Subject Benchmark Statement

Economics: Draft for Consultation

January 2015

Contents

How can I use this document?

This document is a Subject Benchmark Statement for economics, that defines what can be expected of a graduate in the subject, in terms of what they might know, do and understand at the end of their studies.

You may want to read this document if you are:

- involved in the design, delivery and review of programmes of study in economics or related subjects
- a prospective student thinking about studying economics, or a current student of the subject, to find out what may be involved
- an employer, to find out about the knowledge and skills generally expected of a graduate in economics.

Explanations of unfamiliar terms used in this Subject Benchmark Statement can be found in QAA's glossary.[1]

1 The QAA glossary is available at: www.qaa.ac.uk/about-us/glossary.

About Subject Benchmark Statements

Subject Benchmark Statements form part of the UK Quality Code for Higher Education (Quality Code) which sets out the Expectations that all providers of UK higher education reviewed by QAA are required to meet.[2] They are a component of Part A: Setting and Maintaining Academic Standards, which includes the Expectation that higher education providers 'consider and take account of relevant Subject Benchmark Statements' in order to secure threshold academic standards.[3]

Subject Benchmark Statements describe the nature of study and the academic standards expected of graduates in specific subject areas, and in respect of particular qualifications. They provide a picture of what graduates in a particular subject might reasonably be expected to know, do and understand at the end of their programme of study.

Subject Benchmark Statements are used as reference points in the design, delivery and review of academic programmes. They provide general guidance for articulating the learning outcomes associated with the programme but are not intended to represent a national curriculum in a subject or to prescribe set approaches to teaching, learning or assessment. Instead, they allow for flexibility and innovation in programme design within a framework agreed by the subject community. Further guidance about programme design, development and approval, learning and teaching, assessment of students, and programme monitoring and review is available in Part B: Assuring and Enhancing Academic Quality of the Quality Code in the following Chapters:[4]

- *Chapter B1: Programme Design, Development and Approval*
- *Chapter B3: Learning and Teaching*
- *Chapter B6: Assessment of Students and the Recognition of Prior Learning*
- *Chapter B8: Programme Monitoring and Review*.

For some subject areas, higher education providers may need to consider other reference points in addition to the Subject Benchmark Statement in designing, delivering and reviewing programmes. These may include requirements set out by professional, statutory and regulatory bodies, national occupational standards and industry or employer expectations. In such cases, the Subject Benchmark Statement may provide additional guidance around academic standards not covered by these requirements.[5] The relationship between academic and professional or regulatory requirements is made clear within individual statements, but it is the responsibility of individual higher education providers to decide how they use this information. The responsibility for academic standards remains with the higher education provider who awards the degree.

Subject Benchmark Statements are written and maintained by subject specialists drawn from and acting on behalf of the subject community. The process is facilitated by QAA. In order to ensure the continuing currency of Subject Benchmark Statements, QAA initiates regular reviews of their content, five years after first publication, and every seven years subsequently.

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2 The Quality Code, available at www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code, aligns with the *Standards and Guidelines for Quality Assurance in the European Higher Education Area*, available at: www.enqa.eu/wp-content/uploads/2013/06/ESG_3edition-2.pdf.

3 Part A: Setting and Maintaining Academic Standards, available at: www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-a.

4 Individual Chapters are available at: www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-b.

5 See further Part A: Setting and Maintaining Academic Standards, available at: www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-a.

Relationship to legislation

Higher education providers are responsible for meeting the requirements of legislation and any other regulatory requirements placed upon them, for example, by funding bodies. The Quality Code does not interpret legislation nor does it incorporate statutory or regulatory requirements. Sources of information about other requirements and examples of guidance and good practice are signposted within the Subject Benchmark Statement where appropriate. Higher education providers are responsible for how they use these resources.[6]

Equality and diversity

The Quality Code embeds consideration of equality and diversity matters throughout. Promoting equality involves treating everyone with equal dignity and worth, while also raising aspirations and supporting achievement for people with diverse requirements, entitlements and backgrounds. An inclusive environment for learning anticipates the varied requirements of learners, and aims to ensure that all students have equal access to educational opportunities. Higher education providers, staff and students all have a role in, and responsibility for, promoting equality.

Equality of opportunity involves enabling access for people who have differing individual requirements as well as eliminating arbitrary and unnecessary barriers to learning. In addition, disabled students and non-disabled students are offered learning opportunities that are equally accessible to them, by means of inclusive design wherever possible and by means of reasonable individual adjustments wherever necessary.

6 See further the *UK Quality Code for Higher Education: General Introduction*, available at: www.qaa.ac.uk/publications/information-and-guidance/publication/?PubID=181.

About this Subject Benchmark Statement

This Subject Benchmark Statement refers to bachelor's degrees with honours in economics.[7]

This version of the statement forms its third edition, following initial publication in 2000 and review and revision in 2006.[8]

Note on alignment with higher education sector coding systems

Programmes of study which use this Subject Benchmark Statement as a reference point are generally classified under the following codes in the Joint Academic Coding System (JACS).[9]

L100 (Economics); L110 (Applied economics); L111 (Financial economics); L112 (Agricultural economics); L113 (Economic policy); L120 (Microeconomics); L130 (Macroeconomics); L140 (Econometrics); L150 (Political economics); L160 (International economics); L170 (Economic systems); L171 (Capitalism); L172 (Monetarism); L173 (Keynesianism); L174 (Collectivism).

Summary of changes from the previous Subject Benchmark Statement (2006)

The statement has been broadened to allow a range of possible approaches, all now with an emphasis on evidence.

Specific changes include:

- contextual updates (especially in section 2)
- changes to section 5 to place more emphasis on evidence, to incorporate revised text on mutual exchange, and to include a new bullet point on market failure
- the addition of bullet points on historical and policy contexts in section 7.

7 Bachelor's degrees are at level 6 in *The Framework for Higher Education Qualifications in England, Wales and Northern Ireland* (2008) and level 10 in the *Scottish Credit and Qualifications Framework* (2001).
8 Further information is available in the *Recognition Scheme for Subject Benchmark Statements*, available at: www.qaa.ac.uk/publications/information-and-guidance/publication?PubID=190.
9 Further information about JACS is available at: www.hesa.ac.uk/content/view/1776/649/.

1 Introduction

1.1 This document sets out the Subject Benchmark Statement for economics. It defines the distinctive nature of the subject, the aims of a typical degree programme, the subject knowledge and skills of an economist, methods of learning and assessment and finally a description of two benchmark standards.

2 Nature and context of economics

2.1 Economics is the study of the factors that influence income, wealth and well-being. From this it seeks to inform the design and implementation of economic policy. Its aim is to analyse and understand the allocation, distribution and utilisation of resources and their consequences for economic and social well-being. Economics is concerned with such phenomena in the past and present and how they may evolve in the future.

2.2 Studying economics requires an understanding of how resources are used and how economic entities, such as households, firms and governments behave and interact. This understanding is required at both the individual (micro) and the aggregate (macro) level. The analysis is both static (dealing with, for example, levels of output, employment, income and trade) and dynamic (concerned with, for example, innovation, technical progress, economic growth and the distribution of income, business cycles, financial stability and instability, and sustainable development. Various interpretations of commonly observed economic phenomena exist, due to observational equivalence, and hence explanations may be contested. It is therefore important that economic phenomena are studied in their relevant historical, political, institutional and international contexts.

2.3 Economics is a social science which draws on and influences political science, sociology and anthropology. It also engages with a wide range of other subject areas such as psychology, history, finance, international relations, law, ethics and philosophy. It uses mathematics and statistics and also incorporates findings from sciences such as environmental science, biology and medicine. As economics is integral to understanding business behaviour, strategy and corporate performance, it is also one of the core disciplines informing the study of business and management and related areas.

2.4 Recognition of these interrelationships and the increasing number of students who are choosing to study economics jointly with other subjects have led to new and imaginative degree programmes. Their design has been influenced by the appreciation that a training that includes economics provides significant employment opportunities in a variety of careers in addition to working as a professional economist.

2.5 This points to certain key intellectual features that characterise economists' approach. First there is the ability to abstract and simplify in order to identify and model the essence of a problem. Second is the ability to analyse and reason - both deductively and inductively. Third is the ability to gather evidence and to assimilate, structure, analyse and evaluate qualitative and quantitative data. Fourth is the ability to communicate results concisely to a variety of audiences, including those with no training in economics. Fifth is the ability to think critically about the limits of one's analysis in a broader socio-economic context. Sixth is the ability to draw economic policy inferences, to recognise the potential constraints in their implementation and to evaluate the efficacy of policy outcomes in the light of stated policy objectives.

3 The aims of degree programmes in economics

3.1 Given these defining features, the main aims of a degree programme in, or including economics as a major component, are:

- to provide education in economic concepts, principles and tools, and their application, appropriate to the type of degree concerned: single honours, joint honours or combined studies
- to stimulate students intellectually through the study of economics and to lead them to appreciate its application to a range of problems and its relevance in a variety of contexts
- to provide a firm foundation of knowledge about the workings of economic systems and to develop the relevant skills for the constructive use of that knowledge in a range of settings
- to foster an understanding of the different and frequently contested ways that economists approach the subject
- to develop in students the ability to apply the knowledge and skills they have acquired to the solution of specific theoretical and applied problems in economics
- to equip students with appropriate tools of analysis to tackle issues and problems of economic policy
- to develop in students, through the study of economics, a range of generic skills that will be of value in employment and self-employment
- to provide students with analytical skills and an ability to develop simplifying frameworks for studying the real world. They should be able to appreciate what would be appropriate levels of abstraction in order to study a range of economic issues and the specific assumptions that guide the criteria for simplification
- to provide students with the knowledge and skill base from which they can proceed to further studies in economics, related areas or in multidisciplinary areas that involve economics
- to generate in students an appreciation of and an ability to interpret key economic events and the economic dimension of wider social, political and environmental issues.

4 Subject knowledge and understanding

4.1 Graduates of a single honours degree in economics usually learn about the following.

- Economic concepts, principles and tools, the understanding of which might be verbal, graphical or mathematical. These concepts, tools and principles play a key role in reasoning. They address the microeconomic issues of decision and choice, the production and exchange of goods, the pricing and use of inputs, the interdependency of markets, the relationships between principals and agents, and economic welfare. They also include the macroeconomic issues of employment, national income, the balance of payments, the distribution of income, economic growth, financial and business cycles, and the role of money and finance in the economy.
- Economic policy at both the microeconomic and macroeconomic levels. In all these, students show an understanding of analytical methods and model-based argument and should appreciate the existence of different methodological approaches.
- Relevant quantitative methods and computing techniques. These include appropriate mathematical and statistical methods, including econometrics. Students have exposure to the use of such techniques on actual economic, financial or social data, using suitable statistical or econometric software.
- The nature, sources and uses of both quantitative and qualitative economic data and an ability to select and apply appropriate methods that economists might use to analyse such data.
- The applications of economics. Students discover how to apply relevant economic principles and reasoning to a variety of applied topics. They are also aware of how economics can be applied to design, guide and interpret commercial, economic, social and environmental policy. As part of this, they have the ability to discuss and analyse government policy and to assess the performance of the UK and other economies, past and present.

4.2 It is recognised that, in both single honours degrees and in many degrees that involve a substantial amount of economics, content is adapted to suit the nature and objectives of the degree programme. In degrees that are not single honours economics, not all the elements in paragraph 4.1 may be covered. It is also recognised that the forms of analysis chosen may differ and may be tailored to best serve the skills that students bring with them into their degree programme. It is neither the function nor the objective of this Subject Benchmark Statement to prescribe what these forms of analysis might be; this is a matter for institutional choice and decision.

4.3 The following is an indicative list of what the attainments of students are.

- A critical understanding of analytical methods, both theory and model-based.
- An appreciation of the history and development of economic ideas and the differing methods of analysis that have been and are used by economists.
- An ability to apply economic reasoning to applied topics.
- An ability to relate differences in economic policy recommendations to differences in the theoretical and empirical features of economic analysis that underlie such recommendations.
- An ability to discuss, analyse and evaluate government policy and to assess the performance of the UK and other economies and of the global economy.
- An understanding of verbal, graphical, mathematical and econometric representation of economic ideas and analysis, including the relationship between

them. Appropriate techniques to enable manipulation, treatment and interpretation of the relevant qualitative and quantitative data are also relevant.

- An ability to articulate, communicate and present economic arguments to both specialist and non-specialist audiences.

5 Subject-specific skills and other skills

5.1 Some of the attributes that a graduate in economics possesses are generic and not specific to the study of the subject. Their enhancement would be part of any degree programme. These would include general intellectual skills such as literary and information-processing skills, as well as interpersonal skills, such as communication. Economics degree programmes, therefore, provide a learning environment that facilitates and encourages the development and use of such skills.

5.2 In particular, employers of economists also value: the ability to produce reports and conclusions that are well evidenced by empirical analysis; the ability to communicate technical analysis and results to various non-economist audiences; knowledge of economic history and case studies, pluralistic perspectives and inter-disciplinary synthesis, to inform an application of critical judgement in evaluating context, proportionality and awareness of limitations.

5.3 There are three elements in the training of an economics graduate that provide them with a coherent framework of thinking that is readily transferable and applicable to decision-making in a wide range of areas. These elements are a set of subject-specific skills; a conceptual framework that offers a guide to good decision-making; and the general, but crucial, skill of numeracy.

Subject-specific skills

5.4 Economics graduates also possess other, subject-specific but highly transferable, rigorous skills. This transferability is evidenced by the wide range of careers into which graduates in economics move. The development of these skills is particularly emphasised in the course of an undergraduate degree through the study of economic principles and economic methods. These skills may be summarised as follows.

- Abstraction. From the study of economic principles and models, students see how one can abstract the essential features of complex systems and provide a useable framework for evaluation and assessment of the effects of policy or other exogenous events. Through this, the typical student will acquire proficiency in how to simplify while still retaining relevance. This is an approach that they can then apply in other contexts, thereby becoming more effective problem-solvers and decision-makers.
- Analysis, deduction and induction. Economic reasoning is highly deductive, and logical analysis is applied to assumption-based models. However, inductive reasoning is also important. The development of such analytical skills enhances students' problem-solving and decision-making ability.
- Quantification and design. Data, and their effective organisation, presentation and analysis, are important in economics. The typical student will have some familiarity with the principal sources of economic information and data relevant to industry, commerce, society and government, and have had practice in organising it and presenting it informatively. This skill is important at all stages in the decision-making process.
- Framing. Through the study of economics, a student should learn how to decide what should be taken as given or fixed for the purposes of setting up and solving a problem, for example, what the important 'parameters' are in constraining the solution to the problem. Learning to think about how and why these parameters might change encourages a student to place the economic problem in its broader social and political context. This 'framing' skill is important in determining the decision-maker's ability to implement the solutions to problems.

Transferable application of economic concepts

5.5 From learning economic principles, the typical student acquires a facility with some key concepts that are present in most of the decision problems that they are likely to face subsequently in their careers. These include the following.

- Opportunity cost - a problem solver or decision-maker must routinely ask 'what would have to be given up if...', where the answer does not always involve a simply calculated financial cost. It is often the case that actions are proposed that fail to recognise forgone alternatives. Opportunity cost allows economists to think about the costs in terms of all resources. There are many examples of economic policies which enhance efficiency yet reduce equity and vice-versa. There are also many examples where gains in one time period involve costs in other time periods. All of these examples encourage an appreciation of inevitable trade-offs.
- Incentives - economists are trained to recognise and evaluate the incentives implied by particular rules, and how to establish sets of rules that actually lead people to react in ways that give rise to some intended outcome. The ability to think logically about these issues is essential in the effective design of both policy and strategy.
- Equilibrium, disequilibrium and stability - these are concepts that economists make heavy use of and the typical graduate will have seen these deployed in economic argument with great regularity. The concept of equilibrium is a state where no participant has any incentive to change behaviour. Away from equilibrium, on the other hand, participants are changing their behaviour such that the disequilibrium is either eliminated, in which case the behaviour leads to stability, or the imbalance is made continually worse, giving rise to instability. Economists recognise such dynamic forces and appreciate that reactions to these pressures are essential ingredients of good decision-making.
- Strategic thinking - economists learn the importance of strategic thinking, and the roles of opportunities, strategies, outcomes, information and motivation in the analysis of strategic actions, including conflict, bargaining and negotiation.
- Expectations and surprises - economists learn that behaviour partly depends on experience and partly on peoples' perceptions of what is expected to happen. Thus behaviour may change when unanticipated events occur. Effective decision-making requires the skill of reacting in a context where people's behaviour is based on expectations that may be confounded by subsequent surprises. Students in economics will have been exposed to these issues and this will enhance their potential effectiveness as decision-makers.
- The relevance of marginal considerations - economists are trained to recognise that important decisions often relate to small variations in key variables and parameters. An action is worth undertaking if the additional benefit that accrues is greater than the additional cost incurred. The typical student in economics will be fully aware of the importance of the margin relative to the average.
- Systems and dynamics - many economic decisions or events can start a complex chain of events. Economists gain an understanding of the interrelationships between economic phenomena and how effects can accumulate or die away. The ability to see beyond the direct or short-term effects is a crucial insight that economists can bring to analysing the effects of both deliberate decisions and external shocks.
- Mutual gains and conflicts of interest - economists are aware that the outcome of an economic interaction reflects opportunities for mutual gains from exchange as well as conflicts of interest. Students will learn to evaluate such outcomes in terms of both efficiency (unexploited mutual gains) and fairness.

- Market failure - economists identify a wide range of cases in which the actions of an economic actor confers un-priced benefits or costs on another. Students will learn to recognise these and to evaluate how policy and or private bargaining can achieve improved allocations.

Numeracy

5.6 It is worth emphasising further the issue of numeracy. Economists frequently use information that is presented in some numerical form, and students should be appropriately trained in this regard. The raw data are often in tables, the processed data as a graph, an average, a correlation and so on. Numeracy, statistical and computing skills are necessary to handle this sort of information. Presentation skills are needed to communicate such quantitative information in usable ways, and particularly to give critical and coherent summary representations of data that cannot be readily absorbed raw. As well as formal manipulative and presentation skills required to deal with statistical data, economists learn not to be misled by numbers. They question whether the numbers represent what they claim (for example unemployment, price indices), they understand statistical significance (for example the margin of error in a poll or survey) and they are aware of at least some of the difficulties in sampling a population. In addition, with some understanding of econometrics, they recognise that conclusions drawn from data might be ambiguous.

6 Teaching, learning and assessment

6.1 A programme of study in economics should be designed to encourage the acquisition of subject knowledge, understanding and skills with increasing critical facility and independence as the course progresses. To this end, learning should be organised and supported to foster active learning. A variety of approaches to managing the learning process may be adopted to achieve this, including lectures, seminars, tutorials, workshops, peer teaching and learning, project-based learning, experiments, games and technology-enabled learning.

6.2 These approaches to the learning process should be supported by appropriate resources including access to economic data bases, such as the Office of National Statistics data base, information technology based resources, and written materials. The use of such resources encourages active learning and the ability to select and make appropriate use of supporting evidence.

6.3 Problem-solving skills and higher-order skills of reasoning and analysis should be encouraged through teaching and assessment strategies that require students to use these resources in active ways. Students should be assisted and supported in their endeavours to analyse and explore information and to draw appropriate policy conclusions.

6.4 In assessing students' work, some or all of the following criteria may be adopted.

- How far have students focused on the questions asked and/or identified key problems?
- How well have students chosen the arguments, the relevant theory or model, to relate to the area specified or question asked?
- How good is the quality of explanation?
- How well have students demonstrated consistency, coherence and purposeful analysis?
- How successfully have students used evidence and knowledge of institutional and historical context?
- How well have students collected, processed, analysed and interpreted relevant data?
- What is the extent and quality of critical evaluation?
- How well have students demonstrated knowledge of relevant literature?

7 Benchmark standards

7.1 The benchmark levels proposed are for both a single honours degree in economics, and for those degrees where economics is a major component. Students following degrees where economics is a minor component will not be expected to attain all of these benchmarks.

The threshold level

7.2 A graduate in economics who has attained the threshold level should:

- demonstrate knowledge of economic concepts, principles and tools
- demonstrate knowledge of distinctive economic theories, interpretations and modelling approaches
- demonstrate awareness of quantitative methods and computing techniques appropriate to their programme of study, and show an appreciation of the contexts in which these techniques and methods are relevant
- display knowledge of the sources and content of economic data and evidence and appreciate what methods might be appropriately applied to the analysis of such data
- know how to apply economic reasoning to policy issues
- demonstrate knowledge and awareness of the historical and policy contexts in which specific economic analysis is applied
- demonstrate knowledge in an appropriate number of specialised areas in economics
- display awareness of the possibility that many economic problems may admit of more than one approach.

The typical level

7.3 A graduate in economics who has attained the typical level should:

- demonstrate understanding of economic concepts, principles and tools
- demonstrate understanding of distinctive economic theories, interpretations and modelling approaches, and their competent use
- demonstrate proficiency in quantitative methods and computing techniques and know how to use these techniques and methods effectively across a range of problems
- display understanding of the sources and content of economic data and evidence and of those methods that might be applied appropriately to the analysis of such data
- know how to apply economic reasoning to policy issues in a critical manner
- demonstrate an understanding of the historical and policy contexts in which specific economic analysis is applied
- demonstrate knowledge in an appropriate number of specialised areas in economics, as well as an appreciation of the research literature in these areas
- display familiarity with the possibility that many economic problems may admit of more than one approach.

Appendix: Membership of the benchmarking and review groups for the subject benchmark for economics

Membership of the review group for the Subject Benchmark Statement for economics (2014)

Chair

Professor Eric Pentecost	Loughborough University

Higher education provider representatives

Professor John Beath	University of St Andrews
Dr Alvin Birdi	The Economics Network and University of Bristol
Professor David Blackaby	Swansea University
Professor Wendy Carlin	University College London
Dr Daniela Gabor	Bristol Business School
Professor Wyn Morgan	University of Nottingham
Joe Richards	Rethinking Economics
Neil Lancastle	Rethinking Economics
Professor Sabine Spangenberg	Richmond University, The American International University in London

Employer representative(s)

Andy Ross	Formerly Government Economic Service, visiting professor University of Reading
Ian Harwood	The Society of Business Economists

Student reader

James Arber	Formerly of Birkbeck, University of London

QAA officer

Dr Cathy Kerfoot	Quality Assurance Agency for Higher Education

Membership of the review group for the subject benchmark for economics (2006)

Details provided below are as published in the 2006 Subject Benchmark Statement for economics.

Professor John Beath	University of St Andrews
Professor David Blackaby	University of Wales, Swansea
Professor Alan Carruth	University of Kent
Professor Denise Osborn	The University of Manchester
Professor Neil Rickman	University of Surrey
Mr John Sloman	University of the West of England, Bristol

Membership of the original benchmarking group for economics (2000)

Details provided below are as published in the original Subject Benchmark Statement for economics (2000).

Professor P Arestis (Vice-chair)	University of East London
Professor JA Beath (Chair)	University of St Andrews
Professor DNF Bell	University of Stirling
Professor G Bird	University of Surrey
Professor D Blackaby	University of Wales, Swansea
Professor VK Borooah	University of Ulster
Professor J Cable	University of Wales, Aberystwyth
Professor AA Carruth	University of Kent at Canterbury
Dr CM Davis	Wolfson College, University of Oxford
Professor P Demetriades	South Bank University
Professor P Dolton	University of Newcastle upon Tyne
Dr J Edwards	University of Cambridge
Dr L Evans	University of Durham
Professor G Hadjimatheou	London Guildhall University
Professor NJ Ireland	University of Warwick
Professor MM Mackintosh	Open University
Professor DR Osborn	University of Manchester
Dr PJ Reynolds	Staffordshire University
Professor D Sapsford	University of Lancaster

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