1.1 Scarcity and choice

	Content	Amplification	Additional guidance notes
1.1.1	Scarcity, choice and opportunity cost	Define and illustrate the concepts of scarcity, choice and opportunity cost for society, individuals and the government	Learners should understand that these concepts show that all economies have to decide what, how and for whom to produce and understand the difference between economic goods and free goods
1.1.2	Production possibility frontiers (PPFs)	Use production possibility frontier diagrams to depict choice, opportunity cost, short- and long-term economic growth and efficiency Understand movements along and shifts in PPFs Understand that the PPF is usually drawn concave to the origin because of imperfect factor substitution and why a straight line PPF is an indication of perfect factor substitutability of resources Explain factors which may shift the PPF inwards or outwards Relate long-term economic growth and changes in productivity to outward or skewed shifts in an economy's PPFs	Learners will need to understand the concept of increasing opportunity cost at the margin as output increases Learners should be able to understand the link between PPFs and economic potential as shown by the long run aggregate supply curve
1.1.3	Specialisation, division of labour and exchange	Understand the advantages and disadvantages of specialisation Define productivity and explain how it may be increased by the use of specialisation and other factors	Learners should understand the importance of specialisation at the individual and national level

1.2 Demand and supply in product markets

	Content	Amplification	Additional guidance notes
1.2.1	Factors influencing demand and supply in product markets	Define a product market Explain the objectives of economic agents: that firms seek to maximise profits and consumers seek to maximise satisfaction/utility Understand the importance of marginal utility in the derivation of demand curves Identify the main influences on demand and supply in product markets Understand why demand curves normally slope downward from left to right Understand why supply curves will normally slope upward from left to right, for example, producers will be able to make higher profits at higher prices and that higher levels of output mean increased marginal costs in the short run	Knowledge of indifference analysis will **not** be required Learners should be aware that firms and consumers are assumed to behave rationally Learners should understand the concept of diminishing marginal utility. Understanding the law of equi-marginal returns is **not** required Learners should have a basic understanding of the substitution and income effects of a price change Learners should be aware of the assumption that firms are price takers in this analysis of the supply curve
1.2.2	The determination of equilibrium price and output in a freely competitive market	Illustrate, using diagrams, equilibrium price and output situations in product markets Explain effects on price and output of shifts in demand and supply curves	Learners should be able to understand the reasons for movements along and shifts of demand and supply curves
1.2.3	~~Consumer and producer surplus~~	~~Define, explain and illustrate, using diagrams, consumer surplus and producer surplus~~	~~Learners should be aware that consumer surplus and producer surplus are jointly maximised at the free market equilibrium~~ ~~Learners should be able to calculate the value of consumer and producer surplus, for example, calculating the area of a triangle from the figures given on a diagram~~

1.2.4	Price, income and cross price elasticities of demand, price elasticity of supply	Understand the meaning of the terms price, income and cross price elasticities of demand and price elasticity of supply	Learners should be able to define, calculate and interpret numerical values of elasticity Learners should be aware of the factors which influence price, income and cross price elasticities of demand and price elasticity of supply
		Explain the relationship between price elasticity of demand and total revenue	Learners should understand that price elasticity of demand varies along a straight line downward sloping demand curve
		Use the concept of income elasticity to distinguish between normal and inferior goods	
		Apply the concept of elasticity to economic contexts for example, in the incidence of taxation and the incidence of subsidies	Learners should be able to evaluate the extent to which knowledge of price elasticity of demand and supply are important to decision-making in firms and government

1.3 Demand and supply in labour markets

	Content	Amplification	Additional guidance notes
1.3.1	Wage determination	Identify the main influences on demand and supply in labour markets	Knowledge of marginal revenue product theory is **not** required Knowledge of the factors which cause shifts in the demand and supply curves of labour is required, illustrated by the use of diagrams
		Understand determinants of the elasticity of the demand and supply of labour	
		Understand the causes and implications of wage differentials	
1.3.2	Labour market issues	Understand the factors which affect flexibility in labour markets, for example, trade union power, regulation, welfare payments and income tax rates	Learners should understand the links between issues in the labour market and supply side performance in the economy
		Evaluate the effects of the statutory national minimum wage on labour markets	Learners should understand the impact of the national minimum wage on economic agents and the wider economy
		Explain the impact of migration on labour markets	Learners should be able to illustrate this through the use of diagrams

1.4 Resource allocation

	Content	Amplification	Additional guidance notes
1.4.1	How resources are allocated in a free market economy	Understand the role of profit and the function of prices in allocating resources to different uses	Learners should be aware of the main assumptions upon which free markets operate, such as a large number of buyers and sellers, perfect information
		Understand that changes in one market affect other markets, for example, interrelationships between factor and product markets	Learners should understand that, in reality, economic agents do not always behave rationally

1.5 Costs, revenues and profits

	Content	Amplification	Additional guidance notes
1.5.1	Costs, revenues and profits	Explain the law of diminishing returns	A numerical and diagrammatic understanding of total, average and marginal product is required Learners should understand that diminishing returns may not set in immediately
		Distinguish between fixed and variable costs and be able to distinguish between the short run and the long run	Learners should understand the link between the marginal product of labour and a firm's marginal costs, for example, as the marginal product of labour falls, the marginal costs rise as more workers are employed
		Define and calculate total, average and marginal values for revenue and costs	Appropriate diagrams should be used to illustrate all concepts relating to costs and revenues (the difference between the short run and long run is required)
		Explain and illustrate internal and external economies and diseconomies of scale	Learners should be able to derive the long run average cost curve
		Explain the concept of profit maximisation (using marginal revenue and marginal cost)	
		Define and understand the difference between normal and abnormal profits	Learners should understand that economists define profits differently to businesses, that is, accounting profit compared with economic profit
1.5.2	The growth of firms	Understand how and why firms might grow	Learners should understand the difference between internal and external growth
		Understand types of integration/ mergers (horizontal, vertical and conglomerate)	Learners should be able to evaluate the possible costs and benefits of growth/mergers
1.5.3	Efficiency	Explain and illustrate the concepts of productive and allocative efficiency	Learners should be able to illustrate productive and allocative efficiency through diagrams Learners should have an awareness of dynamic efficiency and Pareto efficiency

1.6 Market structures

	Content	Amplification	Additional guidance notes
1.6.1	Background to market structures	Explain that the structure of a market depends on the number of firms and their ability to enter and exit markets freely (contestability)	Learners should understand that regulators can affect the degree of contestability in a market Learners should be able to distinguish between structural and behavioural barriers to entry, for example, high start-up costs as against limit pricing
1.6.2	Business objectives	Explain how firms may have different objectives, such as maximisation of profit, revenue or market share, survival, social and community objectives	Learners should understand the different objectives of the various stakeholders and be aware of the concept of satisficing
1.6.3	~~Perfect competition~~	~~Define perfect competition and explain the importance of its underpinning assumptions~~ ~~Explain and illustrate with diagrams the short run and long run equilibrium price and output for the firm and the industry~~ ~~Explain and evaluate the efficiency of perfectly competitive markets~~	~~Learners should understand how the short run adjusts to the long run~~ ~~Learners should be able to evaluate perfectly competitive markets using allocative and productive efficiency~~
1.6.4	~~Monopolistic competition~~	~~Define monopolistic competition and explain the importance of its underpinning assumptions~~ ~~Explain and illustrate with diagrams the short run and long run equilibrium price and output for the firm~~ ~~Explain and evaluate the efficiency of monopolistically competitive markets~~	~~Learners should understand the importance of non-price factors such as differentiated products and advertising in monopolistic competition~~ ~~Learners should understand how the short run adjusts to the long run~~ ~~Learners should be able to evaluate monopolistic competition using allocative and productive efficiency~~

1.6.5	Monopoly	Define monopoly and explain the importance of its underpinning assumptions Compare, using diagrams, the short run and long run equilibrium positions in perfect competition with those of monopoly Explain and evaluate the potential costs and benefits of monopoly, for example, price discrimination, lack of contestability, efficiency against the benefits of economies of scale and natural monopoly	Learners should understand the concept of a pure monopoly Learners should understand the links to international competitiveness Learners should be able to use diagrams to illustrate differences in efficiency Detailed knowledge of the different degrees of price discrimination will **not** be required Diagrammatic approach to price discrimination will **not** be required
1.6.6	Oligopoly	Explain the main features of oligopolistic markets and the concept of interdependence Explain that oligopolistic markets may be characterised by price and non-price competition, price leadership, collusion and price wars Explain and evaluate the potential costs and benefits of oligopoly Use game theory to evaluate interdependent behaviour in oligopolistic markets	Use of simple concentration ratios to measure the extent of market power is required The allocative and productive efficiency of oligopolistic markets should be understood Learners should understand the importance of dominant firms in the context of innovation and the competitiveness of the whole economy Learners should be able to determine a Nash equilibrium in a matrix

1.6.7	~~Competition policy~~	~~Explain the reasons why governments may be concerned with competition, monopolies and mergers in industry~~ ~~Understand the role of competition authorities and regulators in promoting competition and contestability in markets~~	~~Detailed knowledge of UK and EU competition legislation is **not** required~~ ~~Learners should be able to evaluate the extent to which competition and contestability are desirable~~ ~~Detailed knowledge of regulatory policies is **not** required~~
1.6.8	~~Privatisation~~	~~Explain the way in which privatisation may increase competition~~ ~~Evaluate the effects of privatisation on competition, efficiency, prices and the whole economy~~	~~Learners should understand that privatisation may take many forms other than simply transferring the ownership of state-run assets into the private sector~~ ~~Learners should understand the arguments for renationalisation~~

1.7

Market failure

Content	Amplification	Additional guidance notes
1.7.1 Understanding market failure	Define market failure and have an understanding of efficiency, that is, the maximisation of consumer/ producer surplus at the free market equilibrium output Understand that market failure may take many forms, including • public goods • merit and demerit goods • externalities • monopoly power • information asymmetries and gaps • an absence of private property rights • income inequality • volatile prices Appreciate the reasons for, and the consequences of, each source of market failure for economic agents	Learners should be able to distinguish between public goods and private goods Learners should be able to draw and analyse diagrams showing the external benefits of consumption and the external costs of consumption and production Learners should be able to derive the socially efficient level of output and identify and explain welfare loss
1.7.2 Why and how governments intervene in markets	Explain why and how governments intervene in markets, for example, to correct market failure and reduce income inequality Evaluate government intervention policies	Governments may intervene by using policies, such as taxation (specific and ad valorem taxes), subsidies, state provision and regulation, minimum and maximum prices, use of prices, for example, road pricing and tradeable pollution permits Simple demand and supply diagrams should be used Learners should be able to link policies to the reduction of income inequality, for example, progressive taxation and the benefits system, price stabilisation and guaranteed minimum price schemes in agriculture and the national minimum wage
1.7.3 The effects of government intervention	Explain that, in certain cases, government intervention can create distortions in markets, for example, in agriculture, housing and labour markets Understand the reasons for government failure and be able to evaluate its effects	Learners should be aware of distortions in markets and examples of government failure

2.1 Macroeconomic theory

	Content	Amplification	Additional guidance notes
2.1.1	The circular flow of income model	Explain the flows in the circular flow model and understand that they should be equal (income = output = expenditure) Explain injections into and withdrawals from the circular flow Use the model to explain the concept of national income equilibrium and to explain how changes in injections and withdrawals might lead to changes in the equilibrium level of national income, and hence explain the multiplier process	Learners will **not** be required to calculate the multiplier
2.1.2	The components of aggregate demand (AD)	Define the components of aggregate demand: consumption, investment, government spending and net export (exports minus imports) Explain the factors which affect the levels of consumption and investment in the economy	Learners should explain the importance of factors such as income and profit, wealth, interest rates, expectations and taxation Knowledge of the Keynesian theory of the consumption function, the marginal efficiency of capital and the accelerator effect are **not** required

2.1.3	The AD function	Understand why an AD function will slope downward from left to right Understand that changes in the components of AD can cause the function to shift	Learners are expected to explain at least one of the following: the real balance effect, the trade effect and the interest rate effect
2.1.4	The aggregate supply (AS) function	Understand the shape of the Keynesian long run aggregate supply (LRAS) curve Understand the factors which might result in a shift in LRAS	Learners are expected to realise that the LRAS is vertical at the full employment level of output These include: changes in the quantity, quality and efficiency of use of factors of production, changes in the state of technology and changes in factor market flexibility Learners should understand how changes in policy instruments may be used to bring such shifts about
2.1.5	Short run aggregate supply (SRAS)	Understand why the SRAS function is assumed to slope upwards from left to right Understand why a SRAS function might shift	Learners should understand the assumptions behind SRAS analysis, such as fixed input prices, productivity and technology Learners should be aware that SRAS in this form is associated with Monetarist and Neo-Classical economists Factors might include changes in labour costs, changes in commodity prices, changes in the value of the exchange rate, taxation and subsidies
2.1.6	Long run aggregate supply (LRAS)	Understand that there are differences between Keynesian and Neo-Classical views on what the AS curve will look like in the long run Explain the Neo-Classical view of the process through which an economy might adjust to long run equilibrium Understand that Keynesian economists disagree with this process of adjustment because of issues such as inflexible factor markets (‘sticky wage’, etc.) and that, consequently, the LRAS function may not be vertical at the equilibrium level of output	Learners should understand the assumptions of flexible product and factor markets which underpin this analysis

2.1.7	AD/AS analysis	Illustrate and explain how AD and AS interact to determine the equilibrium level of output, employment and prices in the long run	Diagrammatic analysis is required
2.1.8	The short run Phillips curve	Explain that there may be a trade-off between inflation and unemployment in the short run and that such trade-offs have been observed in the UK	Diagrammatic analysis is required
2.1.9	The long run Phillips curve	Argue that Neo-Classical economists believe that the short run Phillips curve is not stable due to the role of expectations; in the long run, attempts to hold unemployment below its natural rate/NAIRU will result in accelerating inflation and that when the economy eventually return to its natural rate/NAIRU it will do so with a higher level of inflation Understand that changes on the supply side (either favourable or adverse) can cause the position of the long run Phillips curve to shift and that economic policy changes can bring such shifts about	Learners should understand the role of inflationary expectations within this model Diagrammatic analysis is required

2.2 Macroeconomic objectives

	Content	Amplification	Additional guidance notes
2.2.1	Government policy objectives	Explain the main macroeconomic objectives and possible conflicts between policy objectives	Learners should understand why governments have attempted to achieve low inflation, low levels of unemployment, sustainable economic growth and equilibrium in the current account of the balance of payments
2.2.2	**Economic growth**		
	~~Actual vs potential economic growth~~	~~Explain the differences between changes in measured gross domestic product (GDP) (actual growth) and potential growth and understand that by 'economic growth' economists are generally referring to an increase in the productive capacity of the economy rather than short-term changes in the level of national income~~ ~~Explain the differences between actual and potential growth using the concepts of positive and negative output gaps and the business cycle~~ ~~Understand what is meant by the term 'recession'~~	~~Learners should be able to illustrate actual and potential growth diagrammatically using both PPF and AD/AS analysis~~
	Causes of growth	Understand that growth can be brought about by changes in factors such as the quantity, quality and efficiency of use of factors of production, changes in the state of technology and changes in factor market flexibility	Learners should be able to discuss the importance of these factors and discuss the extent to which changes in policy instruments may be used to create growth
	Benefits and costs of growth	Understand why growth may be beneficial to an economy in terms of impact on households, governments and firms	Learners should be able to evaluate these benefits in terms of how evenly such benefits may be distributed, the opportunity costs of growth, the sustainability of growth and the side-effects of growth in terms of conflicts with other policy objectives

2.2.3	**~~Unemployment~~**		
	~~Measurement and types~~	~~Understand that unemployment can be measured in different ways and be aware of the current major approaches and the problems with measuring unemployment accurately~~	~~Learners should understand the differences between economically active and inactive individuals and should understand what is meant by the labour force~~
	~~Costs~~	~~Examine the costs of unemployment; these may be both economic and social and may apply to households, governments, firms and the economy~~	
	~~Causes~~	~~Understand demand side causes, such as cyclical unemployment, driven by a fall in the level of GDP (different schools of thought have different views about how temporary this is likely to be)~~ ~~Understand supply side causes are driven by problems in factor markets, such as occupational and geographical inflexibility, lack of incentives to work and real wage unemployment~~	~~Learners should understand that Keynesian and Neo-Classical economists have different views as to the real underlying causes of unemployment~~ ~~Learners should understand the natural rate of unemployment~~
	~~Solutions~~	~~Understand that solutions to unemployment will depend on its cause and nature, but that approaches can broadly be characterised as either demand side or supply side~~ • ~~Demand side solutions~~ ~~Understand that, where a negative output gap exists, governments can use fiscal and monetary policy to increase the level of aggregate demand~~ ~~Evaluate the appropriateness and potential effectiveness of such solutions~~ • ~~Supply side solutions~~ ~~Explain and evaluate potential supply side approaches to the reduction of unemployment, targeted at particular labour market problems~~	~~Learners should be aware of policies to improve mobility of labour and labour market flexibility~~

2.2.4	**Inflation and deflation**		
	Measurement and calculation	Understand how inflation is calculated via weighted changes in price indices, generally over a twelve month period	Learners should be able to calculate simple price indices and understand the purpose of weights
		Identify the major measures of inflation in use at the present time and the differences between them	Learners should be able to calculate and interpret index numbers, in the context of inflation and in other areas
	Causes	Understand demand-pull and cost-push explanations of inflation	
		Explain and evaluate the quantity theory of money	Learners should understand the role of expectations in sustaining and driving inflation through mechanisms such as the wage-price spiral
	Costs	Appreciate that rising prices can create costs, but that these costs will depend on the level of inflation, the cause of inflation and the extent to which it was anticipated	Costs include redistributive effects, macroeconomic effects and efficiency effects
	Solutions	Explain and evaluate possible responses to the issue of inflation in terms of how effective or desirable solutions are likely to be	Approaches may include using fiscal and/or monetary policy to control AD/the money supply, supply side policies to improve labour and product market flexibility, direct controls on wages and prices and attempts to reduce inflationary expectations
	~~Deflation~~	~~Understand that, as with inflation, deflation may be either demand side or supply side driven and the effects will depend upon the cause – deflationary pressure caused by supply side improvements may be viewed as beneficial under some circumstances~~	
		~~Understand that demand-deflation can create major problems for economies and understand the costs of such deflation to households, governments and firms as well as the difficulties governments face when trying to end deflationary spirals once they have taken hold~~	

2.2.5

The balance of payments		
Measurement	Understand what is meant by the balance of payments Understand that the balance of payments sums to zero overall and that a current account deficit or surplus will be matched by compensating flows on the capital/financial accounts	Detailed knowledge of the sub-components of the balance of payments is **not** required
Current account imbalances: causes	Understand why countries may end up running current account deficits (or surpluses) and what is meant by a structural deficit (or surplus)	Factors may include: productivity, factor costs, exchange rates, industrial structure, commodity prices, protectionist policies and sources of comparative advantage
	Understand the possible link between changes in the terms of trade and the overall current account balance	Learners should be able to calculate the terms of trade index
Current account imbalances: impacts	Evaluate the consequences of a current account deficit/surplus	Understanding the nature of the deficit/surplus, its causes and the nature of compensating capital inflows are likely to be significant in evaluation
~~Solutions to current account deficits~~	~~Evaluate possible approaches to dealing with a sustained current account deficit~~	~~These may include exchange rate policies, deflationary policies, supply side reforms and protectionism~~

2.2.6	~~**Control of the national (public sector) debt**~~		
	~~Measurement~~	~~Understand the relationship between the budget/fiscal deficit and the national (public sector) debt~~	~~Learners should understand the difference between structural and cyclical deficits~~
	~~Causes~~	~~Understand that deficits may result from either discretionary or automatic government policy~~	
	~~Implications~~	~~Explain why governments have been concerned about high levels of public sector debt~~ ~~Concerns may include opportunity cost of interest payments, risk of credit downgrades, confidence issues surrounding refinancing and the risk of crowding out and slower growth~~	
	~~Solutions~~	~~Discuss the extent to which it is appropriate to tighten fiscal policy during periods of economic downturn as a way of reducing the budget/ fiscal deficit~~	~~Learners should be able to evaluate the extent to which these concerns are reasonable and hence whether debt is always a bad thing~~

2.3 Policy instruments

	Content	Amplification	Additional guidance notes
2.3.1	**Fiscal policy**		
	Framework	Understand the overall purpose and structure of the budget	Learners should be aware of the major areas of government expenditure and sources of revenue
		Analyse the possible impact of changes in tax and spending on the economy using AD/AS diagrams and the Laffer curve	Learners should be able to explain the differences between current expenditure and capital expenditure and between direct and indirect taxes and their relative desirability
	Demand side fiscal policy	Explain how Keynesian economists believe that fiscal policy can and should be used to control the level of aggregate demand in the economy under certain circumstances	Learners should be able to illustrate this idea using AD/AS diagrams Learners should be able to evaluate the use of demand side fiscal policy in terms of both its effectiveness and possible side effects, for example, on the public sector debt
	Supply side fiscal policy	Explain that fiscal policy can be used to achieve policy objectives by operating on the supply side in the longer term (examples might include influencing incentives to work and to invest, improving infrastructure)	Learners should be able to evaluate the effectiveness of these types of policy

2.3.2	**Monetary policy** Framework	Understand the role of the Bank of England in creating monetary and financial stability, and its status as lender of the last resort Understand the purpose of the Bank's inflation target, its symmetrical nature and any other objectives that the Bank may be required to pursue	
	The operation of monetary policy and monetary stability	• Interest rates Understand how changes in interest rates may be used to achieve the Bank's objectives and the factors the Bank is likely to take into account when setting base interest rates Understand how interest rate changes can impact both the real economy and inflation Discuss the extent to which changes in interest rates are likely to affect the exchange rate	Learners should be able to evaluate the likely impact of changes in interest rates and the overall effectiveness of interest rate control as a policy tool Learners should be able to use AD/AS diagrams to support their analysis and evaluation
		• Quantitative easing (QE) Understand the role of QE within the financial system and be able to explain how QE is expected to work	Learners should be able to evaluate the impact and risks of QE Learners should understand the process through which QE may eventually be reversed Detailed knowledge of different measures of the money supply is **not** required
		• Direct intervention Understand that central banks can intervene directly in the banking system to stimulate lending activity, for example, funding for lending Learners should be able to analyse and evaluate any additional changes to the operation of monetary policy that arise over time	

2.3.3	Financial stability	• The financial sector Understand the changes in the structure of the UK economy in recent years, in particular the growing size and influence of the financial sector • Asset bubbles Explain, with appropriate examples (for example the financial crisis of 2007-08), how asset bubbles may arise and what the economic consequences of such bubbles may be • The role and purpose of regulation Understand the need for regulation of the financial system in terms of creating financial stability	Learners should be able to evaluate the extent to which the UK's large financial sector is beneficial to the real economy Learners are not expected to have a detailed understanding of the system of financial regulation in the UK

2.3.4	**Exchange rates and exchange rate policy**		
	Exchange rates in a free market	Explain that in a free-float system, the exchange rate will be determined by the forces of demand and supply	Learners should understand that demand for a currency is equal to exports plus capital inflows, whilst supply is equal to imports plus capital outflows
		Use demand and supply diagrams to analyse and evaluate the factors which might cause exchange rates to appreciate or depreciate	Such factors may include interest rates, QE, trade flows, confidence, safe haven issues and speculation
		Evaluate the possible impacts of changes in exchange rates on the policy objectives	Learners should be able to use AD/AS diagrams to support their analysis
		Evaluate the microeconomic effects of exchange rate changes on households and firms	Learners should understand what is meant by an exchange rate index
	Exchange rate policy	Understand how monetary authorities can influence the value of an exchange rate in a floating system (a 'managed' or 'dirty' float)	Learners should be able to explain the impact of changes in exchange rates on the terms of trade
		Evaluate the advantages and disadvantages of policies which hold exchange rates artificially above or below their free market levels	Understanding of the Marshall-Lerner condition is required

2.3.5	**Supply side policies**	Understand what is meant by supply side policies and understand how they can be used to try to increase trend growth/LRAS in the economy as well as the flexibility of product and factor markets	Learners should be able to evaluate supply side policies in terms of both their effectiveness and possible side effects Learners should be able to analyse and evaluate the impact of supply side policies using AD/AS analysis and PPFs

3.1 International trade

	Content	Amplification	Additional guidance notes
3.1.1	Advantages and disadvantages of free trade	Understand the advantages and disadvantages of international trade from the point of view of the economy as a whole and for households, firms and government	Learners should be able to explain the theory of comparative advantage using numerical and graphical approaches Learners should understand the difference between absolute and comparative advantage Learners should be able to explain and numerically illustrate the terms of trade
	Protectionism	Understand the arguments for and against the implementation of protectionist policies Explain and illustrate key methods of protectionism	 Methods include: tariffs (diagram required), quotas, subsidies, exchange rate manipulation and administrative/regulatory policies
	~~Globalisation~~	~~Evaluate the costs and benefits of globalisation~~	
	~~Trade and the UK~~	~~Identify the UK's major export sectors~~ ~~Evaluate the extent to which an increasingly integrated world economy is beneficial to the UK~~	~~Learners should understand the role of the World Trade Organisation (WTO) in policing trade agreements and negotiations~~

3.2 Non-UK economies

		Learners need to draw on examples from economies other than the UK when discussing economic problems	Learners should have some understanding of typical economic problems facing more economically developed countries (MEDCs), LEDCs and emerging economies
3.2.1	~~European Union~~	~~Analyse and evaluate the advantages and disadvantages of membership of the EU for member states and prospective members~~ ~~Evaluate whether the continuous expansion of the EU is beneficial for both existing members and new members~~ ~~Evaluate the benefits and possible drawbacks of membership of the economic and monetary union (EMU)~~ ~~Assess the EMU in terms of its fit with an optimal currency area~~	~~Learners should have an understanding of the structure of the EMU (eurozone), including the role of the European Central Bank~~

3.3 Economic development

3.3.1	~~Measurement~~	~~Understand what is meant by the concept of economic development~~ ~~Evaluate the extent to which changes in national income are a good indicator of changes in the level of development in a country~~ ~~Identify and understand other possible measures of economic development, including:~~ • ~~the human development index (HDI) – understand how the index is calculated and be able to discuss the extent to which the HDI can show differences in economic development~~ • ~~the economic structure of an economy~~ • ~~more indirect indicators such as access to health and education, access to the internet and mobile phone usage~~	~~Learners should be able to explain the difference between GDP and gross national product (GNP)~~ ~~Learners should understand the meaning and significance of purchasing power parity adjustments~~ ~~Learners will not be expected to calculate HDI~~ ~~Learners should have an awareness of the United Nations Millennium Development Goals~~

3.3.2	Obstacles	Discuss why LEDCs may face difficulties in competing with MEDCs and in raising their level of economic development Explain and evaluate relevant obstacles; including: the extent to which endowment with natural resources is beneficial or whether there is a 'resource curse', low levels of health and education, low life expectancy, the impact of MEDC trade policies, the impact of poor levels of infrastructure, capital and technology, the effect of institutional weakness and poor governance, high levels of public sector debt and rapid population growth	
3.3.3	Solutions	Explain and evaluate possible approaches to raising the level of economic development; including: liberalisation – a move towards a more free-market based system involving internal and external liberalisation, international aid, debt relief, government intervention in the form of policies such as import and export substituting industrialisation and encouraging FDI	