

ECONOMICS
Higher

First edition – published 2005

National Course Specification

ECONOMICS (HIGHER)

COURSE NUMBER C038 12

COURSE STRUCTURE

This Course has three mandatory Units:

<i>DM4W 12</i>	<i>Microeconomics (Higher)</i>	<i>1 credit (40 hours)</i>
<i>DM4X 12</i>	<i>The UK Economy (Higher)</i>	<i>1 credit (40 hours)</i>
<i>DM4Y 12</i>	<i>The International Economy (Higher)</i>	<i>1 credit (40 hours)</i>

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

RECOMMENDED ENTRY

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

- ◆ Standard Grade Economics at Credit level
 - ◆ Intermediate 2 Economics or its Units
- and**
- ◆ Standard Grade English at Credit level, or
 - ◆ Intermediate 2 English or its Units.

PROGRESSION

The Course or its Units may provide progression to:

- ◆ Advanced Higher Economics
- ◆ Higher National programmes
- ◆ higher education programmes
- ◆ training or employment

Administrative Information

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National Course Specification

COURSE Economics (Higher)

CREDIT VALUE

The Higher Course in Economics is allocated 24 SCQF points at SCQF level 6*.

*SCQF points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.

CORE SKILLS

This Course gives automatic certification of the following:

Core Skills components for the Course Critical Thinking at Higher

National Course Specification: course details

COURSE Economics (Higher)

RATIONALE

This Course is designed to promote an understanding of the economic environment. 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 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 using 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.

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.

The three Units of the Course reflect this rationale. *Microeconomics (Higher)* examines the basic economic problem of unlimited wants and limited resources and considers how the market mechanism promotes the efficient allocation of resources in accordance with the choices made by consumers and producers. *The UK Economy (Higher)* explores the macroeconomic environment within which market behaviour occurs. It pays particular attention to key economic variables such as inflation and unemployment and their effect on individuals and society. It also looks at the reasons for government economic policies and how they can affect the economic environment in which we live. Finally *The International Economy (Higher)* extends the coverage of the Course to ensure that it takes account of the increasingly global nature of economic events. It looks at the position of the UK in international economic terms and pays particular attention to the way in which the European Union affects economic events in the UK.

National Course Specification: course details (cont)

COURSE Economics (Higher)

AIMS

The aims of the Course are to build on the knowledge and understanding gained in Standard Grade Economics and Intermediate 2 Economics, and to:

- ◆ develop a knowledge and understanding of:
 - the basic economic problem of the allocation of scarce resources among alternative uses and how this is fundamental to the study of Economics
 - the use of economic theory to explain and analyse economic issues
 - the national and international economic environment
- ◆ develop the skills of:
 - analysing and explaining problems of an economic nature and to suggest possible solutions
 - communicating economic ideas in a logical and effective manner
- ◆ promote and encourage an understanding of:
 - the economic roles and responsibilities of the individual in society as a consumer, employee, producer and citizen
 - the economic roles and responsibilities of firms and governments in the use and distribution of resources
 - the environmental and social costs involved in economic decisions
 - the different levels of economic development and an awareness of the interdependence of rich and poor economies

and to provide a basis for future study.

Satisfactory completion of the Course will provide candidates with:

- ◆ a thorough grounding in the main principles of micro and macroeconomics and full awareness of how they apply in a national and international economic context
- ◆ a solid platform for further study particularly in economics and business and other courses where economics plays a significant part
- ◆ transferable skills such as the ability to adopt a logical approach and to communicate complex points clearly.

National Course Specification: course details (cont)

COURSE Economics (Higher)

The Economics Courses have been designed in a hierarchical structure. The Units at Higher and Intermediate 2 have similar Outcomes. This should facilitate delivery of the Courses and permit candidates to move between levels where this is appropriate. It also ensures a clear progression to Higher from Intermediate 2. It is, however, important to distinguish between the two levels. This has been achieved in several ways:

- ◆ the Course Content at Higher covers a greater breadth and depth of content than that at Intermediate 2
- ◆ the Outcomes, Performance Criteria and evidence requirements in the Units at Higher level set a more demanding standard than at Intermediate 2 and require that candidates go beyond explanation of economic issues and consider causes and effects of economic events
- ◆ the economic situations considered at Higher level are more complex than those used at Intermediate 2
- ◆ at Higher there is a greater emphasis on the integration of topics.

National Course Specification: course details (cont)

COURSE Economics (Higher)

COURSE CONTENT

The Course content has been organised into three Units: *Microeconomics (Higher)*, *The UK Economy (Higher)* and *The International Economy (Higher)*.

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

The content of the Course is summarised below.

Microeconomics (Higher)

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. Economic goods and free goods.

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.

Technical efficiency, economic efficiency and equity.

Production possibility curves (PPCs)

How they are constructed, what they show.
Distinction between shifts of a PPC and movement within and along a PPC.

National Course Specification: course details (cont)

COURSE Economics (Higher)

Demand

Economic behaviour	Effective demand. Utility – attempts to maximise utility, marginal utility, consumer rationality.
Theory of demand	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.
Price elasticity of demand	Shifts of, and movements along, the demand curve. 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. Measurement and significance of price and income elasticities.

Supply

The nature of the production process	Specialisation and division of labour; productivity.
Conditions of production	Returns to factors of production, returns to a single variable factor.
Cost relationships	Total, average and marginal. Optimum output. Technical efficiency. Fixed and variable. Short and long run. Economies and diseconomies of scale.
Theory of supply	Supply schedule/curve, individual/market supply. <i>Ceteris paribus</i> assumption.

National Course Specification: course details (cont)

COURSE	Economics (Higher)
Determinants of supply	<p>Price, factor costs, technology, weather, taxes and subsidies, prices of other goods, expectations of price changes.</p> <p>Shifts of, and movements along, the supply curve.</p>
Elasticity of supply	<p>Response to changes in price, importance of time in influencing supply adjustments, measurement and significance of elasticity of supply.</p>
<i>The operation of markets</i>	
Nature of the markets	<p>Role of buyers and sellers, price as a basis of exchange and market clearing.</p> <p>Goods and services, factors of production, foreign exchange.</p>
Price and output determination in a competitive market	<p>How prices are determined, how markets allocate resources, how markets tend to establish the equilibrium level.</p> <p>Effects of changes in demand and supply curves on the equilibrium level.</p> <p>Demand and supply relationships – joint demand, competitive demand, joint supply.</p>
<i>Market Intervention</i>	
Effects of intervention	<p>Reasons for and types of intervention, eg taxes, subsidies, price fixing, maximum and minimum prices.</p> <p>Consequences of imposing these types of intervention.</p>
Types and characteristics of markets	<p>Perfect competition, oligopoly, monopoly, monopolistic.</p> <p>Number of firms, size of firms, number of consumers, product differentiation, barriers to entry.</p> <p>The role of information: perfect and imperfect knowledge.</p>

National Course Specification: course details (cont)

COURSE	Economics (Higher)
Profit	The role of profit; the relationship between costs, revenue and profit.
Pricing in markets	Price takers, monopoly pricing, collusion, price leaders, mark-up pricing.
The UK Economy (Higher)	
<i>National Income</i>	
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 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 and disequilibrium levels 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 ($k = 1/1-MPC$).
<i>Inflation and employment</i>	
Inflation	Definition and measurement of inflation.
The reasons for inflation	Demand side, supply side, monetary.
The effects of inflation	Effects on individuals, firms and the economy.

National Course Specification: course details (cont)

COURSE	Economics (Higher)
Unemployment	Definition and measurement of unemployment.
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.
<i>The role of government in the economy</i>	
Government macroeconomic objectives	Employment, price stability, economic growth, stable Balance of Payments, distribution of income and wealth. Trends in inflation and unemployment; reasons for these.
Problems of reconciling objectives	Trade-offs, government priorities, technical problems, for example, leads, lags, forecasting.
Economic growth	Definition, sources, costs and benefits, trends.
Government microeconomic objectives	Efficient operation of markets, prevention of market failure, equity.
Government involvement in the economy	Role of public sector. Government expenditure, revenue and borrowing. Trends in government expenditure and borrowing. Types of taxes, direct and indirect, effects of taxation.
<i>Government economic policies</i>	
Fiscal policies	Changes in government expenditure and taxation, the role of the budget.
Monetary policies	Inflation targets, interest rate policies, Monetary Policy Committee.
Supply-side policies	For example, minimum wage controls, trade union reform, tax incentives, research and development, training.

National Course Specification: course details (cont)

COURSE	Economics (Higher)
Market failure policies	Types of market failure such as monopoly, externalities, public goods, merit goods, income distribution. Policies to address market failure, for example taxes, subsidies, Competition Commission, regulatory bodies such as Ofwat and Oftel, environmental policy.
The International Economy (Higher) <i>International trade and payments</i>	
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.
Forms of protection	For example, quotas, embargoes.
Reasons for protection	For example, infant industry, strategic, balance of payments.
Effects of protection	For example, on consumers, volume of trade, employment, resource allocation.
Balance of Payments	Purpose and structure of account. Reasons for trends in Balance of Payments. Current account - importance of surpluses and deficits; methods of reducing a current account deficit. Capital movements - short term, long term.
Types of exchange rate systems	Definition of exchange rates. Fixed and market exchange rate systems: advantages and disadvantages, for example, stability and automatic adjustment.
Exchange rates	Causes and effects of exchange rate changes for example on Current Account, income, employment and prices.

National Course Specification: course details (cont)

COURSE Economics (Higher)

Exchange rate policies
Patterns of UK trade

European monetary co-operation.
Analysis of UK trade in terms of: composition of exports and imports, countries of origin of imports, and destination of exports.

Trends in export and import patterns and reasons for the trends.

The international economic environment

European Union

Main economic features of the EU such as common external tariff, Common Agricultural Policy, funding, monetary arrangements, the Euro, enlargement. Effects of these on the UK economy.

International trading and monetary organisations

Main aims and activities of the World Trade Organisation, International Monetary Fund, and World Bank.

Relations between developed and developing economies

Economic characteristics of developing economies.

Assistance for developing economies, for example loans, aid, trade, mutuality, multinational firms.

Long term and short term effects of assistance for developing economies.
Sustainable development.

ASSESSMENT

To gain the award of the Economics (Higher) Course, candidates must pass all the Units and the Course assessment. The candidate's grade is based on the Course assessment.

Assessment Objectives

The key objective of assessment is to ensure that candidates have achieved the aims of the Course. In particular, assessment seeks to ensure that candidates have understood and can apply the Course content and that they can communicate their understanding.

Unit assessment aims to ensure candidates can complete a range of explanatory and analytical questions to familiar situations. There is limited integration confined to the topics covered within the Unit.

Course assessment aims to enable candidates to explain and analyse economic issues in unfamiliar and more complex contexts through the use of interpretation items and extended response questions. Some topics are integrated and integration is across the whole of the Course content.

National Course Specification: course details (cont)

COURSE Economics (Higher)

Unit Assessment

The Unit assessment for each of the three Units will be a closed book assessment which should take place at an appropriate time. The maximum time allowed for each assessment is 60 minutes.

Each Unit is assessed against the standards set out in the *National Unit Specification: statement of standards* for each Unit. Full details of the Outcomes, Performance Criteria and evidence requirements may be found in the Unit Specifications.

Further details about Unit assessment for this Course can be found in the National Assessment Bank materials produced in conjunction with each of the three Unit Specifications.

Course Assessment

The Course assessment is a Question Paper.

Paper	Time allocation	Mark allocation
1	2 hours 30 minutes	100

- ◆ The paper examines knowledge and understanding covering the Course content and also assesses analysis, evaluation and problem solving.
- ◆ Questions will cover the interpretation of economic information and require an extended response.
- ◆ The paper will consist of two sections, A and B.
- ◆ Section A will cover interpretation items while Section B will be extended response questions.
- ◆ Questions in both sections may focus on particular areas of Course content but there will also be questions which provide an opportunity to integrate topics across all areas of the Course content. These integrative questions may cover topics from two or more of the three Units which comprise the Course.

Section A – total marks available 50

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

It will consist of two separate interpretation items each with a number of questions totalling 25 marks. Candidates will be expected to attempt all questions for both interpretation 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 may 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 them 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 – total marks available 50

This section of the paper will assess knowledge and understanding.

It will consist of six questions drawn from any part of the Course content. Each question will require extended answers and will be worth 25 marks. Candidates should attempt any two questions.

Relationship between Unit and Course assessment

The Unit assessments sample the knowledge and understanding gained during the learning and teaching process. Each Unit assessment is self-contained and covers only the content relevant to that Unit. A significant purpose of the Unit assessment is to enable candidates to demonstrate that they have grasped the essential aspects of the economic concepts and principles introduced during a Unit. They allow candidates to apply their knowledge and understanding but in contexts which are familiar to them. As such, they provide an on-going benchmark against which candidates can measure their progress.

The Course assessment samples all aspects of the Course content and thus covers material from all three Units. It also tests knowledge and understanding but does so in a way which involves integration of topics from more than one Unit. The interpretation items require candidates to apply their knowledge to unfamiliar contexts and to adopt a more analytical, problem-solving approach than the Unit assessments.

The different emphases of the Unit and Course assessments will ensure that there is no unnecessary duplication of assessment. On occasions, it is possible that the same topic may feature in both assessments but candidates will be expected to carry forward the knowledge and understanding of a specific topic from the Unit assessment and apply it in unfamiliar contexts and/or in association with other topics in an integrative way.

The ‘added value’ of the Course

The Unit and the Course assessments complement each other. Candidates may undertake Units on a stand-alone basis. Because of the holistic approach to Unit assessment, those who take this route will be able to demonstrate specific achievement in a particular area of Economics within a familiar context. Candidates who undertake the Course will have additional demands imposed upon them which will enable them to gain significant benefits over and above those gained by completing Unit assessment.

The additional demands will require candidates to:

- ◆ demonstrate the retention of knowledge from all areas of the Course content
- ◆ integrate knowledge and understanding from all areas of the Course content
- ◆ respond to questions relating to unfamiliar and more complex contexts
- ◆ explain and analyse economic problems and issues set in unfamiliar and complex contexts
- ◆ interpret economic information relating to unfamiliar and complex contexts.

The additional 40 hours for the Course is to allow these additional demands to be met. It also gives those delivering the Course the opportunity to make use of a wide range of teaching and learning strategies to assist candidates in meeting these additional demands.

National Course Specification: course details (cont)

COURSE Economics (Higher)

GRADE DESCRIPTIONS

The candidate's grade will be based on the total score obtained from the Course assessment.

The descriptions below indicate the nature of achievement required for an award at Grade C and Grade A in the Course.

For an award at Grade C, candidates should be able to:

- ◆ apply knowledge and understanding to the analysis of a range of different economic contexts
- ◆ demonstrate some 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 some ability to suggest and analyse solutions to economic problems
- ◆ communicate economic ideas effectively.

For an award at Grade A, candidates should be able 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 range of different economic situations
- ◆ demonstrate an ability to suggest and analyse solutions to economic problems, some of which may be complex
- ◆ communicate complex economic ideas effectively
- ◆ demonstrate clarity, coherence and logic in the presentation of their answers.

National Course Specification: course details (cont)

COURSE Economics (Higher)

ESTIMATES AND APPEALS

Estimates

In preparing estimates, evidence must take account of performance across the Course and must be judged against the Grade Descriptions. Further advice on the preparation of estimates is given in the Course Assessment Specification.

Appeals

Evidence assembled in support of an Assessment appeal should cover the content of the Course. Ideally, this will comprise evidence generated by a properly constructed, integrated prelim which matches the Course assessment in both format and standard.

Although a prelim is not mandatory it is desirable. This is because it provides evidence of how well a candidate can perform in conditions which replicate the Course Assessment. The prelim can test retention of knowledge and understanding across all areas of the Course content, provide opportunities for integration and allow candidates to apply their knowledge in unfamiliar and more complex contexts. It can also result in evidence which is produced within the same time constraint as that specified by the Course assessment.

When developing prelim papers, centres should bear in mind that past papers, including SQA past papers, will not be accepted in their entirety. However, questions selected carefully from a minimum of three past papers, preferably adapted (to ensure the breadth and depth of coverage required to satisfy the Course Grade Descriptions) can be combined to form a valid assessment instrument for a prelim. Centres must also be certain that the question paper used for a prelim is not in the public domain and has not been previously seen by candidates. It is the responsibility of centres to ensure the validity, reliability and security of assessment instruments used as a basis for estimates and appeals.

High scoring evidence generated through Unit assessments can lend weight to an Appeal. However, evidence from Unit assessment cannot on its own generate sufficient evidence of how a candidate can perform against the Course Grade Descriptions because it does not fully replicate the Course assessment with respect, for example, to retention and integration.

If evidence from Unit assessment is submitted in support of an appeal, therefore, it should be supplemented by additional evidence, which is comparable in depth and breadth to that required in the Course assessment. This could take the form of evidence from performance in integrated tasks/questions based on the Grade Descriptions for the Course and undertaken in closed book conditions. A supplementary prelim may also be a source of evidence.

National Course Specification: course details (cont)

COURSE Economics (Higher)

QUALITY ASSURANCE

All National Courses are subject to external marking and/or moderation. External markers, visiting examiners and moderators are trained by SQA to apply national standards.

The Units of all Courses are subject to internal moderation and may also be chosen for external moderation. This is to ensure that national standards are being applied across all subjects.

Courses may be assessed by a variety of methods. Marking is undertaken by trained markers. Markers' meetings and central marking ensure that a consistent standard is applied. The work of all markers is supported throughout and subject to scrutiny by the Principal Assessor.

To assist centres, Principal Assessor and Senior Moderator reports are published on the SQA's website www.sqa.org.uk.

APPROACHES TO LEARNING AND TEACHING

The sequencing of the Units and the Course content in this document represents one 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 basic economic principles contained in *Microeconomics (Higher)*, moving on to *The UK Economy (Higher)* and finishing with *The International Economy (Higher)*. This has the advantage of dealing first with the economic problem and the market system of resource allocation which underpin the whole Course. In this way, candidates begin with the basic economic principles of scarcity, choice and opportunity cost and move through the working of markets to the macroeconomic issues involved in looking at the operation of the UK economy. From there, candidates can consider the UK economy in its international context and recognize how wider global issues affect the economic situation in the UK. Where appropriate, learning and teaching should refer to the Scottish Economy.

An alternative approach may be to begin with National Income theory and progress through macroeconomic issues of *The UK Economy (Higher)* to the workings of actual markets in *Microeconomics (Higher)*. This also means that *The International Economy (Higher)* becomes the final Unit. 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.

Although it may well be the final part of the Course to be taught, *The International Economy (Higher)* is a significant Unit, particularly as it covers the European Union (EU) and its increasing significance for the operation of the UK economy. This is particularly important in the study of government policies to regulate the economy where EU policy 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.

National Course Specification: course details (cont)

COURSE Economics (Higher)

Whichever sequence of material is taken for learning and teaching, candidates should be encouraged to see the natural links which exist within and between the various parts of the Course. Each Unit can itself be approached holistically and an integrative approach to the learning and teaching process can help candidates recognise the importance of each Unit to the study of all aspects of Economics. The additional 40 hours available for the Course can be used to help to promote integration and synthesis between the individual topics, to provide a broader analysis of the subject and to allow for a wider range of contexts to be employed. It can also assist candidates in making connections between the three Units and to see how they are interdependent.

Throughout the learning and teaching process, candidates should be aware of the importance of diagrams in illustrating the economic concepts involved. They should also recognise the value of relevant statistical and other information in the study of economics, particularly with respect to identifying trends in economic events such as inflation and the balance of payments.

Learning and teaching approaches should enable candidates, in their study of economics, to consider a number of perspectives, selected from the individual, local, Scottish, UK, European and international dimensions. It is important also to make candidates aware of the significance of global economic developments on the EU and on the UK.

An important element of following an issue-based approach is the use of current events to illustrate and to highlight the relevance of economic ideas and principles. Wherever possible, learning and teaching should make reference to current economic events and to actual examples and candidates should be encouraged to keep abreast of current economic developments.

There are considerable resources available which can enhance teaching and learning. Traditionally, the learning and teaching process in Economics has made considerable use of articles from newspapers, magazines and journals, as well as television programmes, to give a relevant and topical flavour to the Course. These sources remain important but are now supplemented by a number of comprehensive websites, some devoted specifically to Economics. Computer simulations of the economy and the increasing number of databases of economic statistics (also available on the Internet) can also provide learning resources to help candidates develop economic competence.

CANDIDATES WITH ADDITIONAL SUPPORT NEEDS

This Course Specification is intended to ensure that there are no artificial barriers to learning or assessment. The additional support 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 document *Guidance on Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs* (SQA, 2004).

National Course Specification: course details (cont)

COURSE Economics (Higher)

ECONOMICS IN A BROADER CONTEXT

A number of national initiatives and programmes promote themes that are important to contemporary society such as citizenship and enterprise. These themes contribute to individual subjects and Courses by making connections beyond the subject boundaries and enrich the learning experience of candidates. Similarly, the specialist knowledge and skills developed through study of a particular subject contributes to the understanding of these themes.

Economics is a subject which by its very nature deals with matters which impact on the everyday life of everyone in society. It covers things which most people do every day like making decisions about buying goods and services. Economic issues like inflation, trade and employment are regularly reported in the national and local news. As such, therefore, it permeates throughout all aspects of life.

It is, too, a subject of international significance. There is, for example, a Nobel Prize for Economics. It is a subject with a long and distinguished history in Scotland. Adam Smith is widely regarded as the leading figure in the early development of economic ideas.

All parts of the Economics Courses at all levels contribute to building a wider awareness of contemporary society. In particular, candidates who complete the Course will be better informed citizens who, as a result, will be able to participate in an enterprise economy and have a basis for life long learning. They will also have a strong awareness and appreciation of the place of the UK in the European and the world economy and the effect that global economic events can have on the UK. Examples of each of these are given below.

Education for citizenship – Economics increases awareness of key social and political issues like inflation and unemployment. As such, those who have studied the subject are better able to understand and make sense of current events. They are thus able to make better-informed decisions and to ask more careful questions. The teaching and learning approaches for this subject actively encourage candidates to keep up to date with current developments.

Education for enterprise – Economics is the basis for the study of many business subjects. It itself deals directly with the economic environment within which businesses operate which means that it promotes skills in identifying relevant information for business and in analysing this information. In addition it provides key underpinning knowledge on factors like demand, costs and profit which are of great significance to business and particularly important in assessing the likely success of a new business venture. Further, Economics provides important skills relevant to decision making in business such as predicting the likely effect of changes in the price of a product/service or of changes in the income of consumers.

Lifelong learning – Economics increases candidate awareness of current affairs and, as already noted, the learning and teaching approaches for the subject are built around the use of current examples. These examples come from a wide variety of sources such as the Internet, newspapers, magazines and journals and well as television programmes. The study of Economics, therefore, promotes habits of being interested and aware of current developments which can last a lifetime. It also helps candidates to gain knowledge and skills which they can use throughout life in making personal decisions such as house purchase. It helps them, therefore, to deal with and prosper in a changing and developing society.

National Unit Specification: general information

UNIT Microeconomics (Higher)

NUMBER DM4W 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 and the way in which resources are allocated by the market mechanism as well as the factors affecting competition in a market.

This Unit is a mandatory Unit of the Course Economics (Higher) and is also available as a free standing Unit.

This Unit is suitable for candidates progressing from Standard Grade or from Intermediate 2 Economics and provides basis for further study.

OUTCOMES

- 1 Explain the basic economic problem.
- 2 Analyse the operation of markets.

RECOMMENDED ENTRY

Entry is at the discretion of the centre. However, candidates will normally be expected to have attained one of the following or equivalent:

- ◆ Standard Grade English at Credit level or Intermediate 2 English
- ◆ Standard Grade Economics at Credit level
- ◆ Intermediate 2 Economics or its Units

Administrative Information

Superclass: EB

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National Unit Specification: general information (cont)

UNIT Microeconomics (Higher)

CREDIT VALUE

1 credit at Higher (6 SCQF points at SCQF level 6*)

**SCQF points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

CORE SKILLS

This Unit gives automatic certification of the following:

Core Skills components for the Unit

Critical Thinking at Higher

National Unit Specification: statement of standards

UNIT Microeconomics (Higher)

Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to the Scottish Qualifications Authority.

OUTCOME 1

Explain the basic economic problem.

Performance Criteria

- (a) The concept of relative scarcity is explained.
- (b) Relevant economic concepts are used in the explanation.
- (c) The relationship between different economic concepts is explained.
- (d) The way in which economic concepts operate is explained.

OUTCOME 2

Analyse the operation of markets.

Performance Criteria

- (a) The operation of markets is correctly explained using relevant economic concepts.
- (b) Aspects of market behaviour are analysed making use of correctly labelled diagrams.
- (c) The reasons for, and the effects of, shifts of demand and supply curves are analysed.
- (d) Elasticity of demand is explained.
- (e) Cost concepts are explained.
- (f) The use of economic concepts in predicting changes in market behaviour is explained.

EVIDENCE REQUIREMENTS FOR THE UNIT

The content for this Unit is specified in Appendix 1 – Unit Content.

Evidence is required to demonstrate that candidates have met the requirements of both Outcomes and all Performance Criteria.

Candidates are required to demonstrate knowledge and understanding of the Unit content by answering a combination of short answer and extended response questions drawn from all areas of the Unit content and covering both Outcomes.

Evidence will be produced by candidates completing a number of short answer and extended response questions in a closed book assessment. Candidates must attempt this assessment in controlled conditions on a single occasion. The maximum time allowed is 60 minutes.

If re-assessment is required, it should consist of a different instrument of assessment with a different sample from the range of Unit content.

Achievement can be determined by the use of a cut-off score. The standard to be applied and the breadth of coverage are illustrated in the National Assessment Bank items available for this Unit. If a centre wishes to design its own assessment for this Unit, it should be of a comparable standard.

National Unit Specification: support notes

UNIT Microeconomics (Higher)

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

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

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This Unit is one of three mandatory Units in the Higher Economics Course. It deals with Microeconomics. It looks at the basic economic problem and way in which resources are allocated through the operation of demand and supply in the context of the market mechanism. It includes an examination of some of the factors which influence the shape of demand and supply curves. It also covers long and short run costs and introduces candidates to the different types of market such as perfect competition and monopoly.

The extent of the knowledge required for each Outcome of the Unit is detailed in Appendix 1 – Unit Content. Candidates should be made aware of the economic concepts and principles associated with the topics listed and how they operate in the explanation and analysis of economic behaviour.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

The Unit should be approached holistically so that candidates appreciate the relationship between the economic problem and the allocation of resources through the mechanism of demand and supply. Wherever possible, actual examples can be used to illustrate the way in which markets work.

Candidates should be aware of the importance of diagrams in illustrating the economic concepts involved.

It is important to adopt an integrative approach to the learning and teaching process so that candidates recognise the importance of this unit to the study of all aspects of Economics.

There are close links with the other two Units in the Higher Course. For example, the operation of supply and demand connects with the determination of exchange rates in *The International Economy (Higher)* Unit and to policies to address market failure in *The UK Economy (Higher)* Unit. Where candidates are undertaking this Unit as part of the Higher Course, the learning and teaching approaches for this unit should assist them to make connections between the three Units and to recognise that they are interdependent.

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Short answer and extended response questions are most likely to enable candidates to generate suitable evidence for this Unit. Short answer questions allow candidates to explain the meaning of relevant terms while extended response questions provide the opportunity for candidates to present reasons to explain economic situations, to analyse the behaviour of markets and to predict and justify the effects of intervention. For this Unit, the assessment will involve the candidate in drawing suitable diagrams to illustrate the working of economic concepts. These questions are to be attempted in controlled conditions so candidates should be given assistance to help them prepare for such an assessment event.

National Unit Specification: support notes (cont)

UNIT Microeconomics (Higher)

CANDIDATES WITH ADDITIONAL SUPPORT NEEDS

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. The additional support 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 Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs* (SQA, 2004)

National Unit Specification: statement of standards (cont)

UNIT Microeconomics (Higher)

Appendix 1 – Unit Content

NB: This Appendix is within the statement of standards ie the mandatory requirements of the Unit.

Outcome 1

Candidates must be able to make use of the following economic concepts to explain the basic economic problem and the implications of it.

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. Economic goods and free goods.
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. Technical efficiency, economic efficiency and equity.
Production possibility curves (PPCs)	How they are constructed, what they show. Distinction between shifts of a PPC and movement within and along a PPC.

Appendix 1 – Unit Content (cont)

Outcome 2

Candidates must be able to make use of the economic concepts listed below to analyse the operation of markets. Candidates should be aware of the economic principles associated with the topics listed and should be able to show how they operate in the analysis of market behaviour.

Demand

Economic behaviour	Effective demand. Utility – attempts to maximise utility, marginal utility, consumer rationality.
Theory of demand	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.
Price elasticity of demand	Shifts of, and movements along, the demand curve. 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. Measurement and significance of price and income elasticities.

Supply

The nature of the production process	Specialisation and division of labour; productivity.
Conditions of production	Returns to factors of production, returns to a single variable factor.
Cost relationships	Total, average and marginal. Optimum output. Technical efficiency. Fixed and variable. Short and long run. Economies and diseconomies of scale.

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, measurement and significance of elasticity of supply.
<i>The operation of markets</i>	
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 establish the equilibrium level. Effects of changes in demand and supply curves on the equilibrium level. Demand and supply relationships – joint demand, competitive demand, joint supply.
<i>Market Intervention</i>	
Effects of intervention	Reasons for and types of intervention, eg taxes, subsidies, price fixing, maximum and minimum prices. Consequences of imposing these types of intervention.
Types and characteristics of markets	Perfect competition, oligopoly, monopoly, monopolistic. Number of firms, size of firms, number of consumers, product differentiation, barriers to entry. The role of information: perfect and imperfect knowledge.

National Unit Specification: general information

UNIT The UK Economy (Higher)

NUMBER DM4X 12

COURSE Economics (Higher)

SUMMARY

This Unit enables candidates to explain the working of the UK economy in terms of its key macroeconomic factors and how the government may influence these. It explores national income and the key macroeconomic variables of inflation and unemployment and their causes and effects. It looks at the reasons for government economic policies and the effects that they can have.

This Unit is a mandatory Unit of the *Economics (Higher)* Course and is also available as a free standing Unit.

This Unit is suitable for candidates progressing from Standard Grade or from Intermediate 2 Economics and provides basis for further study.

OUTCOMES

- 3 Explain National Income.
- 4 Explain the macroeconomic environment of the UK.

RECOMMENDED ENTRY

Entry is at the discretion of the centre. However, candidates will normally be expected to have attained one of the following or equivalent:

- ◆ Standard Grade English at Credit level or Intermediate 2 English
- ◆ Standard Grade Economics at Credit level
- ◆ Intermediate 2 Economics or its Units

Administrative Information

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Publication date: April 2005

Source: Scottish Qualifications Authority

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National Course Specification: general information (cont)

UNIT The UK Economy (Higher)

CREDIT VALUE

1 credit at Higher (6 SCQF points at SCQF level 6)

**SCQF points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates*

CORE SKILLS

There is no automatic certification of Core Skills or Core Skills components in this Unit

National Unit Specification: statement of standards

UNIT The UK Economy (Higher)

Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to the Scottish Qualifications Authority.

OUTCOME 1

Explain National Income.

Performance Criteria

- (e) Relevant economic concepts are used in the explanation.
- (f) A correctly labelled diagram is produced to illustrate the equilibrium level of national income.
- (g) The relationship between cause and effect with respect to changes in the level of National Income is explained.

OUTCOME 2

Explain the macroeconomic environment of the UK.

Performance Criteria

- (g) Relevant economic concepts are used in the explanation.
- (h) The causes and effects of one issue affecting the UK economy are explained.
- (i) The reasons for a specific policy to address an issue affecting the UK economy are explained.
- (j) The impact of a specific policy to address an issue affecting the UK economy is explained.
- (k) The way in which economic concepts operate is explained.

EVIDENCE REQUIREMENTS FOR THE UNIT

The contents for this Unit are specified in Appendix 1 – Unit Content.

Evidence is required to demonstrate that candidates have met the requirements of both Outcomes and all Performance Criteria.

Candidates are required to demonstrate knowledge and understanding of the Unit content by answering a combination of short answer and extended response questions drawn from all areas of the unit content and covering both Outcomes.

Evidence will be produced by candidates completing a number of short answer and extended response questions in a closed book assessment. Candidates must attempt this assessment in controlled conditions on a single occasion. The maximum time allowed is 60 minutes.

If re-assessment is required, it should consist of a different instrument of assessment with a different sample from the range of Unit content.

Achievement can be determined by the use of a cut-off score. The standard to be applied and the breadth of coverage are illustrated in the National Assessment Bank items available for this Unit. If a centre wishes to design its own assessment for this unit, it should be of a comparable standard.

National Unit Specification: support notes

UNIT The UK Economy (Higher)

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

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

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This Unit is one of three mandatory Units in the Higher Economics Course. It deals with the economic concepts required to understand how an economy like the UK operates and the role of government in influencing the operation of the economy. It looks at the macroeconomic environment with particular reference to the UK economy. It begins by exploring the basic principles underlying the theory and measurement of National Income. It then builds on this framework to consider macroeconomic issues, particularly inflation and unemployment, and the various types of policies which can be used to manage the economy.

The extent of the knowledge required for each Outcome of the unit is detailed in Appendix 1 – Unit Content. Candidates should be made aware of the economic concepts and principles associated with the topics listed and how they operate in the explanation and analysis of economic behaviour.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

The Unit should be approached holistically. There is considerable scope to make use of current examples to illustrate and explain the material in this Unit. Candidates can be encouraged to find examples for themselves by referring to newspapers, business magazines and television news. These, and the Internet, may also provide sources of case studies and other stimulus material which can be used for class discussion, comprehension exercises and other learning and teaching activities.

The Unit also offers an opportunity to make considerable use of statistical data relating to the UK economy. Candidates should be aware of recent trends in macroeconomic variables, such as unemployment and inflation, over the last ten years. Wherever possible, examples of current policy issues should be used.

Candidates should be aware of the importance of diagrams in illustrating the economic concepts involved.

It is important to adopt an integrative approach to the learning and teaching process so that candidates recognise the importance of this unit to the study of all aspects of Economics.

There are close links with the other two Units of the Higher Course. For example, the circular flow of income in an open economy raises issues of international trade and payments covered in *The International Economy (Higher)* Unit while policies to address market failure are directly connected to the study of market behaviour in *Microeconomics (Higher)* Unit. Where candidates are undertaking this Unit as part of the Higher Course, the learning and teaching approaches for this Unit should assist them to make connections between the three Units and to recognise that they are inter-dependent.

National Unit Specification: support notes

UNIT The UK Economy (Higher)

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Short answer and extended response questions are most likely to enable candidates to generate suitable evidence for this Unit. Short answer questions allow candidates to explain the meaning of relevant terms while extended response questions provide the opportunity for candidates to present reasons to explain economic situations and to justify the effects of intervention. These questions are to be attempted in controlled conditions so candidates should be given assistance to help them prepare for such an assessment event.

CANDIDATES WITH ADDITIONAL SUPPORT NEEDS

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. The additional support 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 Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs* (SQA, 2004)

National Unit Specification: statement of standards (cont)

UNIT The UK Economy (Higher)

Appendix 1 – Unit Content

NB: This Appendix is within the statement of standards ie the mandatory requirements of the unit.

Outcome 1

Candidates must be able to make use of the following economic concepts to explain national income. They must also be able to make use of them to explain how changes in the equilibrium level of national income can be caused and the effects that these changes might have.

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 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 and disequilibrium levels 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 ($k = 1/1-MPC$; $k = 1/MPS$).

Appendix 1 – Unit Content(cont)

Outcome 2

Candidates must be able to make use of the economic concepts listed below to explain the macro-economic environment in the UK. Candidates should be aware of the economic principles associated with the topics listed and must be able to show how they operate in the UK. Candidates should be aware of the role of government in the economy and the relationship between policies and the economic objectives of government, including economic growth. Wherever possible, examples of current policy issues should be used

Inflation	Definition and measurement of inflation.
The reasons for inflation	Demand side, supply side, monetary.
The effects of inflation	Effects on individuals, firms and the economy.
Unemployment	Definition and measurement of unemployment.
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.
Government macroeconomic objectives	Employment, price stability, economic growth, stable Balance of Payments, distribution of income and wealth. Trends in inflation and unemployment; reasons for these.
Problems of reconciling objectives	Trade-offs, government priorities, technical problems, for example, leads, lags, forecasting.
Economic growth	Definition, sources, costs and benefits, trends.
Government microeconomic objectives	Efficient operation of markets, prevention of market failure, equity.
Government involvement in the economy	Role of public sector. Government expenditure, revenue and borrowing. Trends in government expenditure and borrowing. Types of taxes, direct and indirect, effects of taxation.
Fiscal policies	Changes in government expenditure and taxation, the role of the budget.
Monetary policies	Inflation targets, interest rate policies, Monetary Policy Committee.

Supply-side policies

For example, minimum wage controls, trade union reform, tax incentives, research and development, training.

Market failure policies

Types of market failure such as monopoly, externalities, public goods, merit goods, income distribution.

Policies to address market failure, for example taxes, subsidies, Competition Commission, regulatory bodies such as Ofwat and Oftel, environmental policy.

National Unit Specification: general information

UNIT The International Economy (Higher)

NUMBER DM4Y 12

COURSE Economics (Higher)

SUMMARY

This Unit enables candidates to explain the theory and practice behind international trade and payments and to explain the main features of international economic relations. It takes account of the increasingly global nature of economic events. It looks at the position of the UK in international economic terms and pays particular attention to the way in which the European Union affects economic events in the UK.

This Unit is a mandatory Unit of the *Economics (Higher)* Course and is also available as a free standing Unit.

This Unit is suitable for candidates progressing from Standard Grade or from Intermediate 2 Economics and provides basis for further study.

OUTCOMES

- 5 Explain international trade and payments.
- 6 Explain international economic relations.

RECOMMENDED ENTRY

Entry is at the discretion of the centre. However, candidates will normally be expected to have attained one of the following or equivalent:

- ◆ Standard Grade English at Credit level or Intermediate 2 English
- ◆ Standard Grade Economics at Credit level
- ◆ Intermediate 2 Economics or its Unit

Administrative Information

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National Unit Specification: general information (cont)

UNIT The International Economy (Higher)

CREDIT VALUE

1 credit at Higher (6 SCQF points at SCQF level 6)

**SCQF points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

CORE SKILLS

There is no automatic certification of Core Skills or Core Skills components in this Unit

National Unit Specification: statement of standards

UNIT The International Economy (Higher)

Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to the Scottish Qualifications Authority.

OUTCOME 1

Explain international trade and payments.

Performance Criteria

- (h) Relevant economic concepts and economic data are used in the explanation.
- (i) The relationship between trade and payments is explained.
- (j) Reasons for a change in international trade and payments and the consequences of the change are explained.
- (k) The way in which economic concepts operate is explained.

OUTCOME 2

Explain international economic relations.

Performance Criteria

- (l) Relevant economic concepts are used in the explanation.
- (m) The economic impact of one international issue on an economy is explained and reasons to support the explanation are given.
- (n) The way in which economic concepts operate is explained.

EVIDENCE REQUIREMENTS FOR THE UNIT

The contents for this Unit are specified in Appendix 1 – Unit Content.

Evidence is required to demonstrate that candidates have met the requirements of both Outcomes and all Performance Criteria.

Candidates are required to demonstrate knowledge and understanding of the Unit content by answering a combination of short answer and extended response questions drawn from all areas of the unit content and covering both Outcomes.

Evidence will be produced by candidates completing a number of short answer and extended response questions in a closed book assessment. Candidates must attempt this assessment in controlled conditions on a single occasion. The maximum time allowed is 60 minutes.

If re-assessment is required, it should consist of a different instrument of assessment with a different sample from the range of Unit content.

Achievement can be determined by the use of a cut-off score. The standard to be applied and the breadth of coverage are illustrated in the National Assessment Bank items available for this Unit. If a centre wishes to design its own assessment for this unit, it should be of a comparable standard.

National Unit Specification: support notes

UNIT The International Economy (Higher)

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

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

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This Unit is one of three mandatory Units in the Higher Economics Course. It looks at the international economic environment with particular reference to the position of the UK within this. It begins by exploring the basic principles underlying the theory and practice of international trade and payments. It then uses this to explore the effect of changes in international economic events on economies like the UK and on other economies at various stages of economic development. Particular attention is given to the effect of developments in the European Union on the UK economy and to the impact on less developed and industrialising countries of international economic events.

The extent of the knowledge required for each outcome of the Unit is detailed in Appendix 1 – Unit Content. Candidates should be made aware of the economic concepts and principles associated with the topics listed and how they operate in the explanation and analysis of economic behaviour.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

The Unit should be approached holistically. There is considerable scope to make use of current examples to illustrate and explain the material which comprises this Unit. Candidates can be encouraged to find examples for themselves by referring to newspapers, business magazines and television news. These, and the Internet, may also provide sources of case studies and other stimulus material which can be used for discussion, comprehension exercises and other learning and teaching activities.

The Unit also offers an opportunity to make considerable use of statistical data such as balance of payments figures. Candidates should also be aware of recent trends in relevant economic factors such as exchange rates. Wherever possible, current examples of international economic issues should be used.

It is important to adopt an integrative approach to the learning and teaching process so that candidates recognise the importance of this Unit to the study of all aspects of Economics.

Wherever possible, examples of current issues can be used. Candidates can focus on those developments in the EU which are having the most significant effect on the UK at the time when the Unit is delivered. It is likely to aid understanding if these events are placed in their historical context. Similarly, current aspects of international economic development can be highlighted. This may involve reference to relevant international economic institutions such as the International Monetary Fund and the World Bank.

National Unit Specification: support notes(cont)

UNIT The International Economy (Higher)

There are close links with the other two Units at Higher level. For example, international trade and payments are introduced in *The UK Economy (Higher)* Unit as part of the circular flow of income in an open economy raises issues while floating exchange rates are directly connected to the study of demand and supply in *Micro-economics (Higher)* Unit. Where candidates are undertaking this Unit as part of the Higher Course, the learning and teaching approaches for this Unit should assist them to make connections between the three Units and to recognise that they are inter-dependent.

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Short answer and extended response questions are most likely to enable candidates to generate suitable evidence for this Unit. Short answer questions allow candidates to explain the meaning of relevant terms while extended response questions provide the opportunity for candidates to present reasons to explain economic situations and to justify the effects of intervention. These questions are to be attempted in controlled conditions so candidates should be given assistance to help them prepare for such an assessment event.

CANDIDATES WITH ADDITIONAL SUPPORT NEEDS

This Unit specification is intended to ensure that there are no artificial barriers to learning or assessment. The additional support 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 Assessment Arrangements for Candidates with Disabilities and/or Additional Support Needs* (SQA, 2004)

National Unit Specification: statement of standards (cont)

UNIT The International Economy (Higher)

Appendix 1 – Unit Content

NB: This Appendix is within the statement of standards ie the mandatory requirements of the Unit.

Outcome 1

Candidates must be able to make use of the following economic concepts to explain how international trade and payments work. They must also be able to use these concepts to explain the reasons for and the effects of changes in 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.
Forms of protection	For example: quotas, embargoes.
Reasons for protection	For example: infant industry, strategic, balance of payments.
Effects of protection	For example: on consumers, volume of trade, employment, resource allocation.
Balance of Payments	Purpose and structure of account. Reasons for trends in Balance of Payments. Current account - importance of surpluses and deficits; methods of reducing a current account deficit.
Types of exchange rate systems	Capital movements - short term, long term. Definition of exchange rates. Fixed and market exchange rate systems: advantages and disadvantages, for example, stability and automatic adjustment.
Exchange rates	Causes and effects of exchange rate changes for example on Current Account, income, employment and prices.
Exchange rate policies	European monetary co-operation.
Patterns of UK trade	Analysis of UK trade in terms of: composition of exports and imports, countries of origin of imports, and destination of exports. Trends in export and import patterns and reasons for the trends.

Appendix 1 – Unit Content (cont)

Outcome 2

Candidates should be able to make use of the economic concepts listed below to explain international economic relations.

European Union	Main economic features of the EU such as common external tariff, Common Agricultural Policy, funding, monetary arrangements, the Euro, enlargement. Effects of these on the UK economy.
International trading and monetary organisations	Main aims and activities of the World Trade Organisation, International Monetary Fund, and World Bank.
Relations between developed and developing economies	Economic characteristics of developing economies. Assistance for developing economies, for example loans, aid, trade, mutuality, multinational firms. Long term and short term effects of assistance for developing economies. Sustainable development.