



# A Level Economics B

## SPECIFICATION MAPPING

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Staying with or switching to Pearson Edexcel Economics B

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**Please note:** Information within this document relating to AS Level Economics B is no longer applicable because the qualification is no longer available

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# Switching to Pearson Edexcel Economics B

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## Introduction

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Economics B is a new qualification for 2015. It would be a suitable successor to our 2008 Economics & Business qualification.

Whether you are thinking of staying with or switching to Pearson Edexcel for the 2015 specifications, this document is an easy reference guide to help you identify key comparisons and differences between the specifications.

The *Getting Started Guide* for AS and A level Economics B – available free on the Economics B pages of the Edexcel website – includes detailed coverage of the principles behind all the changes and the support available to help you deliver the new courses from 2015.

### What is Economics B?

In Economics B students apply economic theory to real-life business contexts to help them understand the complexities of the world around them. Students also use data to help them analyse markets and economies, and how governments try to influence both. Students use economic theory to explain events and develop an understanding of the strategies employed by businesses in responding to these events.

Business contexts are integrated throughout the course to provide a contextualised approach to economics, with less emphasis on abstract models and more emphasis on real-world case studies. This demonstrates how economics can be used to understand the business world, and how the business world provides relevance and engagement to the study of economics.

This approach was pioneered by the Nuffield Foundation.

### What are students required to study in A level Economics?

All Economics specifications must meet the content requirements set out in the Department for Education's subject content document (which can be found on the DfE website). This content has been updated for the new specifications and the boxes below highlight the key requirements.

The following requirements apply to both AS and A level Economics specifications:

**AS and A level** specifications must require students to:

- develop an understanding of economic concepts and theories through a critical consideration of current economic issues, problems and institutions that affect everyday life
- develop analytical and quantitative skills in selecting, interpreting and using appropriate data from a range of sources
- explain, analyse and evaluate the strengths and weaknesses of the market economy and the role of government within it
- develop a critical approach to economic models of enquiry, recognising the limitations of economic models
- understand microeconomic and macroeconomic market models; use the models to explore current economic behaviour; make causal connections; and develop an understanding of how the models shed light on the economy as a whole
- be aware of the assumptions of the model of supply and demand; explain the way it works using a range of techniques; and use the model to describe, predict and analyse economic behaviour

- develop an understanding of the benefits of markets and the reasons why they may fail; understand the implications of market failure for individuals, firms and government; and recognise the possibility of government failure
- use the aggregate demand/aggregate supply (AD/AS) model and data to understand why supply-side and/or demand-side policies may be seen as appropriate ways of managing an economy
- consider the possible impact of macroeconomic policies; recognise the issues governments face in managing the macroeconomy; argue for different approaches; and identify criteria for success and evaluate effectiveness
- develop the ability to apply and evaluate economic models as represented in written, numerical and graphical forms; interpret and evaluate different types of data from multiple sources; and propose and justify possible responses to economic issues.

All **AS** and **A level** specifications must cover the following core knowledge, understanding and skills:

**Economic choices and markets**

Scarcity and choice: the basic economic problem, opportunity cost, specialisation and trade.

How competitive markets work: allocation of resources, the objectives of economic agents, supply and demand, elasticity.

Market failure and government intervention: externalities, alternative methods of government intervention, government failure.

**The national and global economy**

The determination of output, employment and prices: circular flow of income, expenditure and output, aggregate demand and aggregate supply.

Economic policy objectives and indicators of macroeconomic performance: for example, economic growth, employment, inflation, the balance of payments; potential policy conflicts and trade-offs.

The global context: international trade, exchange rate changes.

The application of policy instruments: the nature and impact of fiscal, monetary, exchange rate and supply-side policies.

The following requirements also apply to A level Economics specifications:

**A level** specifications must require students to:

- develop an understanding of the role and impact of the financial sector
- recognise the assumptions, relationships and linkages of the possible impacts of macroeconomic policies
- apply and evaluate economic concepts, theories, methods and models to a wider range of contexts.

**A level** specifications must also cover the following core knowledge, understanding and skills:

**Economic choices and markets**

- Scarcity and choice: the margin.
- How competitive markets work: productive and allocative efficiency, the interaction of markets.
- Competition and market power: business objectives, market structures and their implications for the way resources are allocated, interdependence of firms.
- Labour market: wage determination, labour market issues, government intervention.
- Market failure and government intervention: market power, information asymmetries.

**The national and global economy**

- Financial sector: the role of the financial sector and its impact on the real economy, financial regulation, role of central banks.
- Economic policy objectives and indicators of macroeconomic performance: income distribution and welfare.
- The global context: globalisation, trade policies and negotiations.

Students are also expected to accomplish the following quantitative skills as part of their AS and A level study:

- calculate, use and understand ratios and fractions
- calculate, use and understand percentages and percentage changes
- understand and use the terms mean, median **and relevant quantiles**
- construct and interpret a range of standard graphical forms
- **calculate** and interpret index numbers
- **calculate cost, revenue and profit (marginal, average, totals)**
- **make calculations to convert from money to real terms**
- make calculations of elasticity and interpret the result
- interpret, apply and analyse information in written, graphical and numerical forms.

*Note: emboldened skills are not a requirement in the AS level.*

## Economics B overview

Our Economics B specifications have been developed to ensure the revised subject content and assessment requirements for economics (as outlined on pages 2 to 4) are met, and to bring the specifications up-to-date. Highlights from each theme are introduced below.

### Content

**Theme 1** introduces students to the economic problem, market failure and government intervention. Highlights include: consumer choices and enterprise in the economy; the market economy and how market forces shape the way in which firms meet consumer demand; and the role of banks in the economy.

Macroeconomic policy is introduced in **Theme 2**, and students are introduced to the economic cycle and the global economy. Highlights include: how consumers are influenced by and respond to changes in prices and incomes; small firm survival in competitive markets; and an introduction to developed, emerging and developing economies.

Building on Theme 2 content, students develop their understanding of the global context in **Theme 3**. The content has broadened to developing economies such as Africa. Students are also introduced to global labour markets and inequality and redistribution. Highlights include: the impact of globalisation and expansion into new markets; global employment; and poverty and inequality.

**Theme 4** has a greater focus on market failure and macroeconomic policies, building on knowledge and understanding from Theme 1. Students are also introduced to risk and the financial sector. Highlights include: market power; market failure and macroeconomic policies; and the Global Financial Crisis.

### Assessment

The AS and A level papers have been designed to ensure the assessments are clear and consistent, enabling students to understand the skills they are required to demonstrate without overly focusing on exam technique. These include:

- A reduction in the variety of **command words** used, careful definition of the skills that comprise each command word, and consistent application of the command words within and across assessments.
- **Skills-based mark schemes** that focus on the qualities students are required to demonstrate in their answers, rather than the quantity of points within responses. Clarity of the skills comprising each command word reflects how teachers and examiners describe the qualities of student work, so the expectations are clear for teachers and for markers, reducing subjectivity.
- **Short-answer questions** that focus on knowledge, understanding and application. These ensure the integration of assessment objectives within questions so they are not considered in isolation, support the application of knowledge to real-business contexts, and require students to demonstrate a holistic understanding of economics through making connections between their knowledge of economic theories and concepts and business contexts.
- A focus on the skills required for progression to university and employment within the **pre-released context**.

## Mapping to the 2008 specifications

This guide maps the current (2008) Pearson Edexcel Economics & Business and Economics specifications to the new (2015) Economics B specifications to support your planning and delivery of the new specifications.

The specifications must be referred to as the authoritative source of information.

## Specification map: from 2008 Pearson Edexcel Economics & Business

This specification map is intended to demonstrate possible links in content from the 2008 Economics & Business specification. The approach to and emphasis of the content is not necessarily the same. The Economics B specifications must be consulted to determine the appropriate breadth and depth of study for the new qualification.

2008 Pearson Edexcel specification			2015 Pearson Edexcel specification
Unit	Section	Topic	
1	1.3.1	Characteristics of entrepreneurs	-
		What motivates entrepreneurs?	1.2.2
		Leadership styles	-
	1.3.2	What makes a market? What should firms supply?	1.3.2
		Identifying what consumers want or need	1.3.1, 1.3.3
	1.3.3	Researching demand for the business idea	1.3.5
		Is there a market for the business idea?	1.3.5
		Positioning the business idea	1.3.6
		Product trial	-
		Opportunity costs of developing one business idea as opposed to another	1.1.1, 1.1.3
	1.3.4	Current economic climate	1.2.5
	1.3.5	Sources of finance	1.4.2, 1.4.3
	1.3.6	Estimation of sales levels, costs and profit	1.6.1
		Break-even revenue level	1.6.2
		Measurement of profit	1.6.3
1.3.7	Creation of a business plan	-	
2	2.3.1b	The nature of markets	-
		Changes in demand and supply	1.3.3
		Changes in price	1.3.3, 2.2.2
		Price elasticity of demand	2.2.1
		Changes in income	2.2.4
		The purpose of marketing in changing markets	2.2.2
	2.3.2b	How does competition affect the market?	2.2.2, 2.2.3
		Different market structures	4.1.1, 4.1.2, 4.1.3

	2.3.3b	Different types of organisational structures	-
		How managers can get the best from their staff	-
		Productivity and efficiency	2.3.1, 2.3.2
		Lean management	2.3.3
	2.3.4b	Reasons for bigger businesses	2.1.1
		How increasing size affects cost	2.1.1
		How size affects market power	4.2.1
		Small is beautiful	2.1.5
	2.3.5b	Causes of uncertainty	4.5.1
		Why uncertainty is a problem	-
		How businesses can try to reduce uncertainty	-
	2.3.6b	What is the economic cycle?	2.5.1, 2.5.2
		How does inflation affect us all?	2.5.3
		What is unemployment and how does it affect us all?	2.5.4
		What is structural change?	3.5.1
		What are the implications for business?	-
<b>3</b>	3.3.1	Product or market conditions that may prompt a business to trade internationally	3.1.2, 3.1.3, 3.2.1
	3.3.2	What will be the likely impact of the growing economic power of China and India on individuals, national and multinational firms in the 21st century?	3.1.1
	3.3.3	Assessment of country markets	3.2.2
		Comparative advantage and the role of specialisation by countries	3.1.2
	3.3.4	Responsibility to stakeholders	3.4.2
		Social/cultural differences in doing business	3.3.2
		The purpose of tariffs, laws, import quotas	3.1.4
	3.3.5	Global industries	3.3.1
		Global marketing	-
		Global niche markets	3.3.1
	3.3.6	Benefits that multinationals bring to overseas countries	3.4.1
		Potential negative impact of multinationals on overseas countries	3.4.1
Can multinational firms be controlled?		3.4.3	
<b>4</b>	4.3.1b	What market failure means	1.5.1, 4.2.1, 4.3.1



	What externalities are and how they affect an economy	1.5.1, 4.3.2
	To what extent are externalities acceptable?	1.5.1
	What the government can do about it	1.5.2, 4.3.3
4.3.2b	Why regulation is needed	4.2.1, 4.2.2
	What the government does	4.2.2
	The effects of these policies and the implications for business	4.2.1, 4.2.3
4.3.3b	What the government does	4.4.1, 4.4.2, 4.4.3
	The effectiveness of government action	4.4.4
4.3.4b	Why the government redistributes wealth	3.6.1, 3.6.2, 3.6.3, 3.6.4
	How and why the government intervenes to regulate behaviour. The extent to which government should intervene.	4.3.1, 4.3.2, 4.3.3
	The implications for business	4.3.3

## Specification map: from 2008 Pearson Edexcel Economics

This specification map is intended to demonstrate possible links in content from the 2008 Economics specification. The Economics B specifications must be consulted to determine the appropriate breadth and depth of study for the new qualification.

2008 Pearson Edexcel specification			2015 Pearson Edexcel specification
Unit	Section	Topic	
<b>1</b>	1.3.1	Scarcity	1.1.1
		Production possibility frontiers	-
		Specialisation and the division of labour	1.2.4
		Free market and mixed economies	-
		Positive and normative economics	-
	1.3.2	Movement along the demand curve	1.3.1
		Shifts in the demand curve	1.3.1
		Price, income and cross elasticities of demand	2.2.1, 2.2.4
	1.3.3	Movement along the supply curve	1.2.2
		Shifts in the supply curve	1.2.2
		Price elasticity of supply	-
	1.3.4	Determination of market equilibrium	1.3.3
		Consumer and producer surplus	-
		Functions of the price mechanism	1.3.4
	1.3.5	Price mechanism	1.3.3
		Indirect taxes and subsidies	1.3.2
	1.3.6	Demand and supply of labour	3.5.2, 3.5.3
	1.3.7	Market failure	1.5.1, 4.2.1, 4.3.1, 4.3.2
		Externalities	4.3.2
		Public goods	-
Imperfect market information		-	
Labour immobility		-	
Unstable commodity markets		-	
1.3.8	Methods of government intervention	1.5.2	
1.3.9	Government failure	1.5.2	
<b>2</b>	2.3.1	Economic growth	3.1.1

		Inflation	2.5.3
		Employment and unemployment	2.5.4
		Balance of Payments	-
		Measures of development – HDI	3.1.1
		Other measures of development	-
	2.3.2	National income	-
		Income and wealth	-
		Injections and withdrawals	-
	2.3.3	The components of AD: $C + I + G + (X - M)$	2.5.2, 4.4.1
		Consumption (C)	2.5.2
		Investment (I)	2.5.2
		Government expenditure (G)	2.5.2
		Exports – Imports (X – M)	2.5.2
		Movements along and shifts of the AD curve	2.5.2, 4.4.1
	2.3.4	Aggregate supply	2.5.2, 4.4.1
		Movements along and shifts of the AS curve	4.4.1
	2.3.5	Equilibrium level of output	4.4.1
		The multiplier	4.4.1
	2.3.6	Actual and potential growth	3.1.1
		Causes and constraints on growth	-
		Benefits of growth	-
		Costs of growth	-
	2.3.7	Current macroeconomic objectives	2.6.1
		Conflicts between objectives	2.6.3
	2.3.8	Demand-side policies	2.6.2, 4.4.2
		Supply-side policies	2.6.2, 4.4.2
	2.3.9	Conflicts resulting from the use of policy instruments	2.6.3
<b>3</b>	3.3.1	Objectives	1.1.2
	3.3.2	Company growth	2.1.1, 2.1.2
	3.3.3	Revenue	1.6.1, 4.1.4
	3.3.4	Costs	1.6.1, 4.1.4
		Economies and diseconomies of scale	2.1.1
	3.3.5	Productive and allocative efficiency	2.3.1, 2.3.2, 2.3.3, 2.3.4, 4.1.5
	3.3.6	Normal and supernormal profit	-
		Profit maximisation	-

	3.3.7	Barriers to market entry and exit	4.1.2
	3.3.8	Market concentration	4.1.3
	3.3.9	Perfect competition	4.1.1
		Monopoly	4.1.1
		Monopsony	-
		Oligopoly	4.1.3
		Monopolistic competition	4.1.1
	3.3.10	Contestability	4.1.2
	3.3.11	Government intervention to maintain competition in markets	4.2.2, 4.2.3
<b>4</b>	4.3.1	Causes of globalisation	3.1.2
		Effects of globalisation	3.1.1
	4.3.2	Patterns of trade	3.1.2
		Specialisation and comparative advantage	3.1.2
		WTO	3.1.4
		Restrictions on free trade	3.1.4
		Protectionism	3.1.4
	4.3.3	Balance of Payments	-
		Current account deficits and surpluses	-
		Influences on exchange rates	-
		Changes in exchange rates	3.1.5
		Monetary union	3.1.5
	4.3.4	Measures of competitiveness	-
		Factors influencing competitiveness	-
		Government policy	-
	4.3.5	Absolute and relative poverty	3.6.1
		Measurements of inequality	3.6.1
	4.3.6	Limits to growth and development	-
	4.3.7	Macroeconomic policies	4.4.2
		Public expenditure	-
		Taxation	-
		Public sector borrowing and public sector debt	-
	4.3.8	Ways of promoting growth and development	3.6.2