

Economics
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Preface

Subject benchmark statements provide a means for the academic community to describe the nature and characteristics of programmes in a specific subject or subject area. They also represent general expectations about standards for the award of qualifications at a given level in terms of the attributes and capabilities that those possessing qualifications should have demonstrated.

This subject benchmark statement, together with others published concurrently, refers to the **bachelor's degree with honours**¹. In addition, some subject benchmark statements provide guidance on integrated master's awards.

Subject benchmark statements are used for a variety of purposes. Primarily, they are an important external source of reference for higher education institutions (HEIs) when new programmes are being designed and developed in a subject area. They provide general guidance for articulating the learning outcomes associated with the programme but are not a specification of a detailed curriculum in the subject.

Subject benchmark statements also provide support to HEIs in pursuit of internal quality assurance. They enable the learning outcomes specified for a particular programme to be reviewed and evaluated against agreed general expectations about standards. Subject benchmark statements allow for flexibility and innovation in programme design and can stimulate academic discussion and debate upon the content of new and existing programmes within an agreed overall framework. Their use in supporting programme design, delivery and review within HEIs is supportive of moves towards an emphasis on institutional responsibility for standards and quality.

Subject benchmark statements may also be of interest to prospective students and employers, seeking information about the nature and standards of awards in a given subject or subject area.

The relationship between the standards set out in this document and those produced by professional, statutory or regulatory bodies for individual disciplines will be a matter for individual HEIs to consider in detail.

This subject benchmark statement represents a revised version of the original published in 2000. The review process was overseen by the Quality Assurance Agency for Higher Education (QAA) as part of a periodic review of all subject benchmark statements published in this year. The review and subsequent revision of the subject benchmark statement was undertaken by a group of subject specialists drawn from and acting on behalf of the subject community. The revised subject benchmark statement went through a full consultation with the wider academic community and stakeholder groups.

QAA publishes and distributes this subject benchmark statement and other subject benchmark statements developed by similar subject-specific groups.

¹ This is equivalent to the honours degree in the Scottish Credit and Qualifications Framework (level 10) and in the Credit and Qualifications Framework for Wales (level 6).

The Disability Equality Duty (DED) came into force on 4 December 2006². The DED requires public authorities, including HEIs, to act proactively on disability equality issues. The Duty complements the individual rights focus of the Disability Discrimination Act (DDA) and is aimed at improving public services and outcomes for disabled people as a whole. Responsibility for making sure that such duty is met lies with HEIs.

The Disability Rights Commission (DRC) has published guidance³ to help HEIs prepare for the implementation of the Duty and provided illustrative examples on how to take the duty forward. HEIs are encouraged to read this guidance when considering their approach to engaging with components of the Academic Infrastructure⁴, of which subject benchmark statements are a part.

Additional information that may assist HEIs when engaging with subject benchmark statements can be found in the DRC revised Code of Practice: Post-16 Education⁵, and also through the Equality Challenge Unit⁶ which is established to promote equality and diversity in higher education.

² In England, Scotland and Wales

³ Copies of the guidance Further and higher education institutions and the Disability Equality Duty, guidance for principals, vice-chancellors, governing boards and senior managers working in further education colleges and HEIs in England, Scotland and Wales, may be obtained from the DRC at www.drc-gb.org/library/publications/disability_equality_duty/further_and_higher_education.aspx

⁴ An explanation of the Academic Infrastructure, and the roles of subject benchmark statements within it, is available at www.qaa.ac.uk/academicinfrastructure

⁵ Copies of the DRC revised Code of Practice: Post-16 Education may be obtained from the DRC at www.drc-gb.org/employers_and_service_provider/education/higher_education.aspx

⁶ Equality Challenge Unit, www.ecu.ac.uk

Foreword

QAA developed a set of subject benchmark statements in 2000 and 2002, and put in place a review process that would lead to the revision of subject benchmark statements. The overall role and context of subject benchmark statements envisaged by QAA are set out in the Preface. The revised subject benchmark statement for economics provides a vision of the context of the subject, and of what a student can expect to learn in an honours degree in economics. Equally, it acknowledges that joint degrees and multidisciplinary degrees with economics will have developed their own distinctive structures, and will only cover a suitable subset of a single honours degree in economics. The subject benchmark statement also frames the subject-specific and generic (transferable) skills that economics graduates would be expected to have acquired by the end of their degree programme. Finally, it sets out some principles of learning and assessment methods, as well as providing a statement of threshold and typical attainment levels.

The original subject benchmark statement for economics was developed by a broad group of academic economists, acknowledged at the end of the document, and brought together by the Royal Economic Society and the Conference of Heads of University Departments of Economics (CHUDE). Given the limited nature of the revision to this subject benchmark statement, it was overseen by the Steering Committee of CHUDE and presented to QAA for final approval and dissemination.

December 2006

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 scarce resources and their consequences for economic and social well-being. Economics is concerned both with how present allocations arise and with how they may change in the future. Studying economics requires an understanding of how resources are used and how households and firms 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, output, employment, income, trade and finance) and dynamic (concerned with, for example, innovation, technical progress, economic growth, business cycles, sustainable development and its resource base). The study of economics requires an understanding of resources, agents, institutions and mechanisms. Moreover, since virtually no economy operates in isolation, it is important that these phenomena are studied in an international context.

2.2 Economics is a key discipline in the social sciences. Its subject matter engages with other subject areas such as psychology, politics, sociology, anthropology, geography, history and law. It also uses mathematics and statistics and is engaging increasingly with sciences such as biology, environmental science and medicine. Furthermore, since knowledge of economics is essential for an understanding of business behaviour, strategy and corporate performance, it is one of the central disciplines underpinning the study of business and management and related areas. Recognition of these interrelationships, and the increasing number of students who are choosing to study economics jointly with other subjects, or as an integral part of a business and management degree, 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.

2.3 This points to certain key intellectual features that characterise the economist's 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 marshal evidence and to assimilate, structure, analyse and evaluate qualitative and quantitative data. Fourth is the ability to communicate results concisely to a wide audience, 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 training in the principles of economics 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 develop in students the ability to apply the knowledge and skills they have acquired to the solution of 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
- 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 the economic dimension of wider social, political and environmental issues.

4 Subject knowledge and understanding

4.1 To achieve these aims, any single honours degree in economics normally comprises the following elements.

- A coherent core of economic principles. The understanding of these might be verbal, graphical or mathematical. These principles should cover 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 should also include the macroeconomic issues of employment, national income, the balance of payments, the distribution of income, inflation, growth and business cycles, money and finance. The understanding should extend to economic policy at both the microeconomic and macroeconomic levels. In all these, students should 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 would include appropriate mathematical and statistical methods, including econometrics. Students should have exposure to the use of such techniques on actual economic, financial or social data, using suitable statistical or econometric software.
- A knowledge and appreciation of the nature, sources and uses of economic data, both quantitative and qualitative.
- Students should also have some knowledge of and an ability to select and apply appropriate methods that the economist might use to structure and analyse such data.
- The applications of economics. Students should have the ability to apply a core of economic principles and reasoning to a variety of applied topics. They should also be aware of the economic principles that can be used to design, guide and interpret commercial, economic, social and environmental, policy. As part of this, they should have the ability to discuss and analyse government policy and to assess the performance of the UK and other economies.

4.2 It is recognised that, in both single honours degrees and in many degrees that involve a substantial amount of economics, content will be adapted to suit the nature and objectives of the degree programme. In degrees that are not single honours economics, not all the core elements in 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 might be.

- Understanding of relevant mathematical and statistical techniques.
- A critical understanding of analytical methods, both theory and model-based.
- Appreciation of the history and development of economic ideas and the differing methods of analysis that have been and are used by economists.
- Ability to apply core economic theory and economic reasoning to applied topics.
- Ability to relate differences in economic policy recommendations to differences in the theoretical and empirical features of the economic analysis, which underlie such recommendations.
- Ability to discuss, analyse and evaluate government policy and to assess the performance of the UK and other economies and of the global economy.
- 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 statistical data, may also be relevant.

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 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

5.3 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 follows⁷.

- **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, ie 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.

The transferable concept⁸

5.4 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:

⁷ These subject-specific skills can be mapped on to the threshold levels of subject-specific knowledge set out in section 7.

⁸ This idea can be found in J Craven (1993), The Skills of an Economist, 'Royal Economic Society Newsletter', 4-5 April.

- **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 the economist to think about the costs in terms of all resources. Also, 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. The ability to recognise disequilibria and appreciate their stability properties, and to think coherently about reactions to this, 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
- **the possible gains from voluntary exchange** - economists study and measure the net gains that people, institutions and countries can obtain from economic interaction in the form of specialisation, employment, exchange and trade. The identification and measurement of gains relative to costs and the barriers to maximising net gains are important in devising appropriate policies to optimise the use of scarce resources with respect to various individual, institutional, political, social and environmental objectives
- **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.

Numeracy

5.5 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 (eg unemployment, price indices), they understand statistical significance (eg 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 There are various ways of organising and supporting the learning process so as to establish an environment that fosters learning styles that create active and deep learning opportunities. Students should be encouraged to explore and analyse information and consider policy implications. A variety of approaches in economics to managing the learning process may be adopted to achieve this. The menu includes lectures, seminars, tutorials, workshops, peer teaching and learning, projects, experiments and distance-learning approaches. The relative contribution of these ingredients is likely to differ from degree to degree.

6.2 The approaches to the learning process just alluded to should be supported by appropriate resource-based material. A conducive learning environment can be created through a variety of approaches appropriate to the institution, the course and the students, including the availability of libraries, information technology-based resources, appropriate written materials and text, as well as learning packs.

6.3 Students should be assisted to learn actively and in depth and to develop problem-solving skills and higher-order skills of reasoning and analysis in a structured and supportive environment.

6.4 Assessment strategies should be designed to match intended learning outcomes. A variety of assessment techniques may be employed, including, for example, unseen and/or seen examinations, dissertations, portfolios, written essays, oral presentations, problem-solving exercises, case studies or other assignments. Students should be given timely and helpful feedback on their progress and attainment that allows them to identify ways of improving their learning outcomes.

6.5 Assessment, either of a formative or summative nature, is a crucial signal about what study is meant to achieve and is at the heart of the process of developing student learning.

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

- How far have students focused on 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?
- How well have students collected, processed, analysed and interpreted relevant data?
- How deep is the extent of critical evaluation?
- How well have students demonstrated knowledge of relevant literature?

7 Benchmark standards⁹

7.1 The benchmark levels proposed below 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 and principles
- demonstrate knowledge of economic theory 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 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 and may have more than one solution.

⁹In this document, 'knowledge' and 'understanding' have the following meanings. Knowledge is the ability to reproduce theory and evidence as taught; understanding is a term applied to constructive and critical use and analysis of that material.

The typical level

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

- demonstrate understanding of economic concepts and principles
- demonstrate understanding of economic theory 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 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 and may have more than one solution.

Appendix A - Membership of the review group for the subject benchmark 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

Appendix B - Membership of the original benchmarking group for economics

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
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