate the extent to which transport policy in the UK is sensitive to environmental issues;
- define sustainability and apply this to the transport sector;
- analyse and evaluate the extent to which current and future transport policies are sustainable;
- apply the principle of market failure to the problem of traffic congestion;
- understand the policy options for combating congestion and discuss their respective advantages and disadvantages;
- understand what is meant by user-charging and road pricing and analyse their economic basis;
- evaluate the theoretical and practical arguments for the introduction of user-charging and road pricing schemes;
- compare the experience of the UK with that of other countries.

## 5.6 Module 2886 Economics of Development



C3.1a, C3.1b, C3.2, C3.3;

WO3.1, WO3.2; LP3.1, LP3.2, LP3.3;  
PS3.1, PS3.2 PS3.3

The focus of this module is on the economic problems and prospects facing developing economies in an increasingly hostile global economy. It builds upon the macro-economic content of module 2883 through the application of the measures of economic performance and the study of economic growth in developing countries.

The module concentrates upon the economic principles and context underpinning development economics. The scope of this study includes Third World, low income countries and the emerging middle income and newly industrialised countries, particularly in South East Asia. Consideration of less developed or developing regions within developed economies is also appropriate. Candidates should seek to integrate theory into their consideration of the characteristics, problems and policies to promote the development of these economies. They should be able to illustrate their answers with reference to up-to-date examples. A specific knowledge of any one developing economy is **not** required. Some knowledge of the historical background to relations between developed and developing economies, particularly over the past ten years, is required in order to appreciate the present-day context.

The use of relevant statistical information should be incorporated into the teaching of this module. The **Human Development Report** and **World Development Report** are particularly useful sources. Other data are incorporated in newspaper articles and material on the World Wide Web.

### 5.6.1 *The Concept of Development*

#### Content

The meaning and definition of development. Growth and development.

Measurement: the limitations of national income statistics and the use of the Human Development Index.

The range of terms used to identify economies at different stages of development: developing and developed. Sub-division of developing economies to include low and middle income countries, transition economies, and newly industrialised countries.

Differentiated development within developed economies.

#### Candidates should be able to:

- define development in terms of material and non-material progress;
- distinguish between development and growth;
- understand the limitations of national income statistics in measuring development;
- understand the HDI and how it improves on national income statistics;

- understand the limitations of HDI;
- interpret measurements of development and the classification of developing economies;
- recognise the variety of terms used to identify levels of development;
- discuss the appropriateness of the different terms.

### **5.6.2 *Economies at Different Stages of Development***

#### **Content**

The characteristics of different types of developing economy. Similarities and differences between them.

The sectors of an economy: primary, secondary, tertiary and quaternary, formal and informal, rural and urban, traditional and modern.

The economic, political and social influences on development and their occurrence in different types of developing economy: culture, system of government, colonial background, economic system.

#### **Candidates should be able to:**

- understand how the sectors in an economy can be identified and classified;
- apply these classifications to different types of developing country and to different regions within more developed countries;
- understand the economic, cultural, political and social influences that have determined an economy's level of development;
- analyse how these influences have had impacts on different economies and regions.

### **5.6.3 *Theories and Models linked to Development***

#### **Content**

The content and limitations of models and theories linked with development.

Absolute and comparative advantage - the basis for trade, gains from trade and the role of trade in development.

Rostow's model - the stages of growth.

The Harrod-Domar model - the role of saving and investment.

Lewis' model - the role of structural change.

Dependency theory – relationships and links between developed and developing economies and regions.

Balanced and unbalanced growth theory - the approach to industrialisation.

**Candidates should be able to:**

- explain the difference between absolute and comparative advantage;
- evaluate how external trade can promote economic development and growth;
- understand the assumptions and predictions of the theories and models of economic development and growth;
- understand the limitations of the theories and models;
- apply the theories and models to actual cases;
- discuss their usefulness in the understanding of the process and problems of development.

### **5.6.4 *Problems of Developing Economies***

#### **Content**

The causes and the implications of the problems faced by developing economies.

Domestic problems: environment and sustainability, factor endowment, population change and migration, poverty and inequality, savings rates and capital accumulation, structural change, unemployment and underemployment, weaknesses of financial markets, price instability, and government failure.

International problems: patterns of trade, balance of payments, dependency, foreign debt, terms of trade, international capital flows, exchange rate fluctuations.

The impact of globalisation and the activities of multi-national companies.

Similarities and differences between different types of developing economy.

**Candidates should be able to:**

- understand the problems faced by developing economies;
- analyse the causes of the problems faced by developing economies;
- analyse the implications of these problems for future development;
- distinguish between problems arising from within the economy and those relating to external factors;
- discuss the relative importance of the different problems;
- discuss the links between domestic and international problems;
- evaluate the extent to which developing economies have similar underlying problems.



## 5.6.5 *Policies to Promote Development*

### **Content**

The operation and limitations of policies to promote development. The role of governments, non-government organisations, the IMF, World Bank and World Trade Organisation. Their contribution and effectiveness in the promotion of development.

The alternative approaches to economic development through the free market and state planning.

Domestic policies: resource improvement and management, promotion of sectoral change, industrialisation, population control, structural adjustment programmes, macro-economic stabilisation.

International policies including those of the European Union: export promotion and import substitution, foreign debt management, foreign aid, foreign direct investment, trade agreements and trade liberalisation, currency stabilisation.

### **Candidates should be able to:**

- understand the role of domestic and international institutions in tackling problems of development;
- discuss their relative importance and success;
- analyse the effectiveness of market and state approaches to promoting development;
- understand the scope of domestic and international policies to promote development;
- explain how such policies seek to address the problems of developing countries;
- assess the effectiveness and limitations of these policies.

## 5.7 Module 2887 The UK Economy



C3.1a, C3.1b, C3.2, C3.3; IT3.1, IT3.3

WO3.1, WO3.2; LP3.1, LP3.2, LP3.3;  
PS3.1, PS3.2, PS3.3

The focus of this module is on the recent economic performance of the UK economy. It particularly builds upon the conceptual content of Module 2883 through the application of the measures of economic performance and the processes of economic management to the UK. Policy conflicts and current controversies are also developed, with more extensive consideration of the impact of macro-economic policies on equity and the distribution of income. The basic AD/AS model from Module 2883 is developed and refined and more advanced and alternative models are discussed.

Candidates should seek to integrate theory into their consideration of the characteristics, problems and policies to be found in the UK economy over the past decade. Candidates should be able to illustrate their answers by reference to current examples through a background knowledge of the recent performance of the UK economy, although precise knowledge of the components of economic performance is not expected. Some knowledge of the historical background [especially over the previous ten years] to fiscal, monetary and other macro-economic policies is required in order to understand the development of macro-economic policy.

The use of relevant statistical information should be incorporated into the teaching of the module. The **Bank of England Quarterly Bulletin** and **Financial Statistics** are particularly useful sources of information.

Websites of interest include:

The Virtual Economy on the IFS website      <http://www1.ifs.org.uk>

The Bank of England      <http://www.bankofengland.co.uk>

### 5.7.1. *The Performance of the UK Economy*

#### Content

The measurement and analysis of the UK's economic performance in terms of unemployment, inflation, balance of payments, economic growth, productivity and equity.

A review of trends in the UK's economic performance over the last decade. Measuring the standard of living, productivity and the distribution of income and wealth. The limitations of statistical measures of the performance of the UK economy.

Comparison of recent UK economic performance and competitiveness with that of other countries.

**Candidates should be able to:**

- understand in broad terms measures of the distribution of income and wealth using concepts such as deciles and Lorenz curves;
- define and measure the standard of living using concepts such as real GDP per capita and MEW (measures of economic welfare);
- understand the limitations of the statistical measures of economic performance;
- analyse and interpret measurements of UK economic performance;
- compare and analyse UK economic performance with that of other economies.

**5.7.2 Controlling the Performance of the UK Economy****Content**

The means of controlling the performance of the UK economy as a whole.

The functions, measurement and recent trends in policy instruments and means of control used by UK policy makers.

The measures and means of control to include the money supply, interest rates, exchange rates, fiscal policy instruments, the government's budget and public borrowing, direct controls.

**Candidates should be able to:**

- understand the functions and measure of money including the difference between narrow (M0) and broad money (M4);
- understand the role of interest rates and why there are different rates of interest in an economy. This should be in terms of differences in the rates for savers and borrowers, and differences in long-term and short-term rates of interest;
- understand the role and measurement of the rate of exchange;
- understand the alternative types of fiscal policy instrument such as income tax as a direct tax, VAT as an indirect tax, government spending and transfer payments;
- analyse the impact of changing fiscal policy instruments on the distribution of income;
- understand the meaning and measurement of the government's budget and its borrowing requirement;
- analyse the consequences of a fiscal budgetary deficit or surplus on both the performance of the economy and on other policy instruments;
- interpret data on changes in the relative importance of direct and indirect tax as a means of raising revenue to fund government expenditure;
- understand alternative methods of controlling the performance of the UK economy as a whole through direct controls such as minimum wages, import tariffs and quotas, retraining and relocation of labour, limits on public sector wage rises.

### **5.7.3 *Modelling the Economy***

#### **Content**

Models of the economy that explain the determination of the UK's economic performance.

Determinants of the size of the multiplier, AD/AS and the impact of fiscal policy on economic performance.

The credit creation multiplier, the Quantity Theory of Money and Keynesian Liquidity Preference as the means of explaining the impact of monetary policy on economic performance. Loanable Funds theory to explain the determinants of the rate of interest. The effect of interest rate changes on investment and economic performance.

Absolute and comparative advantage as a tool to explain the UK's trading position and the Marshall-Lerner condition to explain the impact of exchange rate changes.

The effect of interest rate changes on "hot money" flows and the impact of international financial flows on the exchange rate. Using the exchange equalisation account to control the exchange rate.

#### **Candidates should be able to:**

- understand the predictions and assumptions of the named theories and models;
- apply the theories and models to actual cases;
- discuss the limitations of the theories and models;
- determine the size of both the national income multiplier and the credit creation multiplier;
- comment upon their usefulness in understanding the determinants of economic performance;
- explain the causes and consequences of changes in interest rates using the theories of Liquidity Preference and Loanable Funds;
- explain the reasons for international trade using the concepts of absolute and comparative advantage;
- analyse the causes and consequences of changes in exchange rates.

### **5.7.4. *Policies to Improve Economic Performance***

#### **Content**

The operation and limitation of policies to promote the performance of the UK economy.

The role of the UK Government, the Bank of England, the Treasury, the World Bank, the IMF and the World Trade Organisation.

Domestic policy changes and their impact on the economy including a comparison of predictions from alternative models of the economy. Changes in fiscal policy, monetary policy, exchange rate policy, export promotion, import substitution and direct controls and their impact on the economy.

Supply-side initiatives to improve economic performance, especially productivity.

International policy changes and their impact on the economy. The impact of changes in foreign interest rates, foreign direct investment, foreign currency stabilisation, trade agreements and trade liberalisation.

**Candidates should be able to:**

- understand the role of domestic and international institutions in improving economic performance;
- understand the operation of policies to improve economic performance;
- analyse the impact of different policy changes on the different components of economic performance. For example, the impact of income tax changes on unemployment, inflation, economic growth, the balance of payments and income distribution;
- analyse the contribution of supply-side policies to improving economic performance;
- discuss the impact on the performance of the UK economy of changes in economic policy introduced by foreign governments and international institutions;
- discuss the relative effectiveness of alternative policies to achieve improvements in economic performance.

### **5.7.5. Conflicts, Current Issues and Controversies**

#### **Content**

Current issues regarding the UK's economic performance and competitiveness.

Potential conflicts resulting from the use of alternative policy instruments.

The effectiveness of, and the constraints on, economic policy. Understanding current controversies in the use and effectiveness of economic policy.

Globalisation and its impact on the UK economy; possible policy measures to cope with the effects of globalisation.

**Candidates should be able to:**

- understand the various potential trade-offs and conflicts that exist between the components of the UK's economic performance, for example, The Phillips Curve, inflation and the balance of payments, inflation and the distribution of income;
- understand the various potential trade-offs and conflicts between the policy instruments, for example, interest rates and exchange rates;
- apply appropriate knowledge and theory to current policy issues;
- comment upon and compare the effectiveness of alternative policies in improving both one component of economic performance and economic performance as a whole;
- discuss the political, economic and social constraints on economic policy. For example, political constraints caused by the voting cycle and constraints imposed by membership of GATT;
- explain the impact of globalisation on the UK economy and discuss policies to cope with its effects.

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## 5.8 Module 2888 Economics in a European Context

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C3.1a, C3.1b, C3.2, C3.3; IT3.1, IT3.3

WO3.1, WO3.2; LP3.1, LP3.2, LP3.3

This is a compulsory module for all Advanced GCE candidates. It is synoptic in nature and its delivery should therefore differ from that of Modules 2884-2887.

This module requires candidates to apply their knowledge of AS and core A2 concepts, theories and techniques to the European Context, in terms of:

- economic integration
- the recent economic experience of the transition economies of central and eastern Europe, many of whom are now European Union members.

**It should be emphasised that, although candidates will require some additional knowledge of the appropriate context (set out in Sections 5.8.1 to 5.8.3), the emphasis of the assessment of this module is on developing candidates' ability to think as economists and to make effective use of the economists' 'tool kit' of concepts, theories and techniques which they have built up during their whole course of study.**

More specifically, the following aspects of synoptic knowledge are developed and may be assessed:

- competitive markets and how they work;
- market structures;
- economic efficiency within competitive markets;
- market failure;
- government intervention in markets;
- macro-economic performance;
- macro-economic processes and policies;
- international trade and protection.

The delivery of the module should apply the above topics and related concepts to the European context. (Note: in these specifications Europe is defined as the geographical continent: i.e. the EU, the EEA and the transitional economies of Central and Eastern Europe.)

A very basic historical knowledge of the development of integration in Europe is required in order to understand and appreciate how the 'New Europe' of the 1990s and onwards has come about. The focus of the module and its assessment will be on current and projected European economic issues.

It is strongly recommended that candidates should read contextual articles in quality daily and weekly newspapers. Regular current affairs television programmes are also likely to provide up-to-date contextual background material. Statistical publications from Eurostat, particularly the Annual Review, provide comparative economic information.

## The Nature of OCR's Synoptic Unit

In drawing up the specification for the synoptic unit, Economics in a European Context, the first consideration was to comply with QCA's guidance on the nature of synoptic assessment in Economics. This states that:

*Synoptic assessment in Economics will test candidates' understanding of the connections between different 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.

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

The specification content, therefore, simply acts to set the context for the application of the economist's toolkit of concepts, theories and techniques which have been built up during the course of a student's study of the AS modules and their extension provided by the optional paired A2 modules. It is not intended that this content should require much in the way of formal teaching, given the focus that the pre-issued stimulus material will lend to preparation for the assessment of this unit. A key technique which teachers are advised to consider is to have an eye on the synoptic unit throughout the AS and A2 course, integrating European case study data and examples into their teaching and the candidates' learning.

## Assessment of the Unit

The assessment of this unit consists of a small number of questions based on the pre-issued stimulus material.

Time available: 1 hour 45 minutes.

Marks available: 60 marks.

Weighting: 40% of A2, 20% of overall A level.

In general, the stimulus material will consist of accessible extracts from economic journals and/or newspaper articles which may be accompanied by statistical data. Typically, the early question(s) will target assessment objectives AO1 and AO2, whilst the later questions will be more open-ended essay-style questions specifically targeting AO3 and AO4: AO1 and AO2 each carry 20% of the marks for the unit and AO3 and AO4 each 30%.

The typical structure of the assessment is:

- a question based on data-handling skills, worth 6 marks;
- a question requiring economic analysis only, worth 9 marks;
- a question requiring commentary (supported by economic analysis), worth 10 marks;
- a question requiring extended commentary (supported by economic analysis), worth 15 marks;
- a final question, usually based around the theme of extracts or one that integrates the stimulus material, which requires discussion, worth 20 marks.

The stimulus material will be focused on a contemporary European issue/theme and will relate to both micro-economic and macro-economic concepts.

### **Use of the Pre-issued Stimulus Material**

The stimulus material should be used to encourage students to draw upon their knowledge and understanding of key concepts, theories and techniques which have been introduced in the AS units and further developed in the study of the optional A2 units. How this is done in the classroom is best determined by the individual teacher. A useful starting point is to get students to identify concepts in the AS and A2 module specifications which underpin the extracts. A student-centred approach including individual/group research tasks, presentations and discussion is more likely to promote a greater understanding of the economic issues involved than a didactic, 'question-spotting' approach on the part of the teacher.

Where specific examples or cases are introduced in the stimulus material, candidates are not expected to have any specific knowledge or understanding of the situation beyond that contained in the extracts. For example, stimulus material around the theme of EMU may contain newspaper articles about the impact of the euro on specific firms or industries. The assessment will not test candidate's knowledge of the firm or industry in question but may well expect them to generalise from the example given.

Where statistical data is included in the stimulus material, familiarity with the nature of the data, its uses and limitations in analysing the issue can be expected on the part of candidates. It is not expected that candidates will have to perform complex calculations in the assessment. However, an ability to use the data provided to draw comparisons, describe significant features (including trends) of the data or to relate the data to economic theories is likely to form the basis of questions targeting AO1 and AO2.



### 5.8.1 *The 'New Europe'*

#### Content

Development of economic integration since 1990.

The EU as an economic force in the global economy.

The meaning and nature of economic integration. Levels of integration.

#### Candidates should be able to:

- understand how the 'New Europe' has evolved over the last decade or so;
- understand how the EU has been geographically extended and how this is likely to be further extended;
- describe the nature of free trade areas, customs unions and economic and monetary unions and the differences between them;
- explain why these forms of integration do not always work in reality as economic theory may suggest;
- analyse how Europe compares with other major economic areas in the global economy.

#### Further Guidance

The key to this section is that candidates should have a perspective on economic integration since 1990. It is **not** expected that candidates will have a detailed knowledge of the institutional and legislative niceties of the EU or be able to write historical accounts of the development of the EU since the Treaty of Rome of 1957. An understanding of the nature of economic integration in terms of the standard levels of integration would be more appropriate as regards the assessment material. In this way, European economic integration can be more closely linked to Section 5.3.4 of Module 2883 (The National and International Economy) and the concepts of free trade and protectionism. Candidates should be encouraged to think of the many obstacles to the free movement of goods, services and factors of production which integration must remove if a genuine single, borderless market in Europe is to be a reality.

### 5.8.2 *The Single European Market (SEM) and Economic and Monetary Union (EMU)*

#### Content

An economic analysis of trade and integration. Application of comparative advantage and the gains from trade.

Customs union theory - the static and dynamic effects of customs unions. Factor market integration.

The Single European Market - the removal of non-tariff barriers.

Economic and Monetary Union: the distinction between an economic and a monetary union. The benefits and costs of European monetary union. The microeconomic pros and cons of the euro. The macroeconomic pros and cons of the euro. The performance of the eurozone economy, including the performance of national economies within the eurozone. The UK and the euro.

### **Candidates should be able to:**

- apply the principle of comparative advantage to explain the trade benefits of integration;
- explain why a customs union might be seen as a form of 'second best';
- analyse the static and dynamic effects of integration;
- analyse the effects of integration on the mobility of labour and capital;
- understand what is meant by the Single European Market;
- understand what is meant by Economic and Monetary Union;
- explain why convergence is necessary in a single currency area;
- discuss the respective macro-economic implications for the 'ins' and 'outs';
- discuss the likely future progress and prospects of EMU.

### **Further Guidance**

This section contains much of the 'meat' of the analysis of integration which students can be expected to bring to bear in their consideration of the pre-issued stimulus material. Again, it must be emphasised that the conceptual and analytical tools candidates can be expected to use in the final assessment have been introduced in earlier modules. For example:

Comparative advantage and the gains from trade are features of the paired A2 macro-economic Units 2886 and 2887.

Trade creation and diversion are simply extensions of the demand and supply analysis of trade which could be introduced in section 5.3.4 of Unit 2883 or in Units 2886 or 2887.

The dynamic advantages of integration stem from an analysis of competitive markets (section 5.1.2 of Unit 2881 and section 5.2.1 of Unit 2882) and from the benefits of large scale production (section 5.1.3 of Unit 2881) with appropriate concepts for evaluation of these advantages contained in sections 5.1.3 of Unit 2881, 5.2.2 of Unit 2882 and in the analysis of market structure of the paired micro-economic A2 Units 2884 and 2885.

The context of EMU is best approached using the theories and concepts introduced in Unit 2883 relating to the control by government of the macro-economy and, in particular, the nature of monetary and fiscal policy in a single currency zone (section 5.3.3).

### 5.8.3 *The Transition Economies of Europe*

#### **Content**

The characteristics of centrally planned economies and the problems and inefficiencies of planning.

The transition towards a market economy. The economic performance of former centrally planned economies during transition. Integration of former command economies with the EU.

#### **Candidates should be able to:**

- understand the characteristics of centrally planned economies;
- explain how and why central planning has failed;
- analyse how economic reforms have been applied in transition economies;
- discuss the costs and benefits of economic reforms for transition economies;
- analyse the economic performance of the former centrally planned economies, including those that have now joined the EU, and how they compare with established EU economies;
- discuss the reasons why some transition economies are joining the EU.

#### **Further Guidance**

The emphasis of this section is on the diverse performance of the transition economies and the problems and prospects of their integration with the EU. Although the assessment material will focus on contemporary issues surrounding transition economies, candidates will be expected to have an understanding of the inefficiencies of planning (drawing on section 5.2.3 of Unit 2882) and the nature of transition reforms. Since the process of transition has had a major bearing on the macro-economic performance of Central and Eastern European economies, students should be familiar with means of comparing such performance (section 5.3.1 of Unit 2883) and the role of the various macro-economic policy instruments for successful transition (section 5.3.3 of Unit 2883). The analysis of the costs and benefits of closer integration with the EU is in essence the same as that in section 5.8.2 of the synoptic specification but students should be familiar with the context of former command economies.

## 6 Further Information and Training for Teachers

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To support teachers using these specifications, OCR will make the following materials and services available:

- a dedicated subject-specific telephone number;
- a full programme of In-Service Training (INSET) meetings;
- specimen question papers and marking guidelines;
- past question papers and mark schemes after each examination session;
- a report on the examination, compiled by Principal Examiners after each examination session;
- teacher guidance material:
  - Teacher Support AS Units 2881-3 and the synoptic Unit 2888 (Second Edition, 2003)
  - Teacher Support for A2 units (Revised Edition due autumn 2004)

If you would like further information about the specification or if you would like to download the above-mentioned booklets, please contact OCR or visit the OCR website, [www.ocr.org.uk](http://www.ocr.org.uk)

## 7 Reading List

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The resources referred to below may prove useful in delivering AS GCE and Advanced GCE Economics.

The list is not intended to be exhaustive nor does inclusion on the list constitute a recommendation of the suitability of the resource for the specification (unless specifically endorsed by OCR). The list below contains books that are available in summer 2004. Teachers will need to use their professional judgement in assessing the suitability of the material contained in this list.

### 7.1 Key AS Text

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The following text has been produced to assist students and teachers in the delivery of the AS specification and synoptic module 2888.

Bamford CG (ed.) with Brunskill K, Cain G, Crum R, Grant S, Munday S, Tidball S, Walton S and Westaway AJ. *Economics for AS*, (2<sup>nd</sup> Edition), 2003 Cambridge University Press. ISBN 0-521-54166-2.

This text is endorsed by OCR. The second edition has been fully updated and contains self-assessment tasks drawn from previous OCR AS question papers.

### 7.2 List of Other Reading for AS Modules

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The reading list below contains, in the main, books for students. A few of the texts listed are more substantive and are therefore of more relevance to teachers. All of the books underpin the specification as a whole.

It should be stressed that this is not an exhaustive list. Wherever possible, teachers should endeavour to use the most up to date editions available, particularly as almost all of the books listed contain statistical information.

Anderton A. *Economics* (3rd edition). 2000. Causeway Press. ISBN 1-902796-10-1.

Anderton A. *Economics – AS Level*. 2000. Causeway Press. ISBN 1-902796-12-8.

Bamford CG et al, *Economics: AS and A Level* (CIE). 2002. Cambridge University Press. ISBN 052100781X.

Bamford CG and Munday S. *Markets*. 2000. SEB. Heinemann. ISBN 0435352236.

- Beardshaw J *et al.* *Economics: A Students Guide*. (2<sup>nd</sup> edition). 2001. FT Prentice Hall. ISBN 0273651404.
- Begg D *et al.* *Foundations of Economics*. (2<sup>nd</sup> edition). 2003. McGraw Hill. ISBN 6077699850.
- Burningham D and Davies J. *Green Economics* (2<sup>nd</sup> edition). 1999. SEB Heinemann. ISBN 0-435-33210-4.
- Cramp P. *Understanding Economic Data*. 2000. Anforme. ISBN 0907529569.
- Duff L. *The Economics of Governments and Markets*. 1997. Longman. ISBN 0-582-28984 X.
- Emery AJ. *15 Data Response Questions for AS and A Level Economics*. 2002. Anforme. ISBN 0907529666.
- Gillespie A. *Advanced Economics Through Diagrams*. 2001. Oxford. ISBN 0199134294
- Jewell M. *Key Definitions for Economics A Level Revision*. 2003. Anforme. ISBN 0907529763.
- Keefe J. *The Revision Guide to AS and A Level Economics*. 2002. Anforme ISBN 0907529704
- Maunder P *et al.* *Economics Explained* (3rd edition). 2000. Collins Educational. ISBN 0 00 327 758-5.
- Munday S. *Markets and Market Failure*. 2000. SEB. Heinemann. ISBN 0-435-33050-0.
- Slooman J. *Essentials of Economics*. 2003 FT. Prentice Hall. ISBN 0273683829.
- Stanlake GF. and Grant SJ. *Stanlake's Introductory Economics* (7th edition). 2000. Longmans. ISBN 0-582-40548-3.

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### 7.3 Reading Lists for the Optional Modules (A2)

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The reading lists below are for Modules 2884 to 2888 and contain books for both student and teacher use.

**In general, all books in the Heinemann Studies in the Economics and Business (SEB) series have been written specifically for AS GCE and Advanced GCE.**

Many of the general texts listed in 7.2 contain chapters which provide relevant underpinning for some of the introductory aspects of optional modules and for the synoptic module.

Additional publications and resources, including useful websites, are contained in OCR's A2 Teacher Support booklet.

### 7.3.1 **Module 2884 Economics of Work and Leisure**

Clark A, Layard R. and Rubin M. *UK Unemployment*. 1997. SEB Heinemann. ISBN 0-435-33038-1

Cooper C *et al.* *Tourism, Principles and Practice*. 1998. Longmans.

Cramp P. *Labour Markets*. 2001. Anforme. ISBN 0 907529 607.

Hale G. *Labour Markets*. 2001. SEB Heinemann. ISBN 0-435-33219-8.

Tribe J. *The Economics of Leisure and Tourism* (2nd edition). 2001. Butterworth Heinemann. ISBN 0750642327

Wilson I. *The Economics of Leisure*. 2003. SEB Heinemann. ISBN 0435330454.

### 7.3.2 **Module 2885 Transport Economics**

Bamford CG. *Transport Economics* (3rd edition). 2001. SEB Heinemann. ISBN 0-435-33215-5.

Cole S. *Applied Transport Economics*. 1998. Kogan Page. ISBN 0-7494-2303X

Glaister S and Travers T. *New Directions for British Railways*. 1993. Institute of Economic Affairs.

Hibbs J. *Deregulation*. 1998. Adam Smith Institute.

Hibbs J. *Transport Economics and Policy*. 2003. Kogan Page. ISBN 0749437723.

Hibbs J and Bradley M. *Deregulated Decade*. 1997. Adam Smith Institute. ISBN 1-87312-83-9

*Developing an Integrated Transport Policy: A Consultation Paper*. Department of Transport, the Environment and the Regions. 1997.

Royal Commission on Environmental Pollution. *Transport and the Environment*. HMSO. 1994 and 1997.

*A New Deal for Transport - Better for Everyone*. The Government's White Paper on the Future of Transport CM 3950. 1998.

*Breaking the Logjam*. The Department of the Environment, Transport and the Regions. 1998.

For up to date publications, students and teachers will find it useful to consult the websites of the Department for Transport ([www.dft.gov.uk](http://www.dft.gov.uk)) and the Commission for Integrated Transport ([www.dft.gov.uk](http://www.dft.gov.uk)).

### 7.3.3 **Module 2886 Economics of Development**

Cramp P. *Economic Development* (3<sup>rd</sup> edition). 2003. Anforme. ISBN 0-9075-29739.

Glanville A. *Introduction to Development Economics*. Glanville. 1995. ISBN 0-9524746-0-3

Nixson F. *Development Economics* (2nd edition). 2001. SEB Heinemann. ISBN 0435-330489.

Smith C. *International Trade and Globalisation*. (2<sup>nd</sup> edition). 2004. Anforme. ISBN 0907529828.

UNDP. *Human Development Report*. Oxford, Annual.

World Bank. *World Development Report*. 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).

### 7.3.4 **Module 2887 The UK Economy**

Bamford CG and Grant S. *The UK Economy in a Global Context*. 2000. SEB Heinemann. ISBN 0435330462.

Cook M and Healey N. *Supply Side Policies* (4th edition). 2001. SEB Heinemann. ISBN 0-435-33047-0.

Grant S. *Economic Growth and Business Cycles*. 1999. SEB Heinemann. ISBN 0-435-332120.

Griffiths A and Wall S (eds). *Applied Economics*. (10<sup>th</sup> edition). 2004. FT Prentice Hall. ISBN 0273684329.

Healey N and Cook M. *Supply Side Policies*. 2001. SEB Heinemann. ISBN 0435380470.

Riley G. *The UK Economy. 1990-2000*. Anforme. 2000. ISBN 0 907529550.

Smith D. *UK Current Economic Policy* (3<sup>rd</sup> edition). Heinemann. 2003. ISBN 0-435-332287.



Russell M and Heathfield D. *Inflation and UK Monetary Policy* (3rd edition). 1999. SEB Heinemann. ISBN 0-435-33213-9.

Sawyer M (ed). *The UK Economy* (15th edition). 2001. Oxford University Press. ISBN 0-19-877638-1.

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## 7.4 Module 2888 Economics in a European Context

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The following books provide relevant contextual material for this module:

Baldwin R and Wyplosz C. *Economics of European Integration*. 2003. Higher Education. ISBN 0077103947.

De Grauwe P. *Economics of Monetary Union*. 2003. Oxford. ISBN 0199256519.

El-Agraa A (ed). *The European Union - economies and policies*. 2003. FT Prentice Hall. ISBN 0273679996.

Hill B. *The European Union* (4th edition). 2001. SEB Heinemann. ISBN 0-435-33214-7. \*

Hitiris T. *European Union Economics*. 2002. FT Prentice Hall. ISBN 027365537X.

Lavigne M. *The Economics of Transition* (2nd ed). 1999. MacMillan. ISBN 0-333-75416-6.

McDonald F and Dearden S. *European Economic Integration* (3rd ed). 1999. Longman. ISBN 0-582-309174.\*

Romer S. *Understanding the European Union*. 2001. Anforme. ISBN 0907529615.

Welford R and Prescott K. *European Business*. 1998. Pitman. ISBN 0-2736 -1989-6.

\* These books contain sections and case studies which could be used directly with students. The other books are mostly appropriate for teachers.

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## 7.5 Internet and Other Resources

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### **Biz/ed**

This is a free information service on the Internet which provides a range of notes and worksheets for use by Advanced GCE Students of Business Studies and Economics. This includes:

- key economic statistics;
- company information;
- case studies;
- outline assignments and study skills;
- curriculum updates;
- virtual economy simulation.

Biz/ed also provides opportunities for the electronic networking of teachers. It is a very appropriate resource for teachers and students.

Its address is <http://www.bized.ac.uk>

or write to

Institute of Learning and Research Technology  
University of Bristol  
8 Woodland Road  
Bristol  
BS8 1TN

<http://www.woodgreen.oxon.sch.uk/economics/default.htm>

This extensive website supports students following the OCR Economics AS specification and the A2 Modules 2885, 2886 and 2888. The pages hold core notes, class assignments set at Wood Green School and suggested links for additional research.

### **Tutor2u**

[www.tutor2u.com](http://www.tutor2u.com)

This website has a wide range of generally high quality teaching/learning materials, some focusing specifically on the OCR specification. Access is both 'free' and by subscription.

The website has recently been extended and now contains extensive material of relevance to teachers and students.

### **Other**

Economics Today and Economic Review contain up-to-date articles that are written by teachers and examiners. It is recommended that these publications, along with good newspapers and news websites, are used in conjunction with the textbooks listed above.


# Appendix A

## Key Skills

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These specifications provide opportunities for the development of the Key Skills of *Communication, Application of Number, Information Technology, Working With Others, Improving Own Learning and Performance* and *Problem Solving* as required by QCA's subject criteria for Economics.

Through classwork and preparation for external assessment, candidates may produce evidence for Key Skills at Level 3. However, the extent to which this evidence fulfils the requirements of the QCA Key Skills specifications at this level will be dependent on the style of teaching and learning adopted for each module. In some cases, the work produced may meet the evidence requirements of the Key Skills specifications at a higher or lower level.

Throughout section 5 the symbol  is used in the margin to highlight where Key Skills development opportunities are signposted. The following abbreviations are used to represent the above Key Skills:

C = Communication

N = Application of Number

IT = Information Technology

WO = Working with Others

LP = Improving Own Learning and Performance

PS = Problem Solving

These abbreviations are taken from the QCA Key Skills specifications for use in programmes starting from September 2000. References in section 5 and Appendix A, for example IT3.1 , show the Key Skill (IT), the level (3) and subsection (1).

**Detailed opportunities for generating Key Skills evidence through this specification are posted on the OCR website, [www.ocr.org.uk](http://www.ocr.org.uk)**

## Key Skills Coverage

For each module, the following matrix indicates those Key Skills for which opportunities for at least some coverage of the relevant Key Skills unit exist.

Module	Communication	Application of Number	IT	Working with Others	Learning Performance	Problem Solving
	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3
2881	✓	✓	✓	✓	✓	
2882	✓		✓	✓	✓	✓
2883	✓	✓	✓	✓	✓	✓
2884	✓			✓	✓	✓
2885	✓			✓	✓	✓
2886	✓			✓	✓	✓
2887	✓		✓	✓	✓	✓
2888	✓		✓	✓	✓	

# Appendix B

## Quality of Written Communication

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All written examinations in these specifications include assessment of the quality of written communication. Marks are embedded within the mark scheme for particular questions. More specifically, these questions are:

- Units 2881, 2882 and 2883 – a specified question where continuous prose is required;
- Units 2884, 2885, 2886 and 2887 - section B structured essay questions;
- Unit 2888 (synoptic module) - across all questions marked by a 4-level of response structure.

A set number of marks for written communication is not a requirement. However, where a levels of response mark scheme is used, the following general criteria for assessing the quality of written communication apply.

These criteria are integrated within the more specific levels of response shown in the individual mark schemes for units.

### **Level 4**

Complex ideas are expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, are well structured, using specialist technical terminology where appropriate. There are few, if any, errors of spelling, punctuation and grammar.

[3 marks representing the appropriate level of written communication are embedded in this level of response.]

### **Levels 2 and 3**

Relatively straightforward ideas are expressed clearly and quite fluently, using an appropriate style of writing. Arguments are generally relevant, though may occasionally stray from the point, and are broadly logical and coherent. There are some errors of spelling, punctuation and grammar, but these are not intrusive or totally obscure the meaning.

[2 marks representing the appropriate level of written communication are embedded in these levels of response.]

### **Level 1**

Simple ideas are expressed, generally in a style lacking clarity and fluency. Arguments have limited coherence and structure, often being of doubtful relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and intrusive. Writing may lack legibility.

[1 mark representing the above level of written communication is embedded in this level of response.]

Exceptionally, answers which are assessed as a L1, L2 or L3 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of their written communication in any particular and appropriate question, if the standard attained is above the embedded criteria for the Quality of Written Communication. This flexibility is available only where the Quality of Written Communication is linked to a Levels of Response mark scheme.

