



Specification

GCE Economics

Pearson Edexcel Level 3 Advanced Subsidiary GCE in
Economics (8EC01)
First examination 2014

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(9EC01)
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Issue 5

About this specification

Edexcel GCE in Economics is designed for use in school and colleges. It is a part of a suite of GCE qualifications offered by Edexcel.

Key features of the specification

Unit 1: Competitive Markets – How They Work and Why They Fail provides an introduction to the nature of economics and analyses the nature of market failure, its causes and possible remedies. There is emphasis on information problems in markets and factors influencing the demand and supply of labour.

Unit 2: Managing the Economy introduces the key measures of economic performance and the main objectives and instruments of economic policy. It includes specific mention of the factors influencing the components of Aggregate Demand such as the wealth effect on consumption, and causes and costs of growth for developed and developing economies.

Unit 3: Business Economics and Economic Efficiency examines how the pricing and nature of competition between firms is affected by the number and size of market participants. It includes barriers to market entry and exit, economics of scale and game theory.

Unit 4: The Global Economy includes the use of policies by governments to achieve their macro and microeconomic objectives; international trade (including exchange rates and comparative advantage) and globalisation; the competitiveness of different countries; poverty and inequality in countries and what can be done to prompt their growth and development.

Assessment

A combination of assessment techniques will be used – multiple choice questions, where students have to write a justification of the answer chosen; data response questions, where students apply shorter response answers to a context; or essay questions to enable students to develop their arguments, apply economic models or make links between different parts of the specification and draw their own conclusions.

Unit 4: The Global Economy has a 60 per cent weighting and *Unit 3: Business Economics and Economic Efficiency* has 40 per cent weighting for the A2 year. This means that a longer amount of the time in the second year can be spent teaching Unit 4 and should enable students to gain from experience and greater maturity when taking their Unit 4 examination.

Why choose this specification?

Rationale

The Edexcel GCE in Economics has been designed in consultation with schools and colleges that are centres of teaching excellence, universities, multinational business and a professional economist. The main aims of this specification are to:

- give the teacher and the student more specific guidance on what students are expected to know in the subject
- address up-to-date economic theory
- offer rigorous, yet engaging content, for example students should be able to study topics such as the need for carbon emissions trading or why the prices of shares on the stock market change
- act as natural progression from the new Edexcel GCSE in Business and Economics.

Supporting you

Edexcel aims to provide the most comprehensive support for our qualifications. We have therefore published our own dedicated suite of resources for teachers and students written by qualification experts. We also endorse a wide range of materials from other publishers to give you a choice of approach.

For more information on our wide range of support and services for this GCE in Economics qualification, visit our GCE website: www.edexcel.com.

Specification updates

This specification is Issue 5 and is valid for examination from Summer 2014. If there are any significant changes to the specification Edexcel will write to centres to let them know. Changes will also be posted on our website.

For more information please visit www.edexcel.com/ or www.edexcel.com/gce2008.

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A Specification at a glance

AS

Unit 1: Competitive Markets — How They Work and Why They Fail

*Unit code 6EC01

- Externally assessed
- Availability: June

50%
of the
total AS
marks

25% of
the total
GCE
marks

Content summary:

This unit provides an introduction to the nature of economics and examines how the price mechanism allocates resources in markets. It analyses the nature of market failure, its causes and possible policy remedies. At the end of this unit, students should be able to apply supply and demand analysis to real-world situations; to understand why markets might not allocate resources efficiently; and the methods of dealing with market failure, together with an evaluation of their effectiveness.

Assessment:

Examination of 1 hour 30 minutes, consisting of supported multiple-choice questions and one data response question out of a choice of two questions.

AS

Unit 2: Managing the Economy

*Unit code 6EC02

- Externally assessed
- Availability: June

50%
of the
total AS
marks

25% of
the total
GCE
marks

Content summary:

This unit introduces the key measures of economic performance and the main objectives and instruments of economic policy. Students should be able to use a basic AD/AS model to understand why demand and/or supply side policies may be seen as appropriate ways of managing an economy; predict the possible impact of such policies and to recognise the assumptions involved; argue for different approaches; and identify criteria for success.

Assessment:

Examination of 1 hour 30 minutes, consisting of one data response question out of a choice of two questions.

* See *Appendix 3* for description of this code and all other codes relevant to this qualification.

A2 Unit 3: Business Economics and Economic Efficiency***Unit code 6EC03**

- Externally assessed
- Availability: June

**40%
of the
total A2
marks**

**20% of
the total
GCE
marks**

Content summary:

This unit develops the content of Unit 1 and examines how the pricing and nature of competition between firms is affected by the number and size of market participants. At the end of this unit, students should be able to analyse the pricing and output decisions of firms in different contexts. They should also be capable of making an appraisal of government intervention aimed at promoting competitive markets.

Assessment:

Examination of 1 hour 30 minutes, consisting of supported multiple-choice questions and one data response question out of a choice of two questions.

A2 Unit 4: The Global Economy***Unit code 6EC04**

- Externally assessed
- Availability: June

**60%
of the
total A2
marks**

**30% of
the total
GCE
marks**

Content summary:

This unit develops the knowledge and skills gained in Unit 2 so that they can be applied in a global context. The application, analysis and evaluation of economic models is required as well as an ability to assess policies which might be used to deal with economic problems. An awareness of trends and developments in the global economy over the last 10 years is required.

Assessment:

Examination of 2 hours, consisting of one essay question with two parts from a choice of three topic areas, and one data response question out of a choice of two questions.

B Specification overview

Summary of assessment requirements

Unit number and unit title	Level	Assessment information	Number of marks allocated in the unit
Unit 1: Competitive Markets — How They Work and Why They Fail	AS	Examination length: 1 hour 30 minutes Supported multiple-choice questions where students write a short justification of why they chose that answer and/or why the other answers are incorrect. Worth 32 marks. One data response question out of a choice of two questions. Worth 48 marks.	80 marks
Unit 2: Managing the Economy	AS	Examination length: 1 hour 30 minutes One data response question out of a choice of two questions. Worth 50 marks. Last question of data response will be open ended. Worth 30 marks.	80 marks
Unit 3: Business Economics and Economic Efficiency	A2	Examination length: 1 hour 30 minutes Supported multiple-choice questions where students write a short justification of why they chose that answer and/or why the other answers are incorrect. Worth 32 marks. One data response question out of a choice of two questions. Worth 40 marks.	72 marks
Unit 4: The Global Economy	A2	Examination length: 2 hours One essay question with two parts from a choice of three topic areas. Worth 50 marks. One data response question out of a choice of two questions. Worth 50 marks.	100 marks

Assessment objectives and weightings

		% in AS	% in A2	% in GCE
AO1	Demonstrate knowledge and understanding of the specified content.	27.5%	22%	24.75%
AO2	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	27.5%	22%	24.75%
AO3	Analyse economic problems and issues.	22.5%	28%	25.25%
AO4	Evaluate economic arguments and evidence, making informed judgements.	22.5%	28%	25.25%
	TOTAL	100%	100%	100%

Relationship of assessment objectives to units

Unit number	A01	A02	A03	A04
Unit 1	30%	30%	20%	20%
Unit 2	25%	25%	25%	25%
AS weighting	27.5%	27.5%	22.5%	22.5%
Unit 3	25%	25%	25%	25%
Unit 4	20%	20%	30%	30%
A2 weighing	22%	22%	28%	28%
Total for Advanced GCE	24.75%	24.75%	25.25%	25.25%

Qualification summary

Subject criteria

The General Certificate of Education is part of the Level 3 provision. This specification is based on the Advanced Subsidiary GCE and Advanced GCE subject criteria for Economics; which are prescribed by the regulatory authorities and are mandatory for all awarding bodies.

The GCE in Economics has been designed to meet the QCA subject criteria for Economics.

Aims

The aims of the Advanced GCE in Economics are to:

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

AS/A2 knowledge and understanding

This Edexcel Advanced Subsidiary and Advanced GCE specification requires students to:

- develop an understanding of economic concepts and theories through critical consideration of current economic issues, problems and instructions that affect everyday life
- analyse, explain and evaluate the strengths and weaknesses of the market economy and the role of government within it
- develop a critical approach to economic models and methods of enquiry.

This Edexcel Advanced Subsidiary GCE specification requires students to:

- understand and use simple micro- and macro-economic models. Micro-economic models are covered in Unit 1 where students will look at the working of the market mechanism in relation to particular markets, for example commodities, labour or stock market
- macro-economic market models appear in Unit 2 where students will study the main macro-economic policy instruments and enable them to predict the possible impact of such policies and to recognise the assumptions involved. Comparisons of economic measures between developed and developing countries in Unit 2 enable students to draw on an international context
- be aware of the assumption of the basic model of supply and demand and understand why supply-side and/or demand-side policies may be seen as appropriate ways of managing an economy (see Unit 2)
- develop an understanding of the range of ways in which markets may fail; understand the implications of market failure for individuals, firms and government (see Unit 1).

This Edexcel Advanced Level GCE specification requires students to:

- use and evaluate more complex models involving more variables, for example pricing and output decisions under different market structures (see Unit 3)
- apply models to a wider range of contexts, for example students should consider the causes and consequences of inequality in developed and developing countries (see Unit 4)
- develop the ability to apply and evaluate economic models as represented in written, numerical and graphical form, for example in Unit 3 students will need to be able to draw a cost curve and explain its shape in terms of diminishing marginal returns and economies of scale
- be able to propose possible solutions to problems, for example in Unit 4, students have to apply concepts and theories which may be appropriate to promote growth and development in a particular economy
- understand the relationships and linkages which underpin macro-economic models, for example in Unit 4, students should understand global factors which influence a country's exchange rate
- be able to predict the possible impact of policy changes on local, national and international economies, for example in Unit 4 the AD/AS model is applied in analysing and evaluating the use of policies to achieve economic objectives
- be able to evaluate the effectiveness of government policies across a range of contexts, for example in Unit 4, students have to examine government policy to increase international competitiveness and how they may affect particular national industries.

AS/A2 skills

This Edexcel Advanced Subsidiary and Advanced GCE specification requires students to select, interpret and evaluate different types of data from multiple sources, for example in Unit 4 students have to identify constraints on growth and development in different economies and reasons for their different growth rates.

In this specification, 'recent historical data' is defined as being within the last 7 to 10 years.

C Economics unit content

Unit 1 Competitive Markets — How They Work and Why They Fail 13

Unit 2 Managing the Economy 23

Unit 3 Business Economics and Economic Efficiency 35

Unit 4 The Global Economy 45

Course structure

- Edexcel's GCE in Economics comprises four units and contains an Advanced Subsidiary subset of two AS units.
- The Advanced Subsidiary GCE is the first half of the GCE course and consists of Units 1 and 2. It may be awarded as a discrete qualification or contribute 50 per cent of the total Advanced GCE marks.
- The full Advanced GCE award consists of the two AS units (Units 1 and 2), plus two A2 units (Units 3 and 4) which make up the other 50 per cent of the Advanced GCE. Students wishing to take the full Advanced GCE must, therefore, complete all four units.
- The structure of this qualification allows teachers to construct a course of study which can be taught and assessed either as:
 - ◆ distinct modules of teaching and learning with related units of assessment taken at appropriate stages during the course; or
 - ◆ a linear course which is assessed in its entirety at the end.

1.1 Unit description

About this unit

This unit provides an introduction to the nature of economics and examines how the price mechanism allocates resources in markets. It analyses the nature of market failure, its causes and possible policy remedies. At the end of this unit, students should be able to apply supply and demand analysis to real world situations; to understand why markets might not allocate resources efficiently and the methods of dealing with market failure, together with an evaluation of their effectiveness.

Students are expected to:

- interpret data presented in different forms, for example, tables, graphs and index numbers; carry out simple calculations, for example, percentages and percentage change; distinguish between real and nominal data.

1.2 Assessment information

Examination length: 1 hour 30 minutes

Supported multiple-choice questions where students write a short justification of why they chose that answer and/or why the other answers are incorrect. Worth 32 marks.

One data response question out of a choice of two questions. Worth 48 marks.

Total for paper: 80 marks

1.3 Unit content

1.3.1 What is the nature of economics?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Scarcity	<p>Understand the problem of unlimited wants and finite resources.</p> <p>Distinguish between renewable and non-renewable resources.</p>	<p>Students should understand that the economic problem is faced by consumers, producers and the government.</p> <p>Students should understand the meaning of sustainable resources.</p>
Production possibility frontiers	<p>Use production possibility frontiers to depict opportunity cost, economic growth and the efficient allocation of resources.</p> <p>Distinguish between movements along and shifts in production possibility frontiers.</p>	<p>Marginal analysis is required to depict opportunity cost. A basic definition of economic growth is required along with knowledge of the factors which might cause the production possibility frontier to shift outwards or inwards.</p>
Specialisation and the division of labour	<p>Understand the advantages and disadvantages of specialisation and the division of labour.</p>	<p>AS students are not expected to have an understanding of international specialisation and comparative advantage.</p>
Free market and mixed economies	<p>Understand the advantages and disadvantages of a free market economy and why there are mixed economies.</p>	<p>Students are not expected to have an understanding of centrally planned economies.</p>
Positive and normative economics	<p>Distinguish between objective statements and value judgements on economic issues.</p>	<p>Students should know that value judgements influence economic decision making and policy.</p>

1.3.2 What determines the demand for a good or service in a market?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Movement along the demand curve	Understand how a change in price causes a movement along a demand curve.	Students are not expected to have an understanding of utility theory or indifference curve analysis.
Shifts in the demand curve	Understand factors which may cause a shift in the demand curve, for example, changes in the price of substitutes or complementary goods; changes in real income and tastes.	
Price, income and cross elasticities of demand	<p>Explain price, income and cross elasticities of demand. Understand factors that influence elasticities of demand and their significance to firms and government.</p> <p>Understand the relationship between price elasticity of demand and total revenue.</p>	<p>Students may have to calculate and interpret numerical values of price, income and cross elasticity of demand.</p> <p>Students should understand the significance of elasticity to firms and government in terms of the imposition of indirect taxes and subsidies; changes in real income and changes in the price of substitute and complementary goods.</p>

1.3.3 What determines the supply of a good or service in a market?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Movement along the supply curve	Understand how a change in price causes a movement along the supply curve.	AS students are not expected to understand the relationship between marginal costs and supply.
Shifts in the supply curve	Understand the factors which may cause a shift in the supply curve, for example, changes in the costs of production, the introduction of new technology, indirect taxes and government subsidies.	Producer cartels may be a significant determinant of supply in some markets, for example, oil. Students should be able to apply both specific and ad valorem taxes to a market.
Price elasticity of supply	Explain price elasticity of supply; understand factors that influence price elasticity of supply. Distinguish between the short run and long run in economics and understand its significance to price elasticity of supply.	Students may have to calculate and interpret numerical values of price elasticity of supply.

1.3.4 What determines the price of a good or service in a market?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Determination of market equilibrium	<p>Explain equilibrium price and quantity and how they are determined.</p> <p>Understand how the operation of market forces eliminates excess demand and excess supply.</p>	Students should understand that shifts in demand and supply curves will change the equilibrium price and quantity.
Consumer and producer surplus	<p>Distinguish between consumer and producer surplus.</p> <p>Illustrate consumer and producer surplus on a demand and supply diagram.</p>	Students should understand how changes in demand or supply might affect consumer and producer surplus.
Functions of the price mechanism	Understand the rationing, incentive and signalling functions of the price mechanism for allocating scarce resources.	The price mechanism may be considered in the context of product, commodity and labour markets.

1.3.5 How might the change in price of a good or service be explained?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Price mechanism	Apply the price mechanism in markets, such as goods, services, commodities or labour.	Students should be able to apply the determinants of demand and supply to various markets, for example, price of stock market shares, oil, precious metals and agricultural commodities.
Indirect taxes and subsidies	Use supply and demand analysis to demonstrate the impact and incidence of taxes and subsidies on consumers, producers and the government.	Students should be aware of the importance of elasticities of demand and supply, for example, in relation to government indirect taxes and subsidies.

1.3.6 What determines the wage rate for labour in a market?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Demand and supply of labour	<p>Understand the factors which influence the demand and supply of labour.</p> <p>Recognise that demand for labour is derived from the demand for the final product it makes (derived demand).</p> <p>Understand that factors influencing the supply of labour include population migration, income tax and benefits, government regulations (for example, national minimum wage) and trade unions.</p>	<p>Students are not expected to use marginal revenue productivity theory in explaining the demand for labour.</p> <p>AS students are not required to use the backward sloping supply curve for labour and are not required to use monopsony analysis.</p>

1.3.7 Why do some markets fail?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Market failure	Define and understand different types of market failure.	<p>Students should understand that market failure is when the price mechanism causes an inefficient allocation of resources.</p> <p>The types of market failure considered at AS level are externalities, public goods, imperfect market information, labour immobility and unstable commodity markets.</p>
Externalities	<p>Illustrate external costs and external benefits using marginal analysis, distinguishing between the market and social optimum positions. The welfare loss or gain areas are required.</p> <p>Understand the impact of externalities and government intervention in various markets, for example, transport, health care, education, environment, waste disposal and recycling.</p>	<p>Students are required only to illustrate the external costs from production and external benefits from consumption.</p> <p>Students should assess the costs and benefits from major investment projects such as sporting events and transport infrastructure improvements.</p>
Public goods	<p>Explain why public goods may not be provided by the market.</p> <p>Distinguish between public and private goods.</p>	<p>Students should understand the free rider and valuation problems.</p>

Content	Students should be able to:	Additional guidance notes
Imperfect market information	<p>Distinguish between symmetric and asymmetric information.</p> <p>Understand how imperfect market information may lead to a misallocation of resources, for example, health care, education, pensions, tobacco and alcohol.</p>	
Labour immobility	<p>Understand geographical and occupational immobility of labour may result in structural unemployment.</p> <p>Assess government measures to reduce factor immobility such as training programmes and relocation subsidies.</p>	<p>Students should understand the significance of house prices for restricting the geographical mobility of labour and the skills shortage for restricting the occupational mobility of labour.</p>
Unstable commodity markets	<p>Understand the causes and effects of fluctuating commodity prices on consumers and producers.</p> <p>Assess the impact of government intervention in the form of minimum prices and buffer stocks. Use diagrammatic analysis for minimum prices and buffer stocks.</p>	<p>Students should understand how uncertainty in production (for example, climatic) and time lags may affect supply and the significance of price and income elasticity of demand.</p> <p>Students are not expected to use diagrammatic analysis of the cobweb model.</p>

1.3.8 How do governments attempt to correct market failure?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Methods of government intervention	<p>Understand the different measures of government intervention to correct market failure, for example, indirect taxation, subsidies, buffer stocks, tradable pollution permits, extension of property rights, state provision and regulation.</p> <p>Apply, analyse and assess the effectiveness of each method of government intervention for correcting market failure.</p>	Students should be able to apply government economic measures in various contexts, for example, road pricing, landfill tax, carbon offsetting and carbon emissions trading, renewable energy certificates.

1.3.9 What is government failure?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Government failure	Define and explain different types of government failure, for example, undesirable outcomes from agricultural stabilisation policies; environmental policies; transport, housing and the national minimum wage.	<p>Students should understand that government intervention may result in a net welfare loss.</p> <p>Students should understand the economic arguments for and against an increase in the national minimum wage.</p>

2.1 Unit description

About this unit

This unit provides an introduction to the key measures of economic performance and the main objectives and instruments of economic policy. Students should be able to use a basic aggregate demand/aggregate supply model to understand why demand and/or supply side policies may be seen as appropriate ways of managing an economy; predict the possible impact of such policies and to recognise the assumptions involved; argue for different approaches and identify criteria for success.

Students will be required to do simple calculations involving percentage changes and index numbers and use simple statistical tools to analyse changes in distribution, for example deciles. They will also be required to interpret diagrams and construct simple graphs.

2.2 Assessment information

Examination length: 1 hour 30 minutes

One data response question out of a choice of two questions. Worth 50 marks.

Last question of data response will be open ended. Worth 30 marks.

Total for paper: 80 marks

2.3 Unit content

2.3.1 How do we measure the economic performance of developed and developing countries?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Economic growth	<p>Understand how economic growth is measured and its limitations, for example:</p> <ul style="list-style-type: none"> ■ the inadequacy of economic growth measurement as a measure of standards of living ■ problems of comparison between developed and developing countries. 	<p>An understanding of the following distinctions is required:</p> <ul style="list-style-type: none"> ■ nominal and real ■ total and per capita ■ volume and value. <p>Students are not expected to have detailed knowledge of GDP calculations or the GDP deflator.</p>
Inflation	<p>Understand the process of calculating the rate of inflation in the UK.</p> <p>Understand the significance of the measure.</p>	<p>Increases in the cost of living are measured using an index based on a weighted basket of goods and services. A price survey and a family expenditure survey are used.</p> <p>Students are expected to be able to assess the main measure of inflation currently used as a target in the UK.</p>

Content	Students should be able to:	Additional guidance notes
Employment and unemployment	<p>Understand how unemployment is measured in the UK.</p> <p>Understand the types and costs of unemployment.</p> <p>Understand the significance of changes in the rates of employment and unemployment.</p>	<p>An understanding of measures to measure unemployment such as the claimant count and International Labour Organisation (ILO) measures is required.</p> <p>The significance of migration for employment and unemployment should be considered.</p>
Balance of Payments	<p>Understand the meaning of Balance of Payments deficits and surpluses on the current account.</p> <p>Understand the causes and costs of an imbalance in the current account, at a basic level.</p>	<p>For this unit, emphasis will be on the current account of the Balance of Payments and, in particular, on the balance in trade in goods and services.</p>
Measures of development — Human Development Index (HDI)	<p>Understand the advantages and limitations of HDI in making comparisons of living standards between countries.</p>	<p>Students should know the three components of HDI and should be able to interpret HDI data. A definition of Purchasing Power Parities (PPPs) is helpful. Students are not expected to know how HDI is calculated, such as the mechanics of PPPs.</p>

Content	Students should be able to:	Additional guidance notes
Other measures of development	<p>Interpret and use other measures of development. For example:</p> <ul style="list-style-type: none"> ■ the percentage of adult male labour in agriculture ■ combined primary and secondary school enrolment figures ■ access to clean water; energy consumption per capita ■ access to mobile phones per thousand of the population. 	Students are not expected to know specific figures for various countries but may have to make comparisons between data provided for various countries.

2.3.2 Is income the same as wealth?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
National income	Understand that national income can be shown as a circular flow.	Students might find it helpful to draw a simple diagram of the circular flow of income.
Income and wealth	Understand the likely correlation between income and wealth.	Wealth may be considered as a stock concept, while income is a flow.
Injections and withdrawals	Analyse the impact of injections and withdrawals on the circular flow. For example, an increase in investment may increase the spending in an economy as well as productive capacity.	Students are not expected to have knowledge of the accelerator.

2.3.3 What is aggregate demand (AD)?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
The components of AD: $C + I + G + (X - M)$	Understand the factors influencing the components of AD.	Students should understand the relative importance of these components, for example consumption comprises approximately 65 per cent of AD.
Consumption (C)	Understand the main influences on consumer spending, for example: interest rates; consumer confidence; wealth effects. Understand how changes in house prices may affect consumer spending.	Recognition of the importance of consumption as a component of AD should be used as an evaluative tool.
Investment (I)	Understand the main influences on investment, for example: interest rates; confidence levels; risk; the influence of government and regulations.	The accelerator effect and Marginal Efficiency of Capital theory are not required.
Government expenditure (G)	Understand the main influences on government spending, for example the deliberate manipulation of the economy through fiscal policy.	Students should understand that the budget does not have to balance in the short run, and be able to assess the impact of an imbalance on the flow of income.

Content	Students should be able to:	Additional guidance notes
Exports — Imports (X-M)	<p>Understand the impact on the current account of factors including:</p> <ul style="list-style-type: none"> ■ a change in the exchange rate ■ changes in the state of the world economy ■ non-price factors. 	<p>Evaluation of these influences is required, for example:</p> <ul style="list-style-type: none"> ■ the change in the exchange rate might have opposite effects in the short and long run ■ a stronger currency makes exports relatively uncompetitive and imports relatively cheap. This decreases AD as value of X falls and value of M rises. <p>However:</p> <ul style="list-style-type: none"> ■ the price elasticity of demand for exports and imports may be very low meaning the stronger currency worsens the current account in the short run. <p>Students are not expected to have knowledge of the Marshall-Lerner condition or J-curve analysis.</p>
Movements along and shifts of the AD curve	<p>Understand why AD slopes downwards.</p> <p>Show the relevant shifts in the AD curve when one of the components change.</p>	<p>Students should distinguish between levels of the components and the changes in components. For example, falls in the rate of investment may mean that AD rises more slowly.</p>

2.3.4 What is aggregate supply (AS)?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Aggregate Supply (AS)	Understand the factors influencing the amount that firms are willing to supply at various prices, for example the costs of production, the level of investment, availability of factors of production.	Students should be able to illustrate spare capacity in an economy. Credit will be given for both Keynesian and classical approaches to AS, but this distinction will not be expected.
Movements along and shifts of the AS curve	Explain factors that might cause a shift in AS. Factors might include: changing costs of raw materials; a change in the level of international trade or exchange rates; technological advances; relative productivity changes; education and skills changes; regulation changes.	Students should be able to show the relevant shifts in the AS curve.

2.3.5 What determines the price level and equilibrium level of real output?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Equilibrium level of output	Understand the concept of equilibrium real national output.	The ability to apply the AD/AS model to real-world situations will be expected.
The multiplier	Explain the size of the multiplier, using the concept of the marginal propensity to consume; apply the multiplier to shifts in AD.	Students should be able to explain the impact on the economy of the multiplier. Evaluation points include the difficulty of measuring it; the time it takes to come into full effect and size of leakages. Calculations using the multiplier formula will not be required.

2.3.6 What are the causes, costs and constraints on economic growth?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Actual and potential growth	Identify trends in growth rate; sustainable growth; understand output gaps in developed economies.	Changes in the level of GDP should be distinguished from changes in the rate of growth of GDP, for example, the level of GDP still rises when an economy grows at a slower rate, as long as growth is positive. Students will not be expected to know specific numerical information for various countries.

Content	Students should be able to:	Additional guidance notes
Causes and constraints on growth	Explain the significance of factors such as investment or innovation; constraints may be in terms of absence of capital markets or instability of government.	Students should consider some of the following, for example: <ul style="list-style-type: none"> ■ impact of migration ■ impact of changes in birth rates ■ export-led growth. Students should understand changes in injections and leakages affect changes in the flow of income.
Benefits of growth	Understand the benefits of growth to citizens of increased standards of living, to firms (increased profits) and to government (for example, increasing tax revenues).	Students may consider whether an increase in income necessarily increases living standards.
Costs of growth	Understand the adverse consequences of growth for the environment; Balance of Payment problems; income distribution and the opportunity cost of growth.	Evaluation might consider whether the benefits or costs are greater, the difficulties of measurement and the changes over time.

2.3.7 What are the macroeconomic objectives of governments? Do they conflict?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Current macroeconomic objectives	Identify, outline and evaluate the major current macroeconomic objectives.	Objectives may include increased economic growth; control of inflation; a reduction in unemployment; restoration of equilibrium in the Balance of Payments; making the distribution of income more equal; and protection of the environment.
Conflicts between objectives	Consider basic conflicts between objectives, such as inflation and unemployment; or economic growth and sustainability.	<p>Possible trade offs include those between inflation and unemployment; growth and sustainability; inflation and equilibrium on the current account of the Balance of Payments.</p> <p>Students should understand the short run Phillips curve, but the long run and expectations augmentation are not required.</p>

2.3.8 What are the main macroeconomic policy instruments?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Demand-side policies	Understand the practical application of monetary and fiscal policy, for example inflation targeting; the role of the Bank of England's Monetary Policy Committee; the impact of budget deficits on aggregate demand.	A diagrammatic treatment is required, using AD/AS analysis. Students require knowledge of how the Bank of England's Monetary Policy Committee in the UK operates; the factors it takes into consideration when making its decisions; the problems in determining the magnitude of the effects of these policies.
Supply-side policies	Identify measures that are used to increase the productivity of factors, such as education and training; measures to increase incentives, such as changing the levels of benefits; cutting the costs of bureaucracy in firms.	A diagrammatic treatment is required, using AD/AS analysis. The difficulty in operating supply-side policies without an impact on aggregate demand is a useful tool for evaluation. Students need to know the problems in determining the magnitude of the effects of these policies.

2.3.9 Do macroeconomic policies conflict when they are used together?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Conflicts resulting from the use of policy instruments	<p>Understand that the use of one macroeconomic policy can outweigh the impact of another, for example:</p> <ul style="list-style-type: none"> ■ conflicts between fiscal and supply-side policies ■ the impact of fiscal policy which might have inflationary effects in the short run but may be deflationary in the long run ■ use of fiscal policy to incorporate environmental goals, for example using 'green taxes' ■ impact of a change in interest rates on the distribution of income. 	<p>Evaluation in this section might include the difficulty in measuring the conflicts in the short and long term, or the importance of the prioritisation of policies.</p> <p>Students may consider whether policy instruments may affect other variables in the economy, and consider the consequences for aggregate demand and supply, for example:</p> <ul style="list-style-type: none"> ■ the interest rate may influence the exchange rate and impact upon competitiveness ■ the level of government spending might affect the amount of money in the economy which may influence the interest rate.

3.1 Unit description

About this unit

This unit develops the content of Unit 1 and examines how the pricing and nature of competition between firms is affected by the number and size of market participants. At the end of this unit, students should be able to analyse the pricing and output decisions of firms in different contexts. They should also be capable of making an appraisal of government intervention aimed at promoting competitive markets. Where appropriate, students should be able to relate the theoretical framework to real-world examples.

Students will be required to make simple calculations involving percentage changes and index numbers. They will also be required to interpret diagrams and construct simple graphs.

3.2 Assessment information

Examination length: 1 hour 30 minutes

Supported multiple-choice questions where students write a short justification of why they chose that answer and/or why the other answers are incorrect. Worth 32 marks.

One data response question out of a choice of two questions. Worth 40 marks.

Total: 72 marks

3.3 Unit content

3.3.1 What objectives do firms have?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Objectives	Identify that firms may have different objectives.	Objectives may include: <ul style="list-style-type: none"> ■ profit maximisation ■ revenue maximisation ■ sales maximisation ■ behavioural theories, for example, satisficing.

3.3.2 Why do firms grow?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Company growth	Discuss how and why firms grow.	Students should be able to distinguish between forward, vertical and conglomerate integration, and know the reasons for such mergers/ takeovers. Students will need to know why some firms tend to remain small and others grow. Students should also understand the reasons for demergers.

3.3.3 How can we calculate the revenue of a firm?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Revenue	Illustrate and perform simple calculations using total revenue, average revenue and marginal revenue.	Students will need to be able to draw and interpret revenue curves and to understand the relationships between total revenue, price elasticity of demand and marginal revenue.

3.3.4 How can we calculate the costs of a firm?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Costs	Illustrate and perform simple calculations using total cost; total fixed cost; total variable cost; average total cost; average fixed cost; average variable cost and marginal cost.	Students will need to be able to draw and interpret cost curves; distinguish between short run and long run costs; and explain the shape of the average cost curve in terms of diminishing marginal returns and economies of scale. Students will not require a knowledge of marginal product theory to explain costs.
Economies and diseconomies of scale	Identify economies and diseconomies of scale.	Students must be able to distinguish and give examples of internal and external economies and diseconomies of scale.

3.3.5 What is meant by efficiency?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Productive and allocative efficiency	Understand and distinguish between productive and allocative efficiency.	<p>Students will be required to know that the minimum point on the average total cost is the most productively efficient point and that allocative efficiency occurs where price is equal to marginal cost.</p> <p>Students should also understand the meaning of inefficiency eg, x-inefficiency.</p>

3.3.6 What is meant by profit?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Normal and supernormal profit	Understand the distinction between normal and supernormal profit.	This can be related to the understanding of the objectives of the firm and the ability of different firms to make normal and supernormal profit.
Profit maximisation	Explain and illustrate the concept of profit maximisation using marginal cost and marginal revenue.	

3.3.7 What barriers exist to firms entering and leaving markets?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Barriers to market entry and exit	Understand the meaning and types of barriers to entry and exit and how they affect the behaviour of firms.	<p>Examples of barriers to include economies of scale; limit pricing; legal barriers, for example patents; sunk costs, for example advertising.</p> <p>Students will be expected to discuss the significance of barriers to entry and exit to firms operating in different market structures.</p>

3.3.8 What do we mean by market concentration?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Market concentration	Understand market concentration ratios and be able to interpret the meaning and significance for business behaviour.	

3.3.9 What determines the behaviour of firms?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Perfect competition	Understand the assumptions of perfect competition and be able to explain the behaviour of firms in this market structure.	Diagrammatic analysis of the market structure is required in both the short and long run. Students will be expected to understand the significance of firms as price-takers in perfectly competitive markets. An understanding of the meaning of shut-down point is required. The impact of entry into and exit from the industry should be considered.
Monopoly	<p>Understand the characteristics of this model and be able to use them to explain the behaviour of firms in this market structure.</p> <p>Explain and evaluate the differences in efficiency between perfect competition and monopoly.</p> <p>Explain and evaluate the potential costs and benefits of monopoly to both firms and consumers, including the conditions necessary for price discrimination to take place.</p>	<p>Diagrammatic analysis of the market structure is required. Students must be able to explain the sources of monopoly power such as the degree of product differentiation and entry barriers.</p> <p>A diagrammatic explanation to compare the two market structures is expected.</p> <p>Diagrams should also be used to support the understanding of price discrimination.</p>

Content	Students should be able to:	Additional guidance notes
Monopsony	<p>Explain and evaluate the characteristics and necessary conditions for a monopsony to operate. Evaluate the potential costs and benefits of a monopsony to both firms and consumers.</p>	<p>Students should be aware of the significance of monopsony power for businesses operating in a particular market for example, the impact of supermarket monopsony power on suppliers.</p> <p>Students are not expected to use diagrams to explain monopsony.</p>
Oligopoly	<p>Understand the characteristics of this market structure with particular reference to the interdependence of firms. Be able to explain the behaviour of firms in this market structure.</p> <p>Explain the reasons for collusive and non-collusive behaviour.</p> <p>Evaluate the reasons why firms may wish to pursue both overt and tacit collusion.</p>	<p>Students should be able to explain that oligopolistic markets have high concentration ratios, in which a firm's decisions on price, output and other competitive activities may have immediate effects upon other competitors.</p> <p>Students should understand the reasons for cartels, non-price competition, price wars, predatory pricing and price leadership. Diagrammatic analysis of this area is not required.</p>

Content	Students should be able to:	Additional guidance notes
	Use simple game theory to illustrate the interdependence that exists in oligopolistic markets.	Students will be expected to have an understanding of prisoners' dilemma and a simple two firm/two outcome model. Students should analyse the advantages/disadvantages of being a first mover. Students will not be expected to have an understanding of the Nash Equilibrium. The Kinked Demand curve is not required but may still be used to support an explanation of interdependence — as part of game theory.
Monopolistic competition	Understand the characteristics of a monopolistically competitive market and be able to use these to explain the behaviour of firms in this market structure	Students should be able to carry out diagrammatic analysis of the market structure in both the short and long run. Students should understand the importance of advertising and differentiation for the model of monopolistic competition and be able to contrast this with other market structures. Students should be able to explain and evaluate the efficiency of monopolistic competition.

3.3.10 How does the threat of competition affect a firm's behaviour?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Contestability	Define contestability and understand how the threat of new entry may influence behaviour and market performance of existing firms.	Students should be able to understand the relationship between sunk costs and the degree of contestability — examples may include banking, airline industry and petrol retailing.

3.3.11 Why does the government intervene in markets to maintain competition?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Government intervention to maintain competition in markets	<p>Explain and evaluate measures aimed at enhancing competition between firms and their impact on prices, output and market structure.</p> <p>Compare and evaluate the strengths and weaknesses of methods of regulation for example price capping, monitoring of prices and performance targets.</p>	<p>Students should be able to explain why governments may intervene to encourage competition, or prevent monopolies and mergers.</p> <p>A detailed knowledge of the legislation that relates to competition policy is not required.</p> <p>Students will need to be aware of various types of private sector involvement in public sector organisations, including contracting out, competitive tendering and public private partnerships (PPP/PFI).</p>

4.1 Unit description

About this unit

This unit develops the knowledge and skills gained in Unit 2 so that they can be applied in a global context. The application, analysis and evaluation of economic models is required as well as an ability to assess policies which might be used to deal with economic problems. An awareness of trends and developments in the global economy over the last 10 years is required. While detailed knowledge of particular countries, other than the UK is not required, the use of case studies might help students to gain a better understanding of key issues, especially those affecting developing countries.

Students will be required to make simple calculations involving percentage changes and index numbers. They will also be required to interpret diagrams and construct simple graphs.

4.2 Assessment information

Examination length: 2 hours

One essay question with two parts from a choice of three topic areas.
Worth 50 marks.

One data response question out of a choice of two questions.
Worth 50 marks.

Total: 100 marks

4.3 Unit content

4.3.1 What are the causes and effects of globalisation?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Causes of globalisation	Identify factors contributing to globalisation.	For example: trade liberalisation; reduced cost of communications; increased significance of transnational companies.
Effects of globalisation	Identify the benefits and costs of globalisation.	Students should consider the issue of sustainability and environmental degradation as part of the costs of trading.

4.3.2 Why trade?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Patterns of trade	Identify patterns of trade between developed and developing countries.	Students should be aware of changes in trade flows between countries and the reasons for them, for example the potential impact of China and India on world trade patterns and the possible reaction of developed economies.
Specialisation and comparative advantage	Understand the benefits and costs of specialisation and trade; the law of comparative advantage.	Students should understand the distinction between absolute and comparative advantage. The significance of opportunity cost should be emphasised. Comparative advantage may be illustrated numerically and diagrammatically.
WTO	Understand the role of the World Trade Organization (WTO) in trade liberalisation; trading blocs.	The distinction between different types of trading blocs should be understood. Possible conflicts between trading blocs and the WTO should be considered.
Restrictions on free trade	Identify potential restrictions on free trade: reasons and types for example, tariffs, quotas, non-tariff barriers, subsidies to domestic producers.	Diagrammatic representation of tariffs is required (to include welfare changes and government revenue).
Protectionism	Identify potential effects of protectionist policies on resource allocation.	Students should examine cases of protectionism currently in the news.

4.3.3 How is international trade recorded and financed?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Balance of Payments	Understand the different components of the Balance of Payments.	For example: the trade in goods and services current account as well as the accounts showing short- and long-term capital flows.
Current account deficits and surpluses	Understand the factors influencing the size of deficits and surpluses on different components of the Balance of Payments; significance of deficits and surpluses on the current account.	Students should consider whether such current account surpluses and deficits matter and examine measures to reduce such imbalances. The significance of global imbalances should be examined.
Influences on exchange rates	Understand factors influencing exchange rates.	Students should consider the significance of relative interest rates; relative inflation rates; speculation.
Changes in exchange rates	Consider the impact of changes in exchange rates.	For example the implications for competitiveness.
Monetary union	Understand benefits and costs of monetary unions.	For example: the effects on the rate of inflation; unemployment; the Balance of Payments and economic growth. Students could focus on the eurozone. Specific knowledge of other monetary unions (single currencies) is not required.

4.3.4 How does a country compete?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Measures of competitiveness	Consider measures of competitiveness.	For example: relative unit labour costs and relative export prices.
Factors influencing competitiveness	Consider factors influencing a country's competitiveness.	For example: exchange rate; productivity; wage and non-wage costs; regulation.
Government policy	Examine government policy to increase international competitiveness.	For example: measures to improve education and training; incentives for investment; deregulation. Students might examine case studies of particular industries to see how they compete for example: cars; textiles.

4.3.5 What is poverty and inequality in developed and developing countries?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Absolute and relative poverty	Consider absolute and relative poverty.	An ability to understand/sketch a Lorenz curve diagram and Gini coefficients is required.
Measurements of inequality	Identify measurements of inequality: the Lorenz curve; Gini coefficient.	Students should consider the causes and consequences of inequality and poverty in developed and developing countries and related issues, for example the extent to which inequality is an essential ingredient of capitalism.

4.3.6 What are the limits to growth and development in developed and developing countries?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Limits to growth and development	Consider factors such as: <ul style="list-style-type: none"> ■ poor infrastructure ■ human capital inadequacies ■ primary product dependency ■ savings gap; inadequate capital accumulation ■ foreign currency gap ■ capital flight ■ corruption ■ population issues ■ debt ■ poor governance; civil wars. 	Students will not be expected to know specific numerical information for countries. Students should be aware of the problems associated with declining terms of trade. Students would benefit from using case studies as a means of illustrating the constraints facing different economies and reasons for their different growth rates. For example, they could study one country from each of the following continents: Africa, Asia, South America, North America and Europe. Specific knowledge of individual countries will not be required.

4.3.7 What is the role of the state in promoting growth and development?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Macro economic policies	Evaluate the use of policies to achieve economic objectives including macroeconomic stability. For example, how fiscal policy is used to achieve budgetary objectives; the role of independent central banks to achieve inflation targets; the use of supply-side policies to achieve economic growth.	<p>Students should have an understanding of global factors influencing a country's inflation rate; for example the impact of low wages in developing countries or the impact of a rise in commodity prices.</p> <p>The AD/AS model introduced in Unit 2 should be applied in analysing and evaluating these policies. The distinction between short and long run aggregate supply curves should be considered, as well as the factors influencing each.</p> <p>Students should be aware of the problems facing policy makers when applying policies, for example inaccurate information; risks and uncertainties.</p>
Public expenditure	<p>Give reasons for the changing size and pattern of public expenditure in different countries.</p> <p>Examine how the state might tax revenues to improve human capital.</p>	Students should understand the significance of differences in tax structures; public expenditure and public finances between countries. For example, students might examine the significance of the differences of the size of the state sector between a developed economy such as the UK and a developing economy such as Malaysia.

Content	Students should be able to:	Additional guidance notes
Taxation	<p>Understand taxation: direct and indirect; progressive, proportional and regressive taxes.</p> <p>Understand how governments might use public expenditure and taxation to reduce poverty.</p>	Students should understand the possible link between changes in tax rates and tax revenues.
Public sector borrowing and public sector debt	Understand the significance of the size of public sector borrowing and debt.	Students should understand the significance of differences in the state of public finances between countries, for example with respect to attractiveness to foreign direct investment and incentives.

4.3.8 What other measures can be used to promote growth and development?

What students need to learn:

Content	Students should be able to:	Additional guidance notes
Ways of promoting growth and development	Consider factors such as: <ul style="list-style-type: none"> ■ aid ■ debt relief ■ development of human capital ■ inward looking/outward looking strategies ■ free market/government intervention approaches ■ industrialisation; development of tourism; agriculture ■ microfinance ■ fair trade schemes ■ role of international financial institutions and non-government organisations in promoting growth and development. 	<p>Students should investigate the benefits and disadvantages associated with each of the listed strategies. In addition, the strategy should be considered in relation to some theoretical framework, for example market orientated approaches; structural change theories; international dependence theories. With reference to a particular economy, students might consider which theory might be most appropriate.</p> <p>Students could examine the use of microfinance and fair trade schemes as they affect particular countries. The functions of some of the key institutions should be considered and evaluated.</p>

D Assessment and additional information

Assessment information

Assessment requirements	For a summary of assessment requirements and assessment objectives, see <i>Section B, Specification overview</i> .
Entering candidates for this qualification	Details of how to enter candidates for the examinations for this qualification can be found in Edexcel's Information Manual, copies of which are sent to all examination officers. The information can also be found on Edexcel's website: www.edexcel.com .
Resitting of units	<p>There is no limit to the number of times that a student may retake a unit prior to claiming certification for the qualification. The best available result for each contributing unit will count towards the final grade.</p> <p>After certification all unit results may be reused to count towards a new award. Students may re-enter for certification only if they have retaken at least one unit.</p> <p>Results of units held in the Edexcel unit bank have a shelf life limited only by the shelf life of this specification.</p>
Awarding and reporting	<p>The grading, awarding and certification of this qualification will comply with the requirements of the current GCSE/GCE Code of Practice, which is published by the Office of Qualifications and Examinations Regulation (Ofqual). The AS qualification will be graded and certificated on a five-grade scale from A to E. The full GCE Advanced level will be graded on a six-point scale A* to E. Individual unit results will be reported.</p> <p>A pass in an Advanced Subsidiary subject is indicated by one of the five grades A, B, C, D, E of which Grade A is the highest and Grade E the lowest. A pass in an Advanced GCE subject is indicated by one of the six grades A*, A, B, C, D, E of which Grade A* is the highest and Grade E the lowest. To be awarded an A* students will need to achieve an A on the full GCE Advanced level qualification and an A* aggregate of the A2 units. Students whose level of achievement is below the minimum judged by Edexcel to be of sufficient standard to be recorded on a certificate will receive an unclassified U result.</p>
Performance descriptions	Performance descriptions give the minimum acceptable level for a grade. See <i>Appendix 1</i> for the performance descriptions for this subject.

Unit results

The minimum uniform marks required for each grade for each unit:

Unit 1 and Unit 2

Unit grade	A	B	C	D	E
Maximum uniform mark = 100	80	70	60	50	40

Students who do not achieve the standard required for a Grade E will receive a uniform mark in the range 0–39.

Unit 3

Unit grade	A	B	C	D	E
Maximum uniform mark = 80	64	56	48	40	32

Students who do not achieve the standard required for a Grade E will receive a uniform mark in the range 0–31.

Unit 4

Unit grade	A	B	C	D	E
Maximum uniform mark = 120	96	84	72	60	48

Students who do not achieve the standard required for a Grade E will receive a uniform mark in the range 0–47.

Qualification results

The minimum uniform marks required for each grade:

Advanced Subsidiary Cash-in code 8EC01

Qualification grade	A	B	C	D	E
Maximum uniform mark = 200	160	140	120	100	80

Students who do not achieve the standard required for a Grade E will receive a uniform mark in the range 0–79.

Advanced GCE Cash-in code 9EC01

Qualification grade	A	B	C	D	E
Maximum uniform mark = 400	320	280	240	200	160

Students who do not achieve the standard required for a Grade E will receive a uniform mark in the range 0–159.

Language of assessment

Assessment of this specification will be available in English only. Assessment materials will be published in English only and all work submitted for examination and moderation must be produced in English.

Quality of written communication

Students will be assessed on their ability to:

- write legibly, with accurate use of spelling, grammar and punctuation in order to make the meaning clear
- 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 vocabulary when appropriate.

Students will be given the opportunity to demonstrate quality of written communication in selected long-answer/essay questions. The questions in which quality of written communication will be assessed will be indicated with an asterisk on the examination question paper and 'Qwc' on the mark scheme.

Assessment objectives and weighting

		% in AS	% in A2	% in GCE
AO1	Demonstrate knowledge and understanding of the specified content.	27.5%	22%	24.75%
AO2	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	27.5%	22%	24.75%
AO3	Analyse economic problems and issues.	22.5%	28%	25.25%
AO4	Evaluate economic arguments and evidence, making informed judgements.	22.5%	28%	25.25%
TOTAL		100%	100%	100%

Synoptic assessment

In synoptic assessment there should be a concentration on the quality of assessment to ensure that it encourages the development of the holistic understanding of the subject.

Synopticity requires students to connect knowledge, understanding and skills acquired in different parts of the Advanced GCE course.

Synoptic assessment in the context of GCE Economics requires students to:

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

The emphasis will be on the students' ability to think as economists and to use the economist's toolkit of concepts, theories and techniques that they have built up during their course of study. The synoptic assessment required in this specification will be met through *Unit 3: Business Economics and Economic Efficiency* and *Unit 4: The Global Economy*. These units may draw on material from other parts of the course, offering the opportunity to be assessed synoptically.

Stretch and challenge

Students can be stretched and challenged in A2 units through the use of different assessment strategies, for example:

- using a variety of stems in questions — for example outline, examine, discuss, compare, assess, analyse, evaluate
- ensuring connectivity between sections of questions
- a requirement for extended writing
- use of a wider range of question types to address different skills — for example multiple-choice, data response and essay questions which are more open-ended to allow for a greater variety of approaches and responses
- use of supplied data to make deductions that support students' answers.

Additional information

Malpractice and plagiarism

For up-to-date advice on malpractice and plagiarism, please refer to the latest *Joint Council for Qualifications (JCQ) Instructions for Conducting Coursework* document. This document is available on the JCQ website: www.jcq.org.uk.

For additional information on malpractice, please refer to the latest *Joint Council for Qualifications (JCQ) Suspected Malpractice in Examinations And Assessments: Policies and Procedures* document, available on the JCQ website.

Access arrangements and special requirements

Edexcel's policy on access arrangements and special considerations for GCE, GCSE, and Entry Level is designed to ensure equal access to qualifications for all students (in compliance with the Equality Act 2010) without compromising the assessment of skills, knowledge, understanding or competence.

Please see the Joint Council for Qualifications (JCQ) website (www.jcq.org.uk) for their policy on access arrangements, reasonable adjustments and special considerations.

Please see our website (www.edexcel.com) for:

- the forms to submit for requests for access arrangements and special considerations
- dates to submit the forms.

Requests for access arrangements and special considerations must be addressed to:

Special Requirements
Edexcel
One90 High Holborn
London WC1V 7BH

Equality Act 2010

Please see our website (www.edexcel.com) for information on the Equality Act 2010.

Prior learning and progression

Prior learning

Students who would benefit most from studying a GCE in Economics are likely to have a Level 2 qualification such as a GCSE in Economics or a GCSE in Business and Economics at grades A*–C.

Progression

This qualification should enable students to progress to a straight economics degree with a focus on theory, or a degree in applied economics such as environmental economics, labour economics, public sector economics or monetary economics. Alternatively, students may like to study a business economics or mathematical economics degree. Economics can also be combined with another subject as a joint degree or with other subjects, for example politics, philosophy or history as a combined degree. Some universities require Advanced GCE Mathematics as well, others ask only for a good grade at GCSE.

Post-university employment rates for economists are among the highest for graduates. They are likely to find employment in finance, banking, insurance, accountancy, management and consultancy. Some become professional economists.

Combinations of entry

GCE Economics **cannot** be studied with the GCE in Economics and Business.

Student recruitment

Edexcel's access policy concerning recruitment to our qualifications is that:

- they must be available to anyone who is capable of reaching the required standard
- they must be free from barriers that restrict access and progression
- equal opportunities exist for all students.

The wider curriculum

This qualification provides opportunities for developing an understanding of spiritual, moral, ethical, social and cultural issues, together with an awareness of citizenship, environmental issues, health and safety considerations, and European developments consistent with relevant international agreements appropriate as applied to economics. *Appendix 2: Wider curriculum* maps the opportunities available.

E Resources, support and training

Resources to support the specification

In addition to the resources available in the *Getting Started* guide book, Edexcel produces a wide range of resources to support this specification.

Edexcel's own published resources

Edexcel aims to provide the most comprehensive support for our qualifications. We have therefore published our own dedicated suite of resources for teachers and students written by qualification experts. These resources include:

- schemes of work
- revision sheets
- student guide
- mapping document to previous specification
- lesson materials.

Edexcel publications

You can order further copies of the specification and specimen exam papers from:

Edexcel Publications
Adamsway
Mansfield
Notts NG18 4FN

Telephone: 01623 467467
Fax: 01623 450481
Email: publication.orders@edexcel.com
Website: www.edexcel.com

Additional resources endorsed by Edexcel

Edexcel also endorses additional materials written to support this qualification.

Any resources bearing the 'Endorsed by Edexcel' logo have been through a rigorous endorsement quality assurance process to ensure complete and accurate support for the specification. For up-to-date information about endorsed resources, please visit www.edexcel.com/endorsed.

Please note that while resources are checked at the time of publication, materials may be withdrawn from circulation and website locations may change.

The resources listed are intended to be a guide for teachers and not a comprehensive list. Further suggestions can be found in *Appendix 4: Further resources and support*.

Please see www.edexcel.com/gce2008 for up-to-date information.

Edexcel support services

Edexcel support services

Edexcel has a wide range of support services to help you implement this qualification successfully.

ResultsPlus – ResultsPlus is an application launched by Edexcel to help subject teachers, senior management teams, and students by providing detailed analysis of examination performance. Reports that compare performance between subjects, classes, your centre and similar centres can be generated in 'one-click'. Skills maps that show performance according to the specification topic being tested are available for some subjects. For further information about which subjects will be analysed through ResultsPlus, and for information on how to access and use the service, please visit www.edexcel.com/resultsplus

Ask the Expert – to make it easier for our teachers to ask us subject specific questions we have provided the **Ask the Expert** Service. This easy-to-use web query form will allow you to ask any question about the delivery or teaching of Edexcel qualifications. You'll get a personal response, from one of our administrative or teaching experts, sent to the email address you provide. You can access this service at www.edexcel.com/ask

Support for Students

Learning flourishes when students take an active interest in their education; when they have all the information they need to make the right decisions about their futures. With the help of feedback from students and their teachers, we've developed a website for students that will help them:

- understand subject specifications
- access past papers and mark schemes
- learn about other students' experiences at university, on their travels and when entering the workplace.

We're committed to regularly updating and improving our online services for students. The most valuable service we can provide is helping schools and colleges unlock the potential of their learners. www.edexcel.com/students

Training

A programme of professional development and training courses, covering various aspects of the specification and examination, will be arranged by Edexcel each year on a regional basis. Full details can be obtained from:

Training from Edexcel
Edexcel
One90 High Holborn
London WC1V 7BH

Email: trainingbookings@pearson.com
Website: www.edexcel.com/training

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Introduction

Performance descriptions have been created for all GCE subjects. They describe the learning outcomes and levels of attainment likely to be demonstrated by a representative candidate performing at the A/B and E/U boundaries for AS and A2.

In practice most candidates will show uneven profiles across the attainments listed, with strengths in some areas compensating in the award process for weaknesses or omissions elsewhere. Performance descriptions illustrate expectations at the A/B and E/U boundaries of the AS and A2 as a whole; they have not been written at unit level.

Grade A/B and E/U boundaries should be set using professional judgement. The judgement should reflect the quality of candidates' work, informed by the available technical and statistical evidence. Performance descriptions are designed to assist examiners in exercising their professional judgement. They should be interpreted and applied in the context of individual specifications and their associated units. However, performance descriptions are not designed to define the content of specifications and units.

The requirement for all AS and A level specifications to assess candidates' quality of written communication will be met through one or more of the assessment objectives.

The performance descriptions have been produced by the regulatory authorities in collaboration with the awarding bodies.

AS performance descriptions for Economics

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

A2 performance descriptions for Economics

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

Signposting

Issue	Unit 1	Unit 2	Unit 3	Unit 4
Spiritual				✓
Moral	✓			✓
Ethical	✓		✓	✓
Social	✓	✓		✓
Cultural		✓		✓
Citizenship		✓		✓
Environmental	✓			✓
European initiatives		✓		

Development suggestions

Issue	AS/A2 units	Opportunities for development or internal assessment
Spiritual	4	What limits growth and development in different countries and what can be done to promote it.
Moral	1	Government intervention in markets to correct market failure for example, state provision and regulation.
	4	Ways of promoting growth and development in economies for example, aid, debt relief, fair trade schemes.
Ethical	1	Imperfect market information in markets such as health care, pensions, tobacco and alcohol leading to a misallocation of resources.
	3	Reasons for collusive and non-collusive behaviour between companies.
	4	Benefits and costs of globalisation.
Social	1	Labour market imperfections.
	2	Causes and constraints on a country's economic growth for example, the impact of migration and changes in birth rates.
	4	Reasons for the changing size and pattern of public expenditure in different countries; causes and consequences of inequality in developed and developing countries.
Cultural	2	Potential impact of migration on economic growth.
	4	Potential causes of economic growth and relative poverty of countries.
Citizenship	2 and 4	Benefits and costs to citizens of a country's economic growth; benefits to the global community of trade liberalisation.

Issue	AS/A2 units	Opportunities for development or internal assessment
Environmental	1	Advantages and disadvantages of government measures for example, road pricing, carbon offsetting and carbon emissions trading. Problem of unlimited wants and finite resources; distinction between renewable and non-renewable resources.
	4	Cost of trading globally – sustainability of resources and environmental degradation.
European initiatives	2	Comparisons of measures of economic performance of European countries against developing countries may allow the consideration of European initiatives which may have impacted or otherwise on their economic growth.

Type of code	Use of code	Code number
National classification codes	Every qualification is assigned to a national classification code indicating the subject area to which it belongs. Centres should be aware that students 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.	4410
National Qualifications Framework (NQF) codes	Each qualification title is allocated a National Qualifications Framework (NQF) code. The National Qualifications Framework (NQF) code is known as a Qualification Number (QN). This is the code that features in the DfE Section 96, and on the LARA as being eligible for 16-18 and 19+ funding, and is to be used for all qualification funding purposes. The QN is the number that will appear on the student's final certification documentation.	The QNs for the qualifications in this publication are: AS — 500/2430/9 Advanced GCE — 500/2328/7
Unit codes	Each unit is assigned a unit code. This unit code is used as an entry code to indicate that a student wishes to take the assessment for that unit. Centres will need to use the entry codes only when entering students for their examination.	Unit 1 — 6EC01 Unit 2 — 6EC02 Unit 3 — 6EC03 Unit 4 — 6EC04
Cash in codes	The cash-in code is used as an entry code to aggregate the student's unit scores to obtain the overall grade for the qualification. Centres will need to use the entry codes only when entering students for their qualification.	AS — 8EC01 Advanced GCE — 9EC01
Entry codes	The entry codes are used to: 1 enter a student for the assessment of a unit 2 aggregate the student's unit scores to obtain the overall grade for the qualification.	Please refer to the <i>Edexcel Information Manual</i> , available on the Edexcel website.

Appendix 4 Further resource and support

Please note that while resources are checked at the time of publication, materials may be withdrawn from circulation and website locations may change at any time.

The following resources may also be useful:

Books

Author	Title	Publisher	Publication date	ISBN
Anderton A	<i>A Level Economics for Edexcel</i>	Pearson Education	2008	9781405892285
Anderton A	<i>A Level Economics for Edexcel Teaching and Assessment Pack</i>	Pearson Education	2008	9781405892292
Brewer Q	Edexcel A2 Economics Student Unit Guide, Unit 4: The Global Economy	Philip Allan	2012	9781444147919
Brewer Q and Cole R	My Revision Notes: Edexcel AS Economics	Hodder Education	2013	9781444179798
Brewer Q and Cole R	My Revision Notes: Edexcel A2 Economics	Hodder Education	2013	9781444179828
Cole R	<i>Edexcel AS Economics Student Unit Guide, Unit 2: Managing the Economy</i>	Philip Allan	2011	9781444147858
Cramp P and Keefe J	Revision Guide to AS Level Economics	Anforme	2008	9781905504213
Cramp P and Keefe J	Revision Guide to A2 Level Economics	Anforme	2009	9781905504329
Dransfield R	<i>Key Ideas in Economics</i>	Nelson Thornes	2003	9780748770816
Etherington I, Smith C and Smith M	<i>Revision Express AS and A2 Economics</i>	Pearson Education	2006	9781408206522
Gavin M	<i>Edexcel AS Economics Student Unit Guide, Unit 1: Competitive Markets: How They Work and Why they Fail</i>	Philip Allan	2011	9781444147827

Appendix 4 Further resource and support

Author	Title	Publisher	Publication date	ISBN
Gillespie A	<i>AS and A Level Economics Through Diagrams</i>	OUP	2009	9780199180899
Grant S and Vidler C	<i>Economics in Context</i>	Heinemann	2000	9780435331115
Grant S, Ellams A and Vidler C	<i>Heinemann Economics AS for Edexcel</i>	Heinemann	2005	9780435330774
Hearn J	<i>AS/A-Level Economics Essential Word Dictionary</i>	Philip Allan	2000	9780860033707
Jewell M	<i>Key Definitions for Economics A Level Revision: For Edexcel Students</i>	Anforme	2008	9781905504244
Mikdadi M and Cole R	<i>Edexcel A2 Economics Student Unit Guide, Unit 3: Business Economics and Economic Efficiency</i>	Philip Allan	2012	9781444147889
Nutter R	<i>Business Economics: Microeconomics for A2</i>	Anforme	2012	9781905504794
Nutter R	<i>Business Economics: Microeconomics for A2</i>	Anforme	2012	9781905504794
Nutter R	<i>A2 Economics Multiple Choice Workbook</i>	Philip Allan	2005	9781844897698
Smith P	<i>Edexcel AS Economics</i>	Philip Allan	2008	9780340948040
Smith P	<i>Edexcel A2 Economics</i>	Philip Allan	2009	9780340949269
Wall N	<i>A-Z Economics Handbook (Complete A-Z)</i>	Philip Allan	2009	9780340991015

Useful websites

www.edexcel.com/gce2008

Barclays Bank — www.barclays.co.uk

BBC News: Economics — <http://www.bbc.co.uk/news/business/economy>

Bized: Business Studies resources — www.bized.co.uk

Bized: Virtual Economy — www.bized.co.uk/virtual/economy

Competition Commission — www.competition-commission.org.uk

David Smith's EconomicsUK — www.economicsuk.com

Deutsche Bank Research — www.dbresearch.com

Economics Study Guides — SparkNotes — www.sparknotes.com/economics

Europa (EU server) — http://europa.eu/pol/emu/index_en.htm

Just Business — Educational Resources — www.jusbiz.org

Kevin Hinde's Cyber Economics Tour — www.kevinhinde.com

Larry Reynolds' Economics — www.boisestate.edu/econ/lreynol/web

NIESR — www.niesr.ac.uk

National Statistics — www.statistics.gov.uk

Office of Fair Trading — www.oft.gov.uk

Revision Guru: Economics Revision — www.revisionguru.co.uk/economics

Revision Notes — www.revision-notes.co.uk

S-Cool: AS & A2 Economics Revision — www.s-cool.co.uk/topic_index.asp?subject_id=11

Santander — www.santander.co.uk

The Bank of England — www.bankofengland.co.uk

The Economist — www.economist.co.uk

The Financial Times — www.ft.com

The Financial Times: Special Reports — www.ft.com/reports

The Guardian — www.guardian.co.uk

The Guardian: Economics — <http://politics.guardian.co.uk/economics>

The Halifax plc — www.halifax.co.uk

The Independent — www.independent.co.uk

The Institute For Fiscal Studies — www.ifs.org.uk

The International Monetary Fund — www.imf.org

The London Stock Exchange — www.londonstockexchange.com

The Nationwide Building Society — www.nationwide.co.uk

The OECD — www.oecd.org

Gov.UK — www.gov.uk

The Telegraph — www.telegraph.co.uk

The Times — www.the-times.co.uk

The Trades Union Congress — www.tuc.org.uk

The United Nations — www.un.org

The Wall Street Journal — www.wsj.com

The World Bank — www.worldbank.org

Tutor2u — www.tutor2u.net

UK Treasury — www.hm-treasury.gov.uk

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