

**ECONOMICS**  
**Higher**

**Fourth edition – published December 1999**

**NOTE OF CHANGES TO ARRANGEMENTS  
FOURTH EDITION PUBLISHED ON CD-ROM DECEMBER 1999**

**COURSE TITLE:** Economics (Higher)

**COURSE NUMBER:** C038 12

**National Course Specification**

Course Details: Core skills statements expanded

**National Unit Specification**

All Units: Core skills statements expanded

# National Course Specification

## ECONOMICS (HIGHER)

**COURSE NUMBER** CO38 12

### COURSE STRUCTURE

The course has two mandatory units, as follows:

<i>D206 12</i>	<i>Microeconomics (H)</i>	<i>1 credit (40 hours)</i>
<i>D205 12</i>	<i>The Economy (H)</i>	<i>2 credits (80 hours)</i>

All courses include 40 hours over and above the 120 hours for the component units. This may be used for induction, extending the range of learning and teaching approaches, support, consolidation, integration of learning and preparation for external assessment.

### RECOMMENDED ENTRY

While entry is at the discretion of the centre, candidates will normally be expected to have attained one of the following:

- Standard Grade Economics at Credit level
- the component units of Intermediate 2 Economics - *Microeconomics (Int 2)* and *The Economy (Int 2)*

**and**

- Standard Grade English at Credit level, or
- Intermediate 2 English or its component units.

### CORE SKILLS

This course gives automatic certification of the following:

<b>Complete core skills for the course</b>	None
<b>Core skills components for the course</b>	Critical Thinking H

For information about the automatic certification of core skills for any individual unit in this course, please refer to the general information section at the beginning of the unit.

Additional information about core skills is published in *Automatic Certification of Core Skills in National Qualifications* (SQA, 1999).

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### Administrative Information

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## National Course Specification: course details

**COURSE** Economics (Higher)

### RATIONALE

Business and enterprise are at the heart of national growth and development and this is reflected in the important place that business education assumes in the post-16 curriculum. The provision offers opportunities for candidates to develop the crucial skills and knowledge which allow them to access, understand and contribute to the dynamic and complex business and information environment. Whatever the career pathway or progression route, business education can provide a valuable context which enhances individual effectiveness.

All societies, organisations and individuals face the basic economic problem of allocating scarce resources among competing uses. Economics is the social science which provides the knowledge base and the range of skills which promote an understanding of the economic dimension of life which revolves around the production and consumption of goods and services. Economics is, therefore, concerned with decisions made by individuals, businesses, government and other organisations, and the environment in which they operate. The Higher course in Economics is concerned with the ways in which such choices about the use of resources are made and the implications which these choices have for individuals, organisations and society as a whole. It helps develop skills in interpreting, analysing and evaluating the processes of economic change and development in contemporary society, through the application of economic principles and ideas. The methodology of the subject encourages candidates to think logically through processes of deductive and inductive reasoning, to assess and evaluate various types of data and to weigh up the benefits and costs of alternative courses of action.

The aims of the course build on Standard Grade Economics and Intermediate 2 Economics, and are to:

- develop a knowledge and understanding of the basic economic problem of the allocation of scarce resources among alternative uses
- develop an understanding of the economic roles and responsibilities of the individual in society as a consumer, employee, producer and citizen
- develop an understanding of the economic roles and responsibilities of firms and governments in the use and distribution of resources
- develop an understanding of the environmental and social costs involved in economic decisions
- develop an understanding of the different stages of economic development and an awareness of the interdependence of rich and poor economies
- develop an ability to analyse and discuss problems of an economic nature and to suggest possible solutions
- develop an ability to communicate economic ideas in a logical and effective manner.

As a result, candidates will gain a critical understanding of the many public and private decisions which affect the working of markets and influence the living conditions in Scotland, the United Kingdom, the European Union and the wider world today. It will also enable individuals to become better-informed citizens, producers and consumers who, as a result, will be able to make a greater contribution to society.

The study of economics at Higher level, which looks at both the world of business and the social environment, will provide a good basis for further study in general areas such as business, social studies and management, and for professional qualifications in law, accountancy, etc. It will also be of benefit to anyone contemplating a career in central or local government, commerce or industry.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

### COURSE CONTENT

All of the course content will be subject to sampling in the external assessment.

*It is important that candidates wishing to succeed in the course, as distinct from its individual units, should see the holistic nature of the whole course. The purpose of the extra 40 hours is to enable this to be achieved. There are two complementary aspects to this. The first is that additional demands will be placed on candidates, while the second involves the use of a variety of learning and teaching strategies. These additional demands will require candidates to:*

- integrate the course content
- apply knowledge and skills in a greater range of economic contexts
- apply knowledge and skills in more complex economic contexts.

A range of learning and teaching strategies can be used to help candidates meet these additional demands; some illustrations follow.

Candidates taking this course should have exposure to a variety of learning strategies which help them to see the holistic nature of the course. This can be done in a number of different ways. One is to use the extra 40 hours available in the course to integrate the content across the two units. For example, links can and should be drawn between the role of the markets in *Microeconomics (H)* and the methods by which governments attempt to regulate markets and address market failure in *The Economy (H)*. In this way candidates are more able to appreciate the essential links which exist between many areas of the course and unit content, and also understand the complementarity between the micro and macro areas of the course.

Study of the course also gives greater opportunities for a more in-depth study of the course content. For example, in the study of elasticity of demand, candidates could be allowed to spend more time looking at the whole range of price elasticities between zero and infinity rather than simply considering values of elasticity of more and less than one. Coverage of the course also assists candidate understanding because it allows a wider range of contexts to be used to help exemplify the topics. This helps candidates to see the relevance of the subject in everyday life, encourages their motivation and thus helps to reinforce their learning.

Therefore, use should be made of the extra 40 hours' time available if the course award is being undertaken to employ the strategies outlined above. In this way, candidates will be better prepared for the external assessment which samples across the entire course content.

The course content has been organised into two units: *Microeconomics* and *The Economy*.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

### Microeconomics (H)

#### *The basic economic problem*

The nature of the economic problem	The concepts of scarcity, choice and opportunity cost, their relationship and importance.  Unlimited wants. The difference between scarcity and shortages.
Opportunity cost	Individuals, firms, governments.
Resources	Limits to quantity and quality. Substitution and mobility.  Measures to increase substitution and mobility of resources.
Choices	What to produce? How much to produce? How to produce? For whom to produce?  Dealing with the problem of scarcity in different economic systems.  The concepts of economic efficiency and equity.
Production possibility curves (PPCs)	How they are constructed, what they show. Reasons for shifts in PPCs - mobility of resources, productivity, increase in total quality and quantity of resources.
<b><i>Demand</i></b>	
Economic objectives of consumers	Utility, attempts to maximise utility, effective demand, consumer rationality.
Theory of demand	Marginal utility, demand schedules/curves, individual/market demand, derivation of demand curve using marginal utility, income and substitution effects. <i>Ceteris paribus</i> assumption.
Determinants of demand	Prices, income, tastes, advertising, prices of other goods, availability of credit, expectations of price changes.  Shifts of, and movements along, the demand curve, income and substitution effects.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

Price elasticity of demand	Effects of price changes on revenue, factors influencing price elasticity of demand, for example, availability of substitutes, durability, percentage of income spent, habit.
Income elasticity of demand	Positive and negative elasticity.  Significance of price and income elasticities.
<b>Supply</b>	
The nature of the production process	Specialisation and division of labour; productivity.  Economies and diseconomies of scale.
Conditions of production	Returns to factors of production, returns to a single variable factor.
Cost relationships	Total, average and marginal.  Fixed and variable.  Short and long run.  Optimum output. Technical efficiency.
Theory of supply	Supply schedule/curve, individual/market supply. <i>Ceteris paribus</i> assumption.
Determinants of supply	Price, factor costs, technology, weather, taxes and subsidies, prices of other goods, expectations of price changes.  Shifts of, and movements along, the supply curve.
Elasticity of supply	Response to changes in price, importance of time in influencing supply adjustments, significance of elasticity of supply.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

### *The operation of markets*

Nature of the markets

Role of buyers and sellers, price as a basis of exchange and market clearing.

Goods and services, factors of production, foreign exchange.

Price and output determination in a competitive market

How prices are determined, how markets allocate resources, how markets tend to adjust to the equilibrium level.

Shifts of, and movements along, the demand and supply curves.

### *Market Intervention*

Effects of intervention

Reasons for and types of intervention, eg taxes, subsidies, price fixing

Maximum prices and the consequences of imposing them: for example, relationship to equilibrium price, shortages and black markets.

Minimum prices and the consequences of imposing them: for example, relationship to equilibrium price, surpluses, circumvention of regulations.

Types of markets

Competitive, oligopolistic, monopolistic, monopsonistic.

Factors affecting competition in a market

Number of firms, size of firms, number of consumers, product differentiation, barriers to entry.

The role of information: perfect and imperfect knowledge.

The role of profit; the relationship between costs, revenue and profit.

Pricing in markets

Price takers, monopoly pricing, collusion, price leaders, mark-up pricing.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

### **The Economy (H)**

#### *National Income*

National Output, Income and Expenditure	Identity of output, income and expenditure.
Real and nominal Gross Domestic Product and Gross National Product	Effects of changes in real and nominal national income on employment and output.
Uses of National Income statistics	Measurement of economic growth; analysis of government policy, forecast of economic climate, comparison of standard of living over time and between countries.
Problems in measuring National Income	Shadow economy, double counting, problems in making comparisons over time and between countries, for example, measuring welfare, different populations, exchange rates, methods of calculation, distribution of income.
The determination of National Income	The circular flow of income.  Injections and withdrawals.  Equilibrium level of National Income.
The components of National Output and Expenditure in an open economy	Consumption, saving, average and marginal propensity, investment expenditure, government expenditure, exports, imports.
The concept of the multiplier	Expenditure multipliers, calculation of the simple multiplier ( $k = 1/1-MPC$ ).

#### *Inflation and employment*

Inflation	Price indices, trends in inflation, the quantity theory of money.
The reasons for inflation	The quantity theory of money, expectations, increase in costs, exchange rates.
The effects of inflation	On the Balance of Payments, savings, people on fixed incomes, government revenue.
The reasons for unemployment	Demand deficiency, structural change, frictional factors, technological change, natural rate.
The effects of unemployment	On government expenditure and revenue, output and resource utilisation, social fabric, mobility of labour.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

### *International trade and payments*

Gains from trade	International specialisation, absolute and comparative advantage.
Reasons for international specialisation and exchange	Factor endowments - uneven distribution of resources, economies of scale, level of technology, political, strategic and cultural considerations.
Trade restraints	Tariffs, non-tariff barriers, quantitative restrictions.
Reasons for imposition	Infant industry, strategic, balance of payments, structural adjustment.
Effects of trade restraints	On consumers, volume of trade, exchange rates and Gross National Product.
Balance of Payments	Components – trade in goods, trade in services, Current Account, Capital Account, exports, imports and reserves.  Purpose and structure of account. Trends in Balance of Payments.  Importance of surpluses and deficits to the economy.  Capital movements - short term, long term, influence on exchange rates and interest rates.
Exchange rates	Effects of exchange rate changes on Current Account, income, employment and prices.
Types of systems	Fixed, managed and market exchange rate systems: advantages and disadvantages, for example, stability and automatic adjustment.
Patterns of UK trade	Composition of trade, main trading partners, for example, European Union, Commonwealth.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

### *The role of government in the economy*

Government macroeconomic objectives Employment, price stability, economic growth, stable Balance of Payments, regional balance, distribution of incomes and wealth.

Problems of reconciling conflicting objectives Trade-offs, government priorities, technical problems, for example, leads, lags, forecasting.

Economic growth Sources of economic growth, costs and benefits of economic growth.

Government microeconomic objectives Efficient operation of markets, prevention of market failure, equity.

Government involvement in the economy Size of public sector, public finance, Public Sector Borrowing Requirement.

Types of taxes, direct and indirect, effects of taxation.

Extent of and balance of public and private ownership.

Addressing market failure; consumer sovereignty; externalities - private costs; external costs; environmental policy.

### *Government economic policies*

Fiscal policies Government expenditure and taxation, the role of the budget, tax rates.

Monetary policies Interest rate policies, control of the money supply, Bank of England, commercial banks.

Supply-side policies Wage and price controls, policies to restrict the activities of trade unions, tax incentives, research and development, grants to firms, training, regional policy.

Policies to address market failure Taxes, subsidies, regulations, laws, for example, taxes on pollution, regulation of monopoly, regulatory bodies such as Ofwat, Oftel; public ownership, public goods, merit goods, income redistribution.

Exchange rate policies European monetary co-operation.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

### *The international economic environment*

European Union	Main economic features of the EU, common external tariff, single market, social chapter, Common Agricultural Policy, funding, monetary arrangements.
International trading and monetary organisations	Main activities of the World Trade Organisation, International Monetary Fund, and World Bank.
Relations between developed and developing countries	Characteristics of developing and newly industrialised countries.  The debt crisis.  The role of developed countries, loans, aid, trade, mutuality, multinational firms.  Sustainable development.

### **ASSESSMENT**

To gain the award of the course, candidates must pass the component unit assessments as well as the external assessment. External assessment will provide the basis for grading attainment in the course award.

When units are taken as component parts of a course, candidates will have the opportunity to achieve at levels beyond that required to demonstrate competence for each of the unit outcomes. This attainment may, where appropriate, be recorded and used to contribute towards course estimates, and to provide evidence for appeals. Further information on the key principles of assessment are provided in the paper *Assessment* (HSDU, 1996) and in *Managing Assessment* (HSDU, 1998).

### **DETAILS OF THE INSTRUMENTS FOR EXTERNAL ASSESSMENT**

External assessment will be based on a written paper of 2 hours 30 minutes' duration. Candidates will be required to attempt both sections.

#### ***Section A - Interpretation items (50 marks)***

This section of the paper will assess analysis, evaluation and problem-solving.

In this section, two separate interpretation items (25 marks each) will be provided, with questions set on each, and candidates will be expected to attempt both items. The information presented to candidates may take a number of forms, including extracts from newspapers or magazines, or articles from relevant economic publications. It will incorporate data in tabular, graphical or diagrammatic form and will normally include macroeconomic and microeconomic material.

Candidates will be required to analyse straightforward economic problems and issues by identifying the key features of these and extracting and processing relevant information to reach valid conclusions. They will also be required to suggest and/or justify appropriate courses of action to be taken on economic issues.

## National Course Specification: course details (cont)

**COURSE** Economics (Higher)

### ***Section B - Extended answers (50 marks)***

This section will assess knowledge and understanding.

Candidates will be presented with a choice of six questions (25 marks each) drawn from any part of the course content. The questions will require extended answers and candidates should attempt any two questions.

### **GRADE DESCRIPTIONS**

The descriptions below are of expected performance at Grade C and at Grade A. They are intended to assist candidates, teachers, lecturers and users of the certificate and to help establish standards when question papers are being set. The grade of the award will be based on the total score obtained in the examination.

In order to obtain a Grade C for Higher Economics, a candidate must:

- apply knowledge and understanding to the analysis of a range of different economic contexts
- demonstrate ability to integrate material drawn from the course content
- show an understanding of the main economic concepts and how they can be applied to economic behaviour
- demonstrate an ability to suggest and analyse solutions to economic problems involving a limited number of variables
- communicate economic ideas effectively.

In addition, candidates who achieve a Grade A must demonstrate the ability to:

- consistently apply knowledge and understanding to a range of different economic contexts, some of which will be complex
- demonstrate a high degree of ability to integrate material drawn from the course content
- show an understanding of the main economic concepts and, using examples, how they can be applied to a wide range of actual and hypothetical economic situations
- demonstrate an ability to suggest and analyse solutions to economic problems involving a wide range of variables
- communicate complex economic ideas effectively
- demonstrate clarity and logic in the presentation of their answers.

### **APPROACHES TO LEARNING AND TEACHING**

The sequencing of the units represents a possible way in which the learning and teaching could be structured. However, this arrangement does not imply that there is a rigid teaching order, or that the units would not benefit from an integrated delivery. The teaching approach implicit in the ordering of the units is to begin with the principles developed in *Microeconomics (H)* and apply these in the context of *The Economy (H)*. In this way, candidates begin with the basic economic principles of scarcity, choice and opportunity cost and move through the working of markets to consider the wider economy and its international context. An alternative approach may be to begin with National Income theory and progress through macroeconomic issues to the workings of actual markets. Whichever approach is chosen, care should be taken to integrate the theoretical and practical aspects of all parts of the course, and to reflect its issue-based nature.

## National Course Specification: course details (cont)

### **COURSE** Economics (Higher)

This course continues to emphasise the theme outlined in the Revised Higher Economics Arrangements document: the present and growing importance of the European Union and EU legislation in the operation of the UK economy. This is particularly important in the study of government policies to regulate the economy where EU legislation (such as European monetary co-operation and the single European market) is increasingly important, and in the study of international trade where real, as distinct from theoretical, trade policies are influenced by membership of the EU.

Thus, although Outcome 6 of *The Economy (H)* deals specifically with the EU, the learning and teaching approaches for the course as a whole should take account of the effect of the EU. Candidates should be able to consider, in their study of economics, a number of perspectives, selected from the individual, local, Scottish, UK, European and international dimensions.

An important element of following an issue-based approach is the use of current events to highlight and enhance the relevance of economic ideas and principles. There is considerable scope to do this with the use of articles from newspapers, magazines and journals which give a relevant and topical flavour to the course. Computer simulations of the economy and the increasing amount of databases of economic statistics (some from the Internet) can also help provide learning resources to help candidates develop economic competence.

As detailed in the advice given at the beginning of the course, candidates, in their preparation for the external assessment, should be encouraged to see the natural links which exist within and between the two units. Therefore, it would be beneficial if the extra 40 hours available for the course were used to provide integration between the individual topics, to provide a deeper and wider analysis of the subject and to allow for a wider range of contexts to be employed. It would be more beneficial if these strategies were employed throughout the study of the course and not in a single block after the completion of the two individual units.

### **SPECIAL NEEDS**

This course specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering alternative outcomes for units. For information on these, please refer to the SQA document *Guidance on Special Assessment and Certification Arrangements for Candidates with Special Needs/Candidates whose First Language is not English* (SQA, 1998).

### **SUBJECT GUIDES**

A Subject Guide to accompany the Arrangements document has been produced by the Higher Still Development Unit (HSDU) in partnership with the Scottish Consultative Council on the Curriculum (SCCC) and Scottish Further Education Unit (SFEU). The Guide provides further advice and information about:

- support materials for each course
- learning and teaching approaches in addition to the information provided in the Arrangements document
- assessment
- ensuring appropriate access for candidates with special educational needs

The Subject Guide is intended to support the information contained in the Arrangements document. The SQA Arrangements documents contain the standards against which candidates are assessed.

## National Unit Specification: general information

**UNIT** Microeconomics (Higher)

**NUMBER** D206 12

**COURSE** Economics (Higher)

### SUMMARY

This unit enables candidates to gain a knowledge and understanding of the fundamental economic problem of allocating scarce resources among alternative uses; an understanding of the economic roles and responsibilities of the individual in society as a producer, consumer and citizen, and an understanding of the economic roles and responsibilities of firms and governments in the use and distribution of resources.

### OUTCOMES

- 1 Explain the basic economic problem
- 2 Explain the factors which influence demand
- 3 Explain the factors which influence supply
- 4 Analyse the operation of markets
- 5 Analyse different types of markets.

### RECOMMENDED ENTRY

While entry is at the discretion of the centre, candidates will normally be expected to have attained one of the following:

- Standard Grade Economics at Credit level
- the component units of Intermediate 2 Economics - *Microeconomics (Int 2)* and *The Economy (Int 2)*

**and**

- Standard Grade English at Credit level, or
- Intermediate 2 English or its component units.

### CREDIT VALUE

1 credit at Higher.

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## National Unit Specification: statement of standards

**UNIT**                      Microeconomics (Higher)

### **OUTCOME 1**

Explain the basic economic problem.

#### **Performance criteria**

- a) Explanation of scarcity is correct and makes accurate reference to unlimited wants and limited resources.
- b) Explanation includes accurate reference to choice, opportunity cost and economic efficiency.
- c) Explanation includes accurate reference to production possibility curves (PPCs), shifts in PPCs and the possible reasons for these shifts.

#### **Note on the range for this outcome**

Opportunity cost: individual, firms and government.

#### **Evidence requirements**

Evidence in the form of answers to extended response questions to cover all aspects of the performance criteria and the range.

For PC (c) evidence should be shown by means of a production possibility curve.

### **OUTCOME 2**

Explain the factors which influence demand.

#### **Performance criteria**

- a) Explanation of determinants of demand is accurate and related to shifts of, and movements along, the demand curve
- b) Explanation of price elasticity of demand is correct and accurately refers to the factors influencing it
- c) Explanation of the effect on revenue of a change in price is correct and accurately related to the value of price elasticity of demand
- d) Explanation of income elasticity of demand is correct and refers to positive and negative income elasticity

#### **Note on the range for this outcome**

Demand: individual, market.

Price elasticity of demand: elastic, inelastic.

#### **Evidence requirements**

Evidence including diagrammatic evidence in the form of answers to structured response questions or extended responses to cover all aspects of the performance criteria and the range.

For PC (a) four determinants of demand and diagrammatic evidence are required.

## **National Unit Specification: statement of standards (cont)**

**UNIT**                      Microeconomics (Higher)

### **OUTCOME 3**

Explain the factors which influence supply.

#### **Performance criteria**

- a) Explanation of the determinants of supply is accurate and related to shifts of, and movements along, the supply curve.
- b) Explanation of the relationships between costs and output in the short run is accurate.
- c) Explanation of long run average costs is accurate and makes reference to economies and diseconomies of scale.

#### **Note on the range for this outcome**

Relationships between costs and output: total fixed, total variable and total costs: average and marginal costs.

#### **Evidence requirements**

Evidence including diagrammatic evidence in the form of answers to structured response questions or extended responses to cover all aspects of the performance criteria and the range.

For PC (a) three determinants of supply are required.

For PCs (a), (b) and (c) diagrammatic evidence is required.

### **OUTCOME 4**

Analyse the operation of markets.

#### **Performance criteria**

- a) Explanation of the determination of equilibrium price and quantity is accurate and makes use of supply and demand curves.
- b) Explanation of changes in equilibrium price and quantity is accurate and makes reference to shifts of, and movements along, the demand and supply curves.
- c) Explanation of a maximum or a minimum price is accurate with respect to its effect on price and quantity and the consequences of imposing it.

#### **Evidence requirements**

Evidence including diagrammatic evidence in the form of answers to structured response questions or extended responses to cover all aspects of the performance criteria.

For PC (b) evidence must include diagrams showing a shift in demand; a shift in supply; a shift in both demand and supply.

For PC (c) evidence should relate to a maximum or a minimum price.

Diagrammatic evidence is required for all performance criteria.

## **National Unit Specification: statement of standards (cont)**

**UNIT**                      Microeconomics (Higher)

### **OUTCOME 5**

Analyse different types of markets.

#### **Performance criteria**

- a) Analysis of factors affecting competition in a market is accurate and related to specific market situations.
- b) Analysis of prices set by firms in different markets is accurate and related to the nature of competition in the markets.

#### **Note on the range for this outcome**

Factors affecting competition: number of firms, size of firms, number of consumers, product differentiation, barriers to entry.

#### **Evidence requirements**

Evidence in the form of answers to extended response questions to cover all aspects of the performance criteria and the range, and to involve a comparison of two different markets.

## National Unit Specification: support notes

### UNIT Microeconomics (Higher)

This part of the unit is offered as guidance. The support notes are not mandatory.

While the time allocated to this unit is at the discretion of the centre, the notional design length is 40 hours.

This unit is closely linked to *Microeconomics (Int 2)*. Hence, the context of both is similar. At this level candidates have to demonstrate a greater level of understanding than at Intermediate 2 and also cover a greater range of content.

#### **GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT**

This unit is set in the context of the UK economy and its place in the world as a whole. Practical examples relevant to this, and to candidates' own experiences, should be used wherever possible, to illustrate the economic ideas within the unit.

This unit involves the study of markets and introduces candidates to the behaviour of firms. It begins by setting this in the context of the basic economic problem. It then applies the theory of demand and supply to explain market behaviour. The study of supply includes aspects of the theory of production and candidates should be able to explain the relationships between cost and output in the short and long run. However, a detailed knowledge of the economic principles underlying the shape of the cost curves is not expected. Finally, the unit takes the opportunity to explore actual markets in the UK economy. Any examples of these could be used, but possible ones might include the housing market, the car market, the market for electricity. It is important to note that this does not involve an analysis of theoretical market structures, such as perfect competition.

Further details are provided in the course specification.

#### **GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT**

This unit requires that candidates gain an understanding of the fundamentals of resource allocation. They should be made aware of the importance of diagrams in illustrating basic economic concepts. Wherever possible, this should be done in a way which enhances candidate comprehension, rather than concentrating on the mechanical manipulation of diagrammatic material.

For the successful completion of the final outcome, use should be made of actual examples of real market situations.

#### **GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT**

This unit offers considerable scope for the use of practical examples in the generation of evidence of candidate achievement of outcomes. Material is available from a range of sources including newspapers, journals and business magazines, although these may require to be edited and adapted before use by candidates.

There exist natural links between some of the outcomes, particularly Outcomes 2, 3 and 4, and where these occur it would be possible to generate evidence from one case study.

Instruments of assessment for this unit are likely to be extended and structured response questions, most of which will require the use of diagrams. Some could be based on case study material and, while some may be fairly substantial, others may be relatively small. The nature of the unit is such that preparing instruments of assessment for each outcome may not always be the most appropriate assessment strategy.

## **National Unit Specification: support notes (cont)**

**UNIT**                      Microeconomics (Higher)

A possible assessment strategy might be to use four instruments of assessment. The first would be an extended response covering Outcome 1. The second instrument of assessment could be structured response questions based on a case study for Outcomes 2 and 4 and PC (a) of Outcome 3. The third could be an extended response to cover PCs (b) and (c) of Outcome 3. The final instrument of assessment, to cover Outcome 5, could also take the form of an extended response question based on a case study of two different markets.

### **SPECIAL NEEDS**

This unit specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering alternative outcomes for units. For information on these, please refer to the SQA document *Guidance on Special Assessment and Certification Arrangements for Candidates with Special Needs/Candidates whose First Language is not English* (SQA, 1998).

## National Unit Specification: general information

**UNIT** The Economy (Higher)

**NUMBER** D205 12

**COURSE** Economics (Higher)

### SUMMARY

This unit gives the opportunity to acquire knowledge and understanding of the working of the economy and its international context, paying particular attention to the role of government.

### OUTCOMES

- 1 Explain the determination of National Income
- 2 Interpret the behaviour of price levels and employment levels
- 3 Explain international trade and payments
- 4 Explain the role of government in the economy
- 5 Explain government economic policies
- 6 Explain the international economic environment.

### RECOMMENDED ENTRY

While entry is at the discretion of the centre, candidates will normally be expected to have attained one of the following:

- Standard Grade Economics at Credit level
- the component units of Intermediate 2 Economics - *Microeconomics (Int 2)* and *The Economy (Int 2)*

**and**

- Standard Grade English at Credit level or
- Intermediate 2 English or its component units.

### CREDIT VALUE

2 credits at Higher

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### Administrative Information

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## **National Unit Specification: general information (cont)**

**UNIT**                      The Economy (H)

### **CORE SKILLS**

There is no automatic certification of core skills or core skills components in this unit.

Additional information about core skills is published in *Automatic Certification of Core Skills in National Qualifications* (SQA, 1999).

## **National Unit Specification: statement of standards**

**UNIT**                      The Economy (H)

### **OUTCOME 1**

Explain the determination of National Income.

#### **Performance criteria**

- a) Explanation of the equilibrium level of National Income is accurate and makes reference to injections, withdrawals and the identity of output, income and expenditure.
- b) The marginal propensity to consume and the marginal propensity to save are correctly explained and are used to correctly calculate the simple multiplier.
- c) The uses of National Income statistics are accurately explained and make reference to problems of measuring National Income and of making comparisons over time and between countries.

#### **Evidence requirements**

Evidence in the form of answers to extended response questions to cover all aspects of the performance criteria.

For PC (d) the following are required: two uses of National Income statistics; two problems of measuring National Income; two problems of comparing National Income over time and between countries.

### **OUTCOME 2**

Interpret the behaviour of price levels and employment levels.

#### **Performance criteria**

- a) Explanation of the reasons for inflation is accurate and makes reference to the role of money.
- b) Explanation of the reasons for unemployment is accurate.
- c) Explanation of the effects of inflation is accurate in terms of its impact on individuals, firms and government.
- d) Explanation of the effects of unemployment is accurate in terms of its impact on individuals, firms and government.
- e) Interpretation of patterns of employment is accurate in terms of changes in the level and composition of employment.

#### **Evidence requirements**

Evidence in the form of answers to structured response questions to cover all aspects of the performance criteria.

For PC (c) one effect of inflation on individuals, firms and the government is required.

For PC (d) one effect of unemployment on individuals, firms and the government is required.

## **National Unit Specification: statement of standards (cont)**

**UNIT**                                      The Economy (Higher)

### **OUTCOME 3**

Explain international trade and payments.

#### **Performance criteria**

- a) Explanation of the reasons for international specialisation and exchange is accurate and makes reference to absolute and comparative advantage.
- b) Explanation of restraints on trade is accurate and makes reference to the reasons for their imposition.
- c) Explanation of exchange rate systems is accurate and makes reference to their advantages and disadvantages.
- d) Interpretation of patterns of UK trade is accurate and related to trade in goods and trade in services and the main trading partners of the UK.

#### **Evidence requirements**

Evidence in the form of answers to extended response questions to cover all aspects of the performance criteria.

For PC (a) three reasons for international specialisation and exchange are required.

For PC (b) two reasons for the imposition of trade restraints are required.

For PC (c) one advantage and one disadvantage of two types of exchange rate system are required.

### **OUTCOME 4**

Explain the role of government in the economy.

#### **Performance criteria**

- a) Explanation of possible macroeconomic objectives is accurate and makes reference to government priorities.
- b) Explanation of possible microeconomic objectives is accurate and makes reference to market failure.
- c) Explanation includes an accurate description of the reasons for the balance between public and private spending in an economy.

#### **Evidence requirements**

Evidence in the form of answers to extended response questions to cover all aspects of the performance criteria.

For PC (a) four objectives should be included.

For PC (b) two objectives should be included.

## National Unit Specification: Statement Of Standards (cont)

**UNIT** The Economy (Higher)

### OUTCOME 5

Explain government economic policies.

#### Performance criteria

- a) Explanation of fiscal policy is accurate and includes reference to its impact on individuals and firms and the extent to which it meets government objectives
- b) Explanation of monetary policy is accurate and includes reference to its impact on individuals and firms and the extent to which it meets government objectives
- c) Explanation of supply-side policies is accurate and includes reference to their impact on individuals and firms and the extent to which they meet government objectives
- d) Explanation of policies to address market failure is accurate and includes reference to their impact on individuals and firms and the extent to which they meet government objectives.

#### Note on the range for this outcome

Fiscal policy: government expenditure and taxation, budget surplus, budget deficit, Public Sector Borrowing Requirement.

Monetary policy: interest rates, control of the money supply.

#### Evidence requirements

Evidence in the form of answers to extended response questions to cover all aspects of the performance criteria.

For PC (c) two examples of policies should be given.

For PC (d) two examples of policies should be given.

### OUTCOME 6

Explain the international economic environment.

#### Performance criteria

- a) Explanation of the relationship between the UK and the European Union (EU) is accurate with respect to the main economic features of the EU.
- b) Explanation of developing countries and newly industrialised countries is accurate in terms of their characteristics, and the role of trade and aid in their development.

#### Evidence requirements

Written evidence in the form of answers to extended response questions to cover all aspects of the performance criteria.

For PC (a) two economic features of the EU are required.

For PC (b) two characteristics of each type of country are required.

## National Unit Specification: support notes (cont)

### UNIT                                      The Economy (Higher)

This part of the unit specification is offered as guidance. The support notes are not mandatory.

While the time allocated to this unit is at the discretion of the centre, the notional design length is 80 hours.

This unit is closely linked to *The Economy (Int 2)*. Hence, the context of both is very similar. At this level candidates have to demonstrate a greater level of understanding than at Intermediate 2 and a greater command of the underlying economic theory. In addition, the unit covers a greater range of content.

#### **GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT**

This unit is designed to enable candidates to explain the main macroeconomic issues facing the UK economy, and the role of the government in influencing the behaviour of the economy. It begins with National Income, to give candidates a theoretical foundation for the unit as a whole. From this, it develops the twin themes of employment and inflation, and their importance in the analysis of macroeconomic behaviour. These can be set within the international economic framework, particularly the economic significance of the European Union (EU). Practical examples relevant to this, and to candidates' own experiences, should be used wherever possible, to illustrate the economic ideas within the unit.

The unit offers the opportunity to make considerable use of statistical data relating to the operation and performance of the UK economy. It is important that candidates be made aware of the recent trends in the main macroeconomic variables, such as inflation and employment, over the last ten years.

Further details are provided in the course specification.

#### **GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT**

It is possible to adopt an integrated approach to the learning and teaching process in this unit. For example, there are opportunities to integrate references to the EU throughout the learning and teaching programme, as well as in the specific study of international trade and payments. A similar approach can be taken to the role of the government, particularly in the consideration of the policies it may pursue to achieve its economic objectives.

There is scope to integrate this unit with the *Microeconomics (H)* unit, through the consideration of government policies to deal with the operation of markets, for example, supply-side policies, regulatory agencies, etc.

#### **GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT**

This unit provides scope for the use of current examples in the generation of evidence of candidate achievement of outcomes. Material is available from a range of sources including newspapers, journals and business magazines, although these may require to be edited and adapted before use by candidates.

## **National Unit Specification: support notes (cont)**

**UNIT**                      The Economy (Higher)

### **SPECIAL NEEDS**

This unit specification is intended to ensure that there are no artificial barriers to learning or assessment. Special needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments or considering alternative outcomes for units. For information on these, please refer to the SQA document *Guidance on Special Assessment and Certification Arrangements for Candidates with Special Needs/Candidates whose First Language is not English* (SQA, 1998).