

GCE A LEVEL



WJEC Eduqas GCE A LEVEL in ECONOMICS

ACCREDITED BY OFQUAL

SPECIFICATION

Teaching from 2015
For award from 2017



This Ofqual regulated qualification is not available for candidates in maintained schools and colleges in Wales.

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A LEVEL ECONOMICS

SUMMARY OF ASSESSMENT

Component 1: Economic Principles
Written examination: 1 hour 30 minutes
30% of qualification

Section A – compulsory multiple choice questions

Section B – compulsory structured questions

To assess all of the A level content

Total marks 60

Component 2: Exploring Economic Behaviour
Written examination: 2 hours 30 minutes
30% of qualification

Compulsory data response questions covering all of the A level content

Total marks 80

Component 3: Evaluating Economic Models and Policies
Written examination: 2 hours 30 minutes
40% of qualification

Section A – Microeconomics

Section B – Macroeconomics

Section C – Trade and Development

One essay from a choice of two in each section

To assess all of the A level content

Total marks 90

This linear qualification will be available in the summer series each year. It will be awarded for the first time in summer 2017.

Qualification Accreditation Number: 601/4103/7

A LEVEL ECONOMICS

1 INTRODUCTION

1.1 Aims and objectives

The WJEC Eduqas A level in Economics encourages learners to:

- develop an interest in and enthusiasm for the subject
- appreciate the contribution of economics to the understanding of the wider economic and social environment
- develop an understanding of a range of concepts and an ability to use those concepts in a variety of different contexts
- use an enquiring, critical and thoughtful approach to the study of economics and develop an ability to think as an economist
- understand that economic behaviour can be studied from a range of perspectives
- develop analytical and quantitative skills, together with qualities and attitudes which will equip them for the challenges, opportunities and responsibilities of adult and working life.

This specification provides learners with a coherent combination of microeconomic and macroeconomic content that will develop an understanding of economic concepts and theories through a critical consideration of current economic issues, problems and institutions that affect everyday life. The specification prepares learners who wish to progress to undergraduate level study.

Learners will have the opportunity to apply economic concepts and theories using a wide range of contexts and to appreciate their value and limitations in explaining real-world phenomena. Learners will develop an appreciation of the complex and inter-related nature of economics and analytical and quantitative skills in selecting, interpreting and using appropriate data from a range of sources.

1.2 Prior learning and progression

There are no prior learning requirements. Any requirements set for entry to a course following this specification are at the discretion of centres. It is reasonable to assume that many learners will have achieved qualifications equivalent to Level 2 at KS4. Skills in Numeracy/Mathematics, Literacy/English and Information Communication Technology will provide a good basis for progression to this Level 3 qualification.

Some learners will have already gained knowledge, understanding, and skills through their study of economics at GCSE or AS.

Quantitative skills are specified in the subject criteria and repeated in Appendix A of this specification.

This specification provides a suitable foundation for the study of economics or a related area through a range of higher education courses, progression to the next level of vocational qualifications or employment. In addition, the specification provides a coherent, satisfying and worthwhile course of study for learners who do not progress to further study in this subject.

This specification is not age specific and, as such, provides opportunities for learners to extend their life-long learning.

1.3 Equality and fair assessment

This specification may be followed by any learner, irrespective of gender, ethnic, religious or cultural background. It has been designed to avoid, where possible, features that could, without justification, make it more difficult for a learner to achieve because they have a particular protected characteristic.

The protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The specification has been discussed with groups who represent the interests of a diverse range of learners, and the specification will be kept under review.

Reasonable adjustments are made for certain learners in order to enable them to access the assessments (e.g. candidates are allowed access to a Sign Language Interpreter, using British Sign Language). Information on reasonable adjustments is found in the following document from the Joint Council for Qualifications (JCQ): *Access Arrangements and Reasonable Adjustments: General and Vocational Qualifications*.

This document is available on the JCQ website (www.jcq.org.uk). As a consequence of provision for reasonable adjustments, very few learners will have a complete barrier to any part of the assessment.

2 SUBJECT CONTENT

This A level in Economics provides a coherent combination of microeconomic and macroeconomic content. Learners will develop an understanding of economic concepts and theories through critical consideration of current economic issues, problems and institutions that affect everyday life, drawing on local, national and global contexts.

The specification enables learners to develop an in-depth understanding of the role markets play and the way in which governments seek to manage them. Learners will need to be aware of contemporary developments in macroeconomic policy.

Learners will be expected to understand microeconomic and macroeconomic market models, using the models to explore current economic behaviour and make causal connections. Learners will be required to develop a critical approach to economic models and methods of enquiry, recognising the limitations of economic models.

Learners will develop analytical and quantitative skills in selecting, interpreting and using appropriate data from a range of sources applied in the context of A level Economics as listed in Appendix A.

The knowledge, understanding and skills are set out in three columns in the pages which follow. The topic to be studied is in the first column with amplification in the second column and further guidance, where needed, in the third column. There is no hierarchy implied by the order in which the content and amplification are presented, nor should the length of the various sections be taken to imply any view of their relative importance.

The subject content for A level Economics will be assessed across three examination papers.

Component 1: Economic Principles

Written examination: 1 hour 30 minutes
30% of qualification

Component 2: Exploring Economic Behaviour

Written examination: 2 hours 30 minutes
30% of qualification

Component 3: Evaluating Economic Models and Policies

Written examination: 2 hours 30 minutes
40% of qualification

The subject content has been grouped into three broad areas of study:

- Microeconomics
- Macroeconomics
- Trade and development.

Microeconomics

Learners are required to understand that economics is a study of scarce resources and how those resources are allocated to various uses in a market economy. Learners will also be required to understand the economic behaviour of consumers, producers and governments in competitive and non-competitive markets. Learners need to be aware of the assumptions of the model of demand and supply and explain the way it works using a range of techniques. Learners need an understanding of the benefits of markets and how they work and why they may fail.

Learners should understand the way prices and outputs are set in a variety of competitive and non-competitive situations and should be able to model this using cost and revenue models. Learners should be aware that the objectives of different economic agents may not always be simple maximisation and these objectives may change according to time and circumstance. Learners should understand the ways in which and the extent to which governments need to act to control the behaviour of firms.

Learners will need to study the content areas below:

- Scarcity and choice
- Demand and supply in product markets
- Demand and supply in labour markets
- Resource allocation
- Costs, revenues and profits
- Market structures
- Market failure.

Scarcity and choice

Content	Amplification	Additional guidance notes
Scarcity, choice and opportunity cost	Define and illustrate the concepts of scarcity, choice and opportunity cost for society, individuals and the government	Learners should understand that these concepts show that all economies have to decide what, how and for whom to produce and understand the difference between economic goods and free goods
Production possibility frontiers (PPFs)	<p>Use production possibility frontier diagrams to depict choice, opportunity cost, short- and long-term economic growth and efficiency</p> <p>Understand movements along and shifts in PPFs</p> <p>Understand that the PPF is usually drawn concave to the origin because of imperfect factor substitution and why a straight line PPF is an indication of perfect factor substitutability of resources</p> <p>Explain factors which may shift the PPF inwards or outwards</p> <p>Relate long-term economic growth and changes in productivity to outward or skewed shifts in an economy's PPFs</p>	<p>Learners will need to understand the concept of increasing opportunity cost at the margin as output increases</p> <p>Learners should be able to understand the link between PPFs and economic potential as shown by the long run aggregate supply curve</p>
Specialisation, division of labour and exchange	<p>Understand the advantages and disadvantages of specialisation</p> <p>Define productivity and explain how it may be increased by the use of specialisation and other factors</p>	Learners should understand the importance of specialisation at the individual and national level

Demand and supply in product markets

Content	Amplification	Additional guidance notes
Factors influencing demand and supply in product markets	<p>Define a product market</p> <p>Explain the objectives of economic agents: that firms seek to maximise profits and consumers seek to maximise satisfaction/utility</p> <p>Understand the importance of marginal utility in the derivation of demand curves</p> <p>Identify the main influences on demand and supply in product markets</p> <p>Understand why demand curves normally slope downward from left to right</p> <p>Understand why supply curves will normally slope upward from left to right, for example, producers will be able to make higher profits at higher prices and that higher levels of output mean increased marginal costs in the short run</p>	<p>Knowledge of indifference analysis will not be required</p> <p>Learners should be aware that firms and consumers are assumed to behave rationally</p> <p>Learners should understand the concept of diminishing marginal utility. Understanding the law of equi-marginal returns is not required</p> <p>Learners should have a basic understanding of the substitution and income effects of a price change</p> <p>Learners should be aware of the assumption that firms are price takers in this analysis of the supply curve</p>
The determination of equilibrium price and output in a freely competitive market	<p>Illustrate, using diagrams, equilibrium price and output situations in product markets</p> <p>Explain effects on price and output of shifts in demand and supply curves</p>	<p>Learners should be able to understand the reasons for movements along and shifts of demand and supply curves</p>
Consumer and producer surplus	<p>Define, explain and illustrate, using diagrams, consumer surplus and producer surplus</p>	<p>Learners should be aware that consumer surplus and producer surplus are jointly maximised at the free market equilibrium</p> <p>Learners should be able to calculate the value of consumer and producer surplus, for example, calculating the area of a triangle from the figures given on a diagram</p>

<p>Price, income and cross price elasticities of demand, price elasticity of supply</p>	<p>Understand the meaning of the terms price, income and cross price elasticities of demand and price elasticity of supply</p> <p>Explain the relationship between price elasticity of demand and total revenue</p> <p>Use the concept of income elasticity to distinguish between normal and inferior goods</p> <p>Apply the concept of elasticity to economic contexts for example, in the incidence of taxation and the incidence of subsidies</p>	<p>Learners should be able to define, calculate and interpret numerical values of elasticity</p> <p>Learners should be aware of the factors which influence price, income and cross price elasticities of demand and price elasticity of supply</p> <p>Learners should understand that price elasticity of demand varies along a straight line downward sloping demand curve</p> <p>Learners should be able to evaluate the extent to which knowledge of price elasticity of demand and supply are important to decision-making in firms and government</p>
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Demand and supply in labour markets

Content	Amplification	Additional guidance notes
Wage determination	<p>Identify the main influences on demand and supply in labour markets</p> <p>Understand determinants of the elasticity of the demand and supply of labour</p> <p>Understand the causes and implications of wage differentials</p>	<p>Knowledge of marginal revenue product theory is not required</p> <p>Knowledge of the factors which cause shifts in the demand and supply curves of labour is required, illustrated by the use of diagrams</p>
Labour market issues	<p>Understand the factors which affect flexibility in labour markets, for example, trade union power, regulation, welfare payments and income tax rates</p> <p>Evaluate the effects of the statutory national minimum wage on labour markets</p> <p>Explain the impact of migration on labour markets</p>	<p>Learners should understand the links between issues in the labour market and supply side performance in the economy</p> <p>Learners should understand the impact of the national minimum wage on economic agents and the wider economy</p> <p>Learners should be able to illustrate this through the use of diagrams</p>

Resource allocation

Content	Amplification	Additional guidance notes
How resources are allocated in a free market economy	<p>Understand the role of profit and the function of prices in allocating resources to different uses</p> <p>Understand that changes in one market affect other markets, for example, interrelationships between factor and product markets</p>	<p>Learners should be aware of the main assumptions upon which free markets operate, such as a large number of buyers and sellers, perfect information</p> <p>Learners should understand that, in reality, economic agents do not always behave rationally</p>

Costs, revenues and profits

Content	Amplification	Additional guidance notes
Costs, revenues and profits	<p>Explain the law of diminishing returns</p> <p>Distinguish between fixed and variable costs and be able to distinguish between the short run and the long run</p> <p>Define and calculate total, average and marginal values for revenue and costs</p> <p>Explain and illustrate internal and external economies and diseconomies of scale</p> <p>Explain the concept of profit maximisation (using marginal revenue and marginal cost)</p> <p>Define and understand the difference between normal and abnormal profits</p>	<p>A numerical and diagrammatic understanding of total, average and marginal product is required</p> <p>Learners should understand that diminishing returns may not set in immediately</p> <p>Learners should understand the link between the marginal product of labour and a firm's marginal costs, for example, as the marginal product of labour falls, the marginal costs rise as more workers are employed</p> <p>Appropriate diagrams should be used to illustrate all concepts relating to costs and revenues (the difference between the short run and long run is required)</p> <p>Learners should be able to derive the long run average cost curve</p> <p>Learners should understand that economists define profits differently to businesses, that is, accounting profit compared with economic profit</p>
The growth of firms	<p>Understand how and why firms might grow</p> <p>Understand types of integration/mergers (horizontal, vertical and conglomerate)</p>	<p>Learners should understand the difference between internal and external growth</p> <p>Learners should be able to evaluate the possible costs and benefits of growth/mergers</p>
Efficiency	<p>Explain and illustrate the concepts of productive and allocative efficiency</p>	<p>Learners should be able to illustrate productive and allocative efficiency through diagrams</p> <p>Learners should have an awareness of dynamic efficiency and Pareto efficiency</p>

Market structures

Content	Amplification	Additional guidance notes
Background to market structures	Explain that the structure of a market depends on the number of firms and their ability to enter and exit markets freely (contestability)	Learners should understand that regulators can affect the degree of contestability in a market Learners should be able to distinguish between structural and behavioural barriers to entry, for example, high start-up costs as against limit pricing
Business objectives	Explain how firms may have different objectives, such as maximisation of profit, revenue or market share, survival, social and community objectives	Learners should understand the different objectives of the various stakeholders and be aware of the concept of satisficing
Perfect competition	Define perfect competition and explain the importance of its underpinning assumptions Explain and illustrate with diagrams the short run and long run equilibrium price and output for the firm and the industry Explain and evaluate the efficiency of perfectly competitive markets	Learners should understand how the short run adjusts to the long run Learners should be able to evaluate perfectly competitive markets using allocative and productive efficiency
Monopolistic competition	Define monopolistic competition and explain the importance of its underpinning assumptions Explain and illustrate with diagrams the short run and long run equilibrium price and output for the firm Explain and evaluate the efficiency of monopolistically competitive markets	Learners should understand the importance of non-price factors such as differentiated products and advertising in monopolistic competition Learners should understand how the short run adjusts to the long run Learners should be able to evaluate monopolistic competition using allocative and productive efficiency

<p>Monopoly</p>	<p>Define monopoly and explain the importance of its underpinning assumptions</p> <p>Compare, using diagrams, the short run and long run equilibrium positions in perfect competition with those of monopoly</p> <p>Explain and evaluate the potential costs and benefits of monopoly, for example, price discrimination, lack of contestability, efficiency against the benefits of economies of scale and natural monopoly</p>	<p>Learners should understand the concept of a pure monopoly</p> <p>Learners should understand the links to international competitiveness</p> <p>Learners should be able to use diagrams to illustrate differences in efficiency</p> <p>Detailed knowledge of the different degrees of price discrimination will not be required</p> <p>Diagrammatic approach to price discrimination will not be required</p>
<p>Oligopoly</p>	<p>Explain the main features of oligopolistic markets and the concept of interdependence</p> <p>Explain that oligopolistic markets may be characterised by price and non-price competition, price leadership, collusion and price wars</p> <p>Explain and evaluate the potential costs and benefits of oligopoly</p> <p>Use game theory to evaluate interdependent behaviour in oligopolistic markets</p>	<p>Use of simple concentration ratios to measure the extent of market power is required</p> <p>The allocative and productive efficiency of oligopolistic markets should be understood</p> <p>Learners should understand the importance of dominant firms in the context of innovation and the competitiveness of the whole economy</p> <p>Learners should be able to determine a Nash equilibrium in a matrix</p>

Competition policy	<p>Explain the reasons why governments may be concerned with competition, monopolies and mergers in industry</p> <p>Understand the role of competition authorities and regulators in promoting competition and contestability in markets</p>	<p>Detailed knowledge of UK and EU competition legislation is not required</p> <p>Learners should be able to evaluate the extent to which competition and contestability are desirable</p> <p>Detailed knowledge of regulatory policies is not required</p>
Privatisation	<p>Explain the way in which privatisation may increase competition</p> <p>Evaluate the effects of privatisation on competition, efficiency, prices and the whole economy</p>	<p>Learners should understand that privatisation may take many forms other than simply transferring the ownership of state-run assets into the private sector</p> <p>Learners should understand the arguments for renationalisation</p>

Market failure

Content	Amplification	Additional guidance notes
Understanding market failure	<p>Define market failure and have an understanding of efficiency, that is, the maximisation of consumer/producer surplus at the free market equilibrium output</p> <p>Understand that market failure may take many forms, including</p> <ul style="list-style-type: none"> • public goods • merit and demerit goods • externalities • monopoly power • information asymmetries and gaps • an absence of private property rights • income inequality • volatile prices <p>Appreciate the reasons for, and the consequences of, each source of market failure for economic agents</p>	<p>Learners should be able to distinguish between public goods and private goods</p> <p>Learners should be able to draw and analyse diagrams showing the external benefits of consumption and the external costs of consumption and production</p> <p>Learners should be able to derive the socially efficient level of output and identify and explain welfare loss</p>
Why and how governments intervene in markets	<p>Explain why and how governments intervene in markets, for example, to correct market failure and reduce income inequality</p> <p>Evaluate government intervention policies</p>	<p>Governments may intervene by using policies, such as taxation (specific and ad valorem taxes), subsidies, state provision and regulation, minimum and maximum prices, use of prices, for example, road pricing and tradeable pollution permits</p> <p>Simple demand and supply diagrams should be used</p> <p>Learners should be able to link policies to the reduction of income inequality, for example, progressive taxation and the benefits system, price stabilisation and guaranteed minimum price schemes in agriculture and the national minimum wage</p>
The effects of government intervention	<p>Explain that, in certain cases, government intervention can create distortions in markets, for example, in agriculture, housing and labour markets</p> <p>Understand the reasons for government failure and be able to evaluate its effects</p>	<p>Learners should be aware of distortions in markets and examples of government failure</p>

Macroeconomics

Learners are required to understand the use of economic models to develop a critical understanding of macroeconomic issues. Learners must develop an awareness of the historical context of economic ideas and theories and understand government objectives and policies as they relate to stability and growth in local, national and global terms.

Learners need to understand that there is significant theoretical debate over the extent to which an economy can achieve full employment equilibrium – specifically, the belief among Keynesians that economies can reach an equilibrium below full employment compared to Neo-Classical economists who believe that an economy will automatically adjust to full employment equilibrium. Learners need to understand and evaluate the different policy options used by governments as a result of this difference of opinion.

Learners should have an awareness of major economic issues that have taken place since 1990 to the present day.

Learners will need to study the content areas below:

- Macroeconomic theory
- Macroeconomic objectives
- Policy instruments.

Macroeconomic theory

Content	Amplification	Additional guidance notes
The circular flow of income model	<p>Explain the flows in the circular flow model and understand that they should be equal (income = output = expenditure)</p> <p>Explain injections into and withdrawals from the circular flow</p> <p>Use the model to explain the concept of national income equilibrium and to explain how changes in injections and withdrawals might lead to changes in the equilibrium level of national income, and hence explain the multiplier process</p>	Learners will not be required to calculate the multiplier
The components of aggregate demand (AD)	<p>Define the components of aggregate demand: consumption, investment, government spending and net export (exports minus imports)</p> <p>Explain the factors which affect the levels of consumption and investment in the economy</p>	<p>Learners should explain the importance of factors such as income and profit, wealth, interest rates, expectations and taxation</p> <p>Knowledge of the Keynesian theory of the consumption function, the marginal efficiency of capital and the accelerator effect are not required</p>

The AD function	<p>Understand why an AD function will slope downward from left to right</p> <p>Understand that changes in the components of AD can cause the function to shift</p>	Learners are expected to explain at least one of the following: the real balance effect, the trade effect and the interest rate effect
The aggregate supply (AS) function	<p>Understand the shape of the Keynesian long run aggregate supply (LRAS) curve</p> <p>Understand the factors which might result in a shift in LRAS</p>	<p>Learners are expected to realise that the LRAS is vertical at the full employment level of output</p> <p>These include: changes in the quantity, quality and efficiency of use of factors of production, changes in the state of technology and changes in factor market flexibility</p> <p>Learners should understand how changes in policy instruments may be used to bring such shifts about</p>
Short run aggregate supply (SRAS)	<p>Understand why the SRAS function is assumed to slope upwards from left to right</p> <p>Understand why a SRAS function might shift</p>	<p>Learners should understand the assumptions behind SRAS analysis, such as fixed input prices, productivity and technology</p> <p>Learners should be aware that SRAS in this form is associated with Monetarist and Neo-Classical economists</p> <p>Factors might include changes in labour costs, changes in commodity prices, changes in the value of the exchange rate, taxation and subsidies</p>
Long run aggregate supply (LRAS)	<p>Understand that there are differences between Keynesian and Neo-Classical views on what the AS curve will look like in the long run</p> <p>Explain the Neo-Classical view of the process through which an economy might adjust to long run equilibrium</p> <p>Understand that Keynesian economists disagree with this process of adjustment because of issues such as inflexible factor markets ('sticky wage', etc.) and that, consequently, the LRAS function may not be vertical at the equilibrium level of output</p>	Learners should understand the assumptions of flexible product and factor markets which underpin this analysis

AD/AS analysis	Illustrate and explain how AD and AS interact to determine the equilibrium level of output, employment and prices in the long run	Diagrammatic analysis is required
The short run Phillips curve	Explain that there may be a trade-off between inflation and unemployment in the short run and that such trade-offs have been observed in the UK	Diagrammatic analysis is required
The long run Phillips curve	<p>Argue that Neo-Classical economists believe that the short run Phillips curve is not stable due to the role of expectations; in the long run, attempts to hold unemployment below its natural rate/NAIRU will result in accelerating inflation and that when the economy eventually return to its natural rate/NAIRU it will do so with a higher level of inflation</p> <p>Understand that changes on the supply side (either favourable or adverse) can cause the position of the long run Phillips curve to shift and that economic policy changes can bring such shifts about</p>	<p>Learners should understand the role of inflationary expectations within this model</p> <p>Diagrammatic analysis is required</p>

Macroeconomic objectives

Content	Amplification	Additional guidance notes
Government policy objectives	Explain the main macroeconomic objectives and possible conflicts between policy objectives	Learners should understand why governments have attempted to achieve low inflation, low levels of unemployment, sustainable economic growth and equilibrium in the current account of the balance of payments
Economic growth	<p>Explain the differences between changes in measured gross domestic product (GDP) (actual growth) and potential growth and understand that by 'economic growth' economists are generally referring to an increase in the productive capacity of the economy rather than short-term changes in the level of national income</p> <p>Explain the differences between actual and potential growth using the concepts of positive and negative output gaps and the business cycle</p> <p>Understand what is meant by the term 'recession'</p>	Learners should be able to illustrate actual and potential growth diagrammatically using both PPF and AD/AS analysis
Causes of growth	Understand that growth can be brought about by changes in factors such as the quantity, quality and efficiency of use of factors of production, changes in the state of technology and changes in factor market flexibility	Learners should be able to discuss the importance of these factors and discuss the extent to which changes in policy instruments may be used to create growth
Benefits and costs of growth	Understand why growth may be beneficial to an economy in terms of impact on households, governments and firms	Learners should be able to evaluate these benefits in terms of how evenly such benefits may be distributed, the opportunity costs of growth, the sustainability of growth and the side-effects of growth in terms of conflicts with other policy objectives

Unemployment		
Measurement and types	Understand that unemployment can be measured in different ways and be aware of the current major approaches and the problems with measuring unemployment accurately	Learners should understand the differences between economically active and inactive individuals and should understand what is meant by the labour force
Costs	Examine the costs of unemployment; these may be both economic and social and may apply to households, governments, firms and the economy	
Causes	Understand demand side causes, such as cyclical unemployment, driven by a fall in the level of GDP (different schools of thought have different views about how temporary this is likely to be)	Learners should understand that Keynesian and Neo-Classical economists have different views as to the real underlying causes of unemployment
	Understand supply side causes are driven by problems in factor markets, such as occupational and geographical inflexibility, lack of incentives to work and real wage unemployment	Learners should understand the natural rate of unemployment
Solutions	Understand that solutions to unemployment will depend on its cause and nature, but that approaches can broadly be characterised as either demand side or supply side	
	<ul style="list-style-type: none"> • Demand side solutions 	
	Understand that, where a negative output gap exists, governments can use fiscal and monetary policy to increase the level of aggregate demand	
	Evaluate the appropriateness and potential effectiveness of such solutions	
Solutions	<ul style="list-style-type: none"> • Supply side solutions 	
	Explain and evaluate potential supply side approaches to the reduction of unemployment, targeted at particular labour market problems	Learners should be aware of policies to improve mobility of labour and labour market flexibility

Inflation and deflation		
Measurement and calculation	<p>Understand how inflation is calculated via weighted changes in price indices, generally over a twelve month period</p> <p>Identify the major measures of inflation in use at the present time and the differences between them</p>	<p>Learners should be able to calculate simple price indices and understand the purpose of weights</p> <p>Learners should be able to calculate and interpret index numbers, in the context of inflation and in other areas</p>
Causes	<p>Understand demand-pull and cost-push explanations of inflation</p> <p>Explain and evaluate the quantity theory of money</p>	<p>Learners should understand the role of expectations in sustaining and driving inflation through mechanisms such as the wage-price spiral</p>
Costs	<p>Appreciate that rising prices can create costs, but that these costs will depend on the level of inflation, the cause of inflation and the extent to which it was anticipated</p>	<p>Costs include redistributive effects, macroeconomic effects and efficiency effects</p>
Solutions	<p>Explain and evaluate possible responses to the issue of inflation in terms of how effective or desirable solutions are likely to be</p>	<p>Approaches may include using fiscal and/or monetary policy to control AD/the money supply, supply side policies to improve labour and product market flexibility, direct controls on wages and prices and attempts to reduce inflationary expectations</p>
Deflation	<p>Understand that, as with inflation, deflation may be either demand side or supply side driven and the effects will depend upon the cause – deflationary pressure caused by supply side improvements may be viewed as beneficial under some circumstances</p> <p>Understand that demand-deflation can create major problems for economies and understand the costs of such deflation to households, governments and firms as well as the difficulties governments face when trying to end deflationary spirals once they have taken hold</p>	

<p>The balance of payments</p>		
<p>Measurement</p>	<p>Understand what is meant by the balance of payments</p> <p>Understand that the balance of payments sums to zero overall and that a current account deficit or surplus will be matched by compensating flows on the capital/financial accounts</p>	<p>Detailed knowledge of the sub-components of the balance of payments is not required</p>
<p>Current account imbalances: causes</p>	<p>Understand why countries may end up running current account deficits (or surpluses) and what is meant by a structural deficit (or surplus)</p> <p>Understand the possible link between changes in the terms of trade and the overall current account balance</p>	<p>Factors may include: productivity, factor costs, exchange rates, industrial structure, commodity prices, protectionist policies and sources of comparative advantage</p> <p>Learners should be able to calculate the terms of trade index</p>
<p>Current account imbalances: impacts</p>	<p>Evaluate the consequences of a current account deficit/surplus</p>	<p>Understanding the nature of the deficit/surplus, its causes and the nature of compensating capital inflows are likely to be significant in evaluation</p>
<p>Solutions to current account deficits</p>	<p>Evaluate possible approaches to dealing with a sustained current account deficit</p>	<p>These may include exchange rate policies, deflationary policies, supply side reforms and protectionism</p>

<p>Control of the national (public sector) debt</p> <p>Measurement</p> <p>Causes</p> <p>Implications</p> <p>Solutions</p>	<p>Understand the relationship between the budget/fiscal deficit and the national (public sector) debt</p> <p>Understand that deficits may result from either discretionary or automatic government policy</p> <p>Explain why governments have been concerned about high levels of public sector debt</p> <p>Concerns may include opportunity cost of interest payments, risk of credit downgrades, confidence issues surrounding refinancing and the risk of crowding out and slower growth</p> <p>Discuss the extent to which it is appropriate to tighten fiscal policy during periods of economic downturn as a way of reducing the budget/fiscal deficit</p>	<p>Learners should understand the difference between structural and cyclical deficits</p> <p>Learners should be able to evaluate the extent to which these concerns are reasonable and hence whether debt is always a bad thing</p>
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Policy instruments

Content	Amplification	Additional guidance notes
Fiscal policy		
Framework	<p>Understand the overall purpose and structure of the budget</p> <p>Analyse the possible impact of changes in tax and spending on the economy using AD/AS diagrams and the Laffer curve</p>	<p>Learners should be aware of the major areas of government expenditure and sources of revenue</p> <p>Learners should be able to explain the differences between current expenditure and capital expenditure and between direct and indirect taxes and their relative desirability</p>
Demand side fiscal policy	<p>Explain how Keynesian economists believe that fiscal policy can and should be used to control the level of aggregate demand in the economy under certain circumstances</p>	<p>Learners should be able to illustrate this idea using AD/AS diagrams</p> <p>Learners should be able to evaluate the use of demand side fiscal policy in terms of both its effectiveness and possible side effects, for example, on the public sector debt</p>
Supply side fiscal policy	<p>Explain that fiscal policy can be used to achieve policy objectives by operating on the supply side in the longer term (examples might include influencing incentives to work and to invest, improving infrastructure)</p>	<p>Learners should be able to evaluate the effectiveness of these types of policy</p>

<p>Financial stability</p>	<ul style="list-style-type: none">• The financial sector <p>Understand the changes in the structure of the UK economy in recent years, in particular the growing size and influence of the financial sector</p> <ul style="list-style-type: none">• Asset bubbles <p>Explain, with appropriate examples (for example the financial crisis of 2007-08), how asset bubbles may arise and what the economic consequences of such bubbles may be</p> <ul style="list-style-type: none">• The role and purpose of regulation <p>Understand the need for regulation of the financial system in terms of creating financial stability</p>	<p>Learners should be able to evaluate the extent to which the UK’s large financial sector is beneficial to the real economy</p> <p>Learners are not expected to have a detailed understanding of the system of financial regulation in the UK</p>
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Exchange rates and exchange rate policy		
Exchange rates in a free market	<p>Explain that in a free-float system, the exchange rate will be determined by the forces of demand and supply</p> <p>Use demand and supply diagrams to analyse and evaluate the factors which might cause exchange rates to appreciate or depreciate</p> <p>Evaluate the possible impacts of changes in exchange rates on the policy objectives</p> <p>Evaluate the microeconomic effects of exchange rate changes on households and firms</p>	<p>Learners should understand that demand for a currency is equal to exports plus capital inflows, whilst supply is equal to imports plus capital outflows</p> <p>Such factors may include interest rates, QE, trade flows, confidence, safe haven issues and speculation</p> <p>Learners should be able to use AD/AS diagrams to support their analysis</p> <p>Learners should understand what is meant by an exchange rate index</p>
Exchange rate policy	<p>Understand how monetary authorities can influence the value of an exchange rate in a floating system (a 'managed' or 'dirty' float)</p> <p>Evaluate the advantages and disadvantages of policies which hold exchange rates artificially above or below their free market levels</p>	<p>Learners should be able to explain the impact of changes in exchange rates on the terms of trade</p> <p>Understanding of the Marshall-Lerner condition is required</p>

Supply side policies	Understand what is meant by supply side policies and understand how they can be used to try to increase trend growth/LRAS in the economy as well as the flexibility of product and factor markets	Learners should be able to evaluate supply side policies in terms of both their effectiveness and possible side effects Learners should be able to analyse and evaluate the impact of supply side policies using AD/AS analysis and PPFs
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Global economics

Learners should understand macroeconomic performance in a global context and deeper economic integration between countries. Learners should also understand why countries trade and the importance of globalisation to trade and development. Learners should also understand the obstacles to and solutions for sustainable economic development among less economically developed countries (LEDCs).

Learners should understand that globalisation has resulted in increased world specialisation, trade and increasing capital transfers and foreign direct investment (FDI) between countries. Globalisation has also resulted in enhanced international labour mobility.

Learners will need to study the content areas below:

- International trade
- Non-UK economies
- Economic development.

International trade

Content	Amplification	Additional guidance notes
Advantages and disadvantages of free trade	Understand the advantages and disadvantages of international trade from the point of view of the economy as a whole and for households, firms and government	<p>Learners should be able to explain the theory of comparative advantage using numerical and graphical approaches</p> <p>Learners should understand the difference between absolute and comparative advantage</p> <p>Learners should be able to explain and numerically illustrate the terms of trade</p>
Protectionism	<p>Understand the arguments for and against the implementation of protectionist policies</p> <p>Explain and illustrate key methods of protectionism</p>	<p>Methods include: tariffs (diagram required), quotas, subsidies, exchange rate manipulation and administrative/regulatory policies</p>
Globalisation	Evaluate the costs and benefits of globalisation	
Trade and the UK	<p>Identify the UK's major export sectors</p> <p>Evaluate the extent to which an increasingly integrated world economy is beneficial to the UK</p>	Learners should understand the role of the World Trade Organisation (WTO) in policing trade agreements and negotiations

Non-UK economies

European Union	<p>Learners need to draw on examples from economies other than the UK when discussing economic problems</p> <p>Analyse and evaluate the advantages and disadvantages of membership of the EU for member states and prospective members</p> <p>Evaluate whether the continuous expansion of the EU is beneficial for both existing members and new members</p> <p>Evaluate the benefits and possible drawbacks of membership of the economic and monetary union (EMU)</p> <p>Assess the EMU in terms of its fit with an optimal currency area</p>	<p>Learners should have some understanding of typical economic problems facing more economically developed countries (MEDCs), LEDCs and emerging economies</p> <p>Learners should have an understanding of the structure of the EMU (eurozone), including the role of the European Central Bank</p>
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Economic development

<p>Measurement</p>	<p>Understand what is meant by the concept of economic development</p> <p>Evaluate the extent to which changes in national income are a good indicator of changes in the level of development in a country</p> <p>Identify and understand other possible measures of economic development, including:</p> <ul style="list-style-type: none"> • the human development index (HDI) – understand how the index is calculated and be able to discuss the extent to which the HDI can show differences in economic development • the economic structure of an economy • more indirect indicators such as access to health and education, access to the internet and mobile phone usage 	<p>Learners should be able to explain the difference between GDP and gross national product (GNP)</p> <p>Learners should understand the meaning and significance of purchasing power parity adjustments</p> <p>Learners will not be expected to calculate HDI</p> <p>Learners should have an awareness of the United Nations Millennium Development Goals</p>
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Obstacles	<p>Discuss why LEDCs may face difficulties in competing with MEDCs and in raising their level of economic development</p> <p>Explain and evaluate relevant obstacles; including: the extent to which endowment with natural resources is beneficial or whether there is a 'resource curse', low levels of health and education, low life expectancy, the impact of MEDC trade policies, the impact of poor levels of infrastructure, capital and technology, the effect of institutional weakness and poor governance, high levels of public sector debt and rapid population growth</p>	
Solutions	<p>Explain and evaluate possible approaches to raising the level of economic development; including: liberalisation – a move towards a more free-market based system involving internal and external liberalisation, international aid, debt relief, government intervention in the form of policies such as import and export substituting industrialisation and encouraging FDI</p>	

3 ASSESSMENT

3.1 Assessment objectives and weightings

Below are the assessment objectives for this specification. Learners must demonstrate their ability to:

AO1

Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.

AO2

Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.

AO3

Analyse issues within economics, showing an understanding of their impact on economic agents.

AO4

Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The table below shows the weighting of each assessment objective for each component and for the qualification as a whole.

	AO1	AO2	AO3	AO4
Component 1	6-8%	10-12%	5-7%	5-7%
Component 2	4-6%	8-10%	7-9%	7-9%
Component 3	14-16%	0%	12-14%	10-12%
Overall weighting	26-28%	20-22%	26-28%	24-26%

4 TECHNICAL INFORMATION

4.1 Making entries

This is a linear qualification in which all assessments must be taken at the end of the course. Assessment opportunities will be available in the summer series each year, until the end of the life of this specification. Summer 2017 will be the first assessment opportunity.

Where learners wish to re-sit the qualification, all components must be re-taken.

The entry code appears below.

WJEC Eduqas A level Economics: A520QS

The current edition of our *Entry Procedures and Coding Information* gives up-to-date entry procedures.

4.2 Grading, awarding and reporting

A level qualifications are reported as a grade from A* to E. Results not attaining the minimum standard for the award will be reported as U (unclassified).

APPENDIX A

Quantitative Skills in Economics

In order to develop their skills, knowledge and understanding in economics, learners need to have acquired competence in the quantitative skills that are relevant to the subject content, including being able to:

- calculate, use and understand ratios and fractions
- calculate, use and understand percentages and percentage changes
- understand and use the terms mean, median and relevant quantiles
- construct and interpret a range of standard graphical forms
- calculate and interpret index numbers
- calculate cost, revenue and profit (marginal, average, totals)
- make calculations to convert from money to real terms
- make calculations of elasticity and interpret the result; and
- interpret, apply and analyse information in written, graphical and numerical forms.

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