

## ***The AHE response to the QAA subject benchmark statement for economics***

Information report for the AHE annual conference

### ***Introduction and background***

The QAA (Quality Assurance Authority) is a non-governmental body charged with monitoring and maintaining academic standards in undergraduate teaching in the UK.

In its early days the QAA concentrated on delivery and consistency, focussing on the student experience, teaching standards and the consistency with which the objectives of undergraduate courses were described, delivered and evaluated.

In recent years it moved to establish, in each subject area, ‘benchmark’ standards for the content of undergraduate teaching. This meant it was no longer simply verifying whether the academic institution delivered what it said it was going to deliver, but constructing a normative standard of what it was allowed to be delivered.

Since the QAA is charged not merely with issuing standards but with qualification and verification, this could in the future exercise considerable influence over the content of economics courses. In principle the QAA could at some point, for example, refuse to qualify a department for a failure to conform with a subject benchmark.

In August 2006 the QAA moved to consultation over the draft benchmark standard for economics. The British Association for Economics consulted its members and produced the statement reproduced below, which was submitted to the QAA board.

The document below contains the AHE submission and, as appendices, the original QAA benchmark statement (a revised version is now available on the QAA website), and the consultation pro forma.

The pro forma consultation form also contains hyperlinks to relevant QAA sites.

***Submission from the Association of Heterodox economists to  
the consultation on the QAA benchmark statement on  
economics***

**Response to Question 1: does the statement define the nature of  
the discipline?**

The statement below is a response to the revised QAA statement for economics which has been drawn up by the Association for Heterodox Economics. This body has held eight annual conferences in the UK, with a growing number of papers reaching 90 in 2006, and has a membership of 150. It represents a wide spectrum of opinions. The AHE is committed to promote pluralism in economics. This response represents the consensus view of our members. The AHE seeks to be consulted in future revisions of the statement and to be one of the bodies involved in the definition and implementation of QAA standards in the subject.

Our comments are of such a nature, and on such a scale, that we felt it not useful to respond to the board separately under each requested heading for consultation; we therefore present a single response to the first question in the pro forma for consultation, ‘does the statement define the nature of the discipline’?

We list below ten interconnected weaknesses in the statement as we see it. We believe these require a substantial rethink of the statement as a whole. We recognise that it is unlikely that the board at this stage will want to undertake such a full rewrite but we hope, nevertheless, that it will be able to take these views into account and, in particular, will make them known to the profession for consideration by those involved in drawing up curricula for teaching economics.

- (1) The benchmark statement wrongly defines the object of study of the discipline of economics. It identifies the object of study with mastery of one particular theory – mainstream theory in its present state of development – and one particular method – the application of purely quantitative techniques to the formation of judgements on qualitative questions.
- (2) the statement fails to identify the faculty of judgement as a professional and academic requirement for practitioners. It does not require economists to distinguish false theory from true theory, which makes it hard to understand how, as so defined, it can be considered a science.
- (3) The statement fails to recognise pluralism – the consideration of a variety of theories in forming judgements – as a requirement of professional competence. A scientific and evidence-based approach must select, from a variety of competing theories and explanation, which best accounts for the observed empirical features of the object of study. This is what scientific judgement consists of.
- (4) The statement identifies the requirement for critical approach but fails to spell out what this consists of, how it might usefully be taught, and how it might be assessed. In our understanding, critical theory requires that the practitioner examine and lay bare the presuppositions of a theory. This ensures that when a false theory is rejected on the basis of evidence, the theory is reshaped by rejecting those assumptions and abstractions that have been shown to lead to

conclusions unsupported by evidence, and upholding those which have led to conclusions upheld by evidence.

- (5) The benchmark statement effectively identifies an evidence-based approach with inductive reasoning. An evidence-based approach requires that evidence be confronted with theory in order to make judgements. This does not reduce to inductive logic. In the absence of the requirement to understand and test a variety of theories along with their presuppositions, inductive reasoning contributes little more to human knowledge than the study of gambling.
- (6) The statement reduces the history of economic thought to the category of an optional topic. Without understanding the origin of a theory, we do not see how it is possible to lay bare its presuppositions and hence, how good judgement may be exercised as to whether these presuppositions are valid.
- (7) It offers no reward for innovation or creativity in the solution of problems. In fact it stifles it, defining economic knowledge as something to be assessed by the mere reproduction of the existing, mainstream, orthodox abstractions and tools identified in the first part of the statement. It seems clear to us that any student who departs creatively from the mainstream or seeks alternatives to it, will be positively discouraged and penalised in assessment and any department which seeks to encourage such creativity will be penalised in recognition, just as its researchers are already penalised in both publication and funding by the existing combination of the RAE and the diamond list.
- (8) In consequence of (7) the statement omits any clear conception of change in economic thought and charts no road-map of how progress (or regress) might have occurred in the past, how to foster progress or inhibit regress in the future, or how the new generation of practitioners might contribute to raising the quality of economic advice and judgements. Our members view it as raising the frozen state of current thinking as a single standard by which good practice may be assessed or good students rewarded.
- (9) There is a growing feeling among heterodox practitioners of economics that our discipline is wrongly situated in relation to its sister social sciences, and the QAA statement does nothing to alleviate these concerns. Economics is the product of a confluence of many currents in the social sciences, including Philosophy, ethics, not least Political Economy as such, Law, History, and Sociology. We fear in losing sight of its origins it is also losing its bearings. Economists should be required to go further than mere awareness of other disciplines. They should be required to absorb and actively seek new insights from them (as has occurred, to the gain of the subject, with Evolutionary Economics and the New Economic Geography). They should take account, above all, of results from other disciplines which confirm or deny the results of economics (as has occurred with psychological studies of consumer behaviour) and submit themselves to the discipline of re-examining those of their own results which are at odds with the findings of other researchers.
- (10) The statement appears neither to take account, nor to direct students to take account, of public criticism. Indeed the requirement that students be able to ‘explain the subject to a non-economic audience’ is strongly suggestive of the supposition that the explainer must necessarily be right and the explaine necessarily wrong. Rather, the requirement to listen and take account of the

views of a non-economic audience is to be encouraged. It is particularly disappointing that the board seems to have paid no attention to the growing currents of criticism among students of economics such as the Post-Autistic Movement in France or the criticism developed by Cambridge students; nor to the growing popularity among the educated public of highly critical works on economics. If, for example, the same advice were given to students of medicine, architecture or engineering, we feel it would not be long before the consumers of their products would rightly revolt. The requirement of submitting and responding to external criticism is a sadly missing element of the professional training offered by the benchmark statement.

To sum up: the benchmark statement neither defines economics to be a *social* science, since in contrast with the benchmarks of all other areas of social study including even the study of religion, it excludes both diversity of theory and creativity of approach, and since it effectively denies its sister sciences any say in the judgement of its results; nor does it define economics to be a social *science* since, in contrast with all other sciences, it excludes the critical exercise of judgement to distinguish, on the basis of evidence, false from true theory.

The benchmark defines economics, in short and sadly, to be a dogma.

### **Comparison with other disciplines**

It may be felt that the above is overly critical or sweeping, and that a more partial approach would assist the benchmarking committee iteratively to improve upon its initial deliberations.

In order to assist the profession, its peer disciplines, and the consumers of its output to form a judgement on this issue, we compare the statement with the approach of other benchmark statements. We feel that even a cursory scrutiny of the field confirms that our subject requires a comprehensive and self-critical review of the entirety of the assumptions which have gone into a statement so at odds with standards outside of our subject, that nothing short of such a review can rescue our discipline from the all-time low esteem in which it is held among all but its own practitioners.

### **Theology**

Given that constant new development has been the characteristic of the field of TRS since the latter half of the twentieth century, both in the UK and elsewhere, it is vital that any definition of the subject does not constrain future innovation...

Much of the excitement of the discipline lies in its contested nature...

TRS as a subject discipline may be characterised as a family of methods, disciplines and fields of study, clustered around the investigation both of the phenomena of religions and belief systems in general, and of particular religious traditions, texts, practices, societies, art and archaeology. Most would identify within this the unifying principle of addressing questions raised about, within or between religions through a range of different academic disciplines

### **Accounting**

[K]nowledge and understanding of some of the alternative technical languages and practices of accounting (for example, alternative recognition rules and valuation

bases, accounting rules followed in other socio-economic domains, alternative managerial accounting approaches to control and decision-making) ...

[K]nowledge and understanding of contemporary theories and empirical evidence concerning accounting in at least one of its contexts (for example, accounting and capital markets; accounting and the firm; accounting and the public sector; accounting and society, accounting and sustainability) and the ability to critically evaluate such theories and evidence

## **Politics**

The scope of politics and international relations is broad, the boundaries often being contested or in movement.

Perhaps in no other academic discipline are the subject matter and approaches so much in contention and in flux. This contributes to the challenging yet captivating nature of the discipline. The present state of the discipline is the result of curiosity, free inquiry and debate and its future will be driven by the same forces. It is therefore not the intention of this section to lay out a 'national curriculum' for politics and international relations. All that can be asked of institutions is that they should continue to develop their teaching and research and to offer to their students a curriculum which is founded on the discipline as it has developed to date...

International political theory could be taught as contending approaches such as realism, neo-realism, neo-liberalism, institutionalist theory, feminism, pluralism, Marxism or critical theory; it could also be taught as normative theory.

## **Earth sciences**

[T]he benchmarking group believed that ES3 degree programmes share the following important features:

- most tuition has an holistic, multidisciplinary and interdisciplinary approach
- the integration of fieldwork, experimental and theoretical investigations underpins much of the learning experience in earth and environmental sciences, but may be less significant in, but not absent from, courses in environmental studies
- quantitative and qualitative approaches to acquiring and interpreting data
- examination of the exploration for, and exploitation of, physical and biological resources
- examination of the implications of sustainability and sustainable development...

It is stressed that the examples which follow should not be taken as prescriptive but are presented to illustrate the variation in emphasis from subject areas which can be described as natural sciences-based to those characterised as more social sciences or humanities-based.

We take it as self-evident that knowledge and understanding of the human past is of incalculable value both to the individual and to society at large, and that the first object of education in history is to enable this to be acquired...

## **History**

We have seen our task as the following: to lay out criteria for judging the suitability and adequacy of single-honours degree courses in history; to do this in a way that is as specific as possible without undermining the principle that there are many different suitable and adequate ways of constructing and making available the great richness and diversity of history; to do it in a way that recognises also the need for adaptability to new academic developments in the field, and innovations in course structures and teaching methods. We insist that teaching and learning are evolving processes and that it is not our intention to freeze the teaching of history in a particular model. Our subject benchmark statement should be seen as a starting point: departments and subject groups will have the chance to demonstrate how benchmark standards can be built on by the provision of additional or perhaps alternative opportunities.

## **Geography**

The breadth of geography means that many of its core constituents can be approached through a number of routes, and so any attempts at prescription must be discarded; institutions offering degree programmes in geography must be free to decide upon the details of content and organisation. A valued characteristic of the discipline is its plurality of ways of knowing and understanding the world, and the depth to which individual specialisms are studied will vary according to the nature of specific departments.

## **Summary**

Faced with a benchmark less critical of its prescriptions than theology and which attaches less importance to diversity than accountancy, it is hard to accept that iterative reform is a practical procedure. This is why we consider a complete rethink to be necessary. Such a complete rethink should review the QAA statements of the whole of the peer disciplines with which, it is recognised in the statement, economists should be able to interact.

An impartial approach to the definition of the subject matter, standards of attainment, and criteria for the judgement of ability and competence within economics, must recognise that the economics QAA departs so far from contemporary standards in any other comparable field, that it is inconceivable that the discipline can progress further without such a comprehensive rethink.

In the history of economics, at every juncture that new insights have been gained into the workings of the market, this has occurred because existing conventional wisdom has been overturned. The question which must be asked is this: will the economists of today, trained in the standards of this statement, be able to contribute to the advance of the subject during their lifetimes to an extent comparable with the changes of the past of the subject, which have seen in our own lifetimes, to name but a few, the emergence of Keynesianism, of monetarism, of the Phillips curve, of the new economic geography, of the new labour economics, of an entire range of theories of economic development, of econometrics itself, of the Hendry and related critiques of econometrics, of critical realism, of feminist economics, and countless other innovations that are alternately included in, and excluded from, the mainstream with the regularity of fashion in clothing and taste in cuisine?

The duty of those who wish to secure the continuity of the subject is to ensure that its history, and the variety of opinions which have contributed to its formation are both

recognised and built on, and that the principles of divergence and creativity to which it owes its existence are made requirements of valid professional practice.

The benchmark statements' failure to place variety, plurality, diversity, contestation, criticism, discussion, debate, argument and, not least, the confrontation of theory with evidence at the centre of our subject, which owes its existence and continuance to these very faculties, is at variance with virtually the whole spectrum of disciplines outside its own.

We now proceed to a discussion of a number of individual aspects of this submission.

### **Object of study**

The object of study of any science must be clearly distinguished from the theories which that science applies in order to comprehend that object. We think that the QAA fails to make this distinction.

The object of study of the Politics and International Relations revised subject benchmark is defined thus: "Politics is concerned with developing a knowledge and understanding of government and society".

The equivalent statement for modern economics would be "Economics is concerned with developing a knowledge and understanding of the market and its relation to society."

The benchmark statement defines the object of study not as a social or institutional formation but as the study of the "factors that influence income, wealth and well-being". These are the abstractions of a specific theory of the market, not a definition of the subject which is the market itself along with its relation to the social, cultural, political and institutional formations of which society is constituted. For the study of the market, many different sets of abstractions can and are made by different theories and students should be familiar with this range of approaches, just as they are required to be in the sister disciplines of economics.

For example in the bodies of thought with which AHE members have considered we might find some or all of such definitions such as, "the study of production, consumption and distribution" or "the study of society and the use which it makes of natural resources" or "the study of price and enterprise" or "the relation between money, production, and society" or "the study of world trade and the institutions which shape it" or "the interactions between exchange, culture and gender". Nor does this list exhaust the possibilities. It would be nugatory to choose between them, because the object of study is itself a social object – the market and its interactions – not a particular definition of this social object.

The flaws identified above are translated into the remainder of the opening section which raise to the status of an object of study an entire range of concepts and methods which are the core not of economics but of a particular paradigm, namely, neoclassical economics in its current state of evolution.

The relevance to the subject of every one of the following elements, asserted to a part of the subject's definition, are all contested by one or more viable theoretical alternative currents of thought in economics: scarce resources,<sup>1</sup> marginal

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<sup>1</sup> with world real incomes at \$7,000 per head on average in the globe, it is particularly ironic that almost no resource is now 'scarce' in the sense separable from human greed with the exception of non-renewable natural resources – the only scare resource

considerations, opportunity cost, incentive, equilibrium, assumption-based mathematical models that can be quantified.

Not one alternative abstraction advanced by other approaches are suggested, much less required, as of equal potential value in the study of the object: to name but a few: institutions, price, money, capital, gender, nationality, ethnicity and culture, place, class, labour, governance, technology, environment.

### ***Some detailed points***

The following final section elaborates some of the initial eight points in more detail

#### **Pluralism**

We have already cited the politics benchmark statement to the effect that “Thus the Politics and International Relations benchmark clarifies that a range of theoretical approaches are appropriate for the study of this object: International political theory could be taught as contending approaches such as realism, neo-realism, neo-liberalism, institutionalist theory, feminism, pluralism, Marxism or critical theory; it could also be taught as normative theory”

If the benchmark statement requires students to approach economics in any different spirit than the above (echoed, as we have shown, by almost every other subject area), it needs to justify and explain to students, and require them to understand, why and how economics may dissociate itself from the norms which prevail in every other subject, and yet claim to be scientific. We think it is unlikely that this can be done and that is why we think the statement should be rethought at least to bring it in line with its sister disciplines in the social sciences, not to mention good practice among the sciences as a whole.

Science consists in testing theories to determine which is best. Nowhere in the statement do we see how students are expected to do this on the basis of familiarity with only one approach, an approach moreover distilled from what on examination turns out to be an eclectic mix of a variety of views in economics which no single economist subscribes to but behind which most mainstream thought merely hides its differences. This lends the statement the nature of a catechism. Students attempting to conform to the benchmark would expect positively to be penalised for considering variety and rewarded for reproducing existing thought by rote, since overwhelming priority is given to demonstrating the ability to apply a prescribed and allegedly homogeneous theory.

#### **Judgement**

In the section entitled “The nature and context of economics” the benchmark statements states (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

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that does not figure in the benchmark.

inferences, to recognise the potential constraints in their implementation and to evaluate the efficacy of policy outcomes in the light of stated policy objectives. “

As far as we can ascertain, not one of these statements distinguishes economics from astrology. The sole exception is the ‘ability to think critically’; unfortunately, this is the one learning outcome which is neither defined nor assessed in the remainder of the document.

All human intellectual activity, not least religious reasoning, exercises the faculties of abstraction, reasoning, and ‘marshalling’ evidence. The most cynical of spin-doctors is required to communicate results to audiences, particularly those without training in economics. The ability to draw policy inferences is hardly the defining talent of an economist as compared with, say, a public relations or marketing advisor.

What is missing is *judgement*. Judgement consists in choice: in recognising why one explanation of the phenomena is superior to another; why one line of reasoning leads to false results and another to valid results, why in the light of evidence this, and not that, explanation should be preferred.

The history of law, philosophy and religion demonstrate that no deductive argument is sounder than its premises. The history of science demonstrates that no superior criterion for choosing between premises exists beyond the evidence of the senses.

Economic theory itself has shown that any number of alternative models may ‘explain’ phenomena in the sense of statistically predicting their quantitative manifestation. Galileo’s theory equally with Ptolemy’s predicted the observed sequence of positions of the heavenly bodies. It was, however, only in accounting for such qualitative phenomena as the comets, the moons of Jupiter, or the irregularity of the surface of the moon, that judgements could be, and were made, as to the relative superiority of the terracentric or heliocentric view.

The question is not therefore whether the student can make abstractions or exhibit arguments, nor even whether the student can communicate these conclusions to policy-makers (or other decision-makers, not mentioned in the statement), but whether the student understands how, on the basis of economic investigations, decision-makers may judge which abstractions are valid and which are not, which reasoning is false and which is true, and hence to provide the decision-maker with the means to choose between a variety of abstractions or premises, a variety of models or explanations and a variety of conclusions, by extrapolating the consequences of each such set of assumptions with reason, and testing the results against evidence. Not even such elementary statistical precautions as the replicability of results, the triangulation of sources, and the testing of conclusions against datasets with which their models have not been calibrated, receive mention.

How should it be determined whether cycles are an unavoidable consequence of a developed market? Or whether rising global inequality is an inevitable consequence of globalisation? Whether poverty will disappear of itself or whether it requires the intervention of governments? Whether the offer of credit dominates, in the determination of the interest rate, over the demand for credit? Whether the division of society into classes is a social consequence of the wage-relation? What is the source of gender inequality? Why are wages not everywhere equal? Whether a tax on carbon emission will reduce global warming? Why do cities exist? These are ‘real-world’ questions which the users of economics rightly expect it to be able to assist in answering.

If economist are trained on the basis of this benchmark, will they be better or worse equipped to solve these questions than their predecessors? It would have helped to state these questions; having done so, it would help even more to demonstrate how students of economics will be better-placed to answer them having acquired the training.

### **Critical reasoning**

Revolutions in the natural sciences follow each other with growing pace. In every case that we can see where a new paradigm has superseded an older one, or indeed where an older paradigm has been reconsidered and reinstated perhaps in a new form, these sciences replace not just the ‘normal science’ conclusions of their subject but the underlying assumptions on which normal science is based. These revolutions are, as is now widely accepted, paradigmatic in character and involve the selection and rejection of the basic abstractions and assumptions of the discipline. Thus, physics has seen the overturn of the Newtonian conception of space and time, the particulate and wave theories of matter, and the nature of gravity; geology has seen the emergence of plate tectonics, chemistry the radical reconstruction of the subject under the impact of statistical mechanics. This is no different in the social sciences.

A critical approach to theory requires that the thinker ask the question ‘what assumptions must be made, what abstractions are required, in order that the theory may arrive at the conclusions under study? The function of deductive reasoning is not just to move from unexamined conclusions to an allegedly ‘positive’ result but to make it clear on what assumptions these conclusions depend. If, then, the decision-maker chooses to adopt alternate assumptions or abstractions, a critical thinker must be able both to show how or whether this affects the conclusions, and if necessary to confront the alternative conclusions of the two lines of reasoning, with the evidence provided by the predictions to which these give rise.

The requirement of critical thinking is highly underdeveloped in the benchmark statement. It is mentioned but nowhere defined. In our view, an adequate definition, and assessment, of critical thinking is coterminous with a pluralistic approach. It requires that the student appreciate, and demonstrate an understanding of, the impact of variation in assumptions in the outcome of the reasoning.

### **Evidence, reasoning, and the elevation of method into a criterion of judgement**

Many of our members feel that recent developments such as Critical Realism have identified substantive flaws in two strong strands in the benchmark statement, namely its treatment of deductive reasoning as a signifier of excellence, and the elevation of quantitative modelling techniques into the status of a supreme standard of judgement – although as we have noted, the document nowhere identifies explicitly what distinguishes good judgements from bad ones.

In effect, the benchmark statement elevates method into a criterion of judgement

As many recent writers have established, deductive reasoning is no guarantee of truth and may in ‘closed system’ reasoning be positively productive of error. Among the many causes of such error is the following: a chain of reasoning is never better than its premises. But the entire tone and thrust of the benchmark document leads students and designers of curricula, we believe, to treat as good practice the simple reproduction of mainstream ideas, instead of, from the outset, adopting a position at least of systematic doubt, the hallmark of enlightenment science. All theory in economics should be, many of us believe, ‘guilty until proven innocent’ and all

contesting theories should be treated in principle as ‘equally valid until proven invalid’. The economic enquirer should be trained and encouraged to adopt such a standpoint and to creatively seek out, and test, alternatives. In the absence of such a pluralistic and creative formation, reliance on deductive reasoning does not distinguish economics in any way from Mediaeval Theology, which from Aquinas onwards was systematically governed by logic and indeed, in many sense gave it its present form.

Equally strong doubts persist, and have been systematically developed by Critical Realism, as to the role of quantitative reasoning. There is a growing and justified unease inside the profession, and particularly outside the profession, with the excessive reliance which economics places on quantitative and modelling-based techniques. Both public and institutional experience suggests that these produce results all too often at variance with reality. In this respect we encourage the board to examine the IMF’s recent independent review of its own forecasts published in World Economic Outlook along with the independent review of its recommendations in Argentina, and to consider the reasons for the popularity of many works pointing either to the flaws in the predictions of economists, or the validity of alternative outlooks all too frequently ignored by mainstream economists. To persist without due consideration in the face of public esteem now so low that it verges at times on ridicule, will not benefit the employment prospect of today’s students if they wish to become tomorrow’s economists.

If quantitative and particularly model-based reasoning has a place in economics, it must be recognised by sound practitioners that such methods lead to error as frequently as they do to valid results; that qualitative methods lead to results of equal and, in the right context superior validity; and there is no single standard of judgement in economics over and above the simple and as yet unrefuted maxim of science, that the theory to be preferred, is the theory which best explains the phenomena we observe, and that the method by which that explanation is arrived at has no place whatsoever among the criteria for preferring one theory to another. The elevation of method into a criterion of judgement belongs to the sphere of dogma; students should be encouraged to adopt any and every method which leads to a critical understanding of the object of study, and effective means to judge between explanations of this object.

## **Appendix: QAA subject benchmark statement in Economics, October 2006**

Note: this benchmark statement was downloaded from the QAA website on 28/10/2007. The formatting is my own: I have tried to follow the original markup as far as possible but have not in every case succeeded

### **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 such qualifications should have demonstrated.

This subject benchmark statement, together with others published concurrently, refers to the **bachelor's degree with honours**<sup>1</sup>. In addition, some 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 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 institutions 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 institutions is supportive of the recent and ongoing move 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 institutions to consider in detail.

This subject benchmark statement represents a revised version of the original statement 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 was subject to 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.

## **Foreword**

The Quality Assurance Agency for Higher Education (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. There then follows a revised subject benchmark statement for economics, which 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.

## **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 The 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. Also relevant might be appropriate techniques to enable manipulation, treatment and interpretation of the relevant statistical data.

## **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 follows.<sup>2</sup>

**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 concept<sup>3</sup>**

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:

**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 peter out. 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 Learning, teaching 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 The benchmark standards**

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.

### **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.

***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 Boroohah

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

<sup>1</sup>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).

<sup>2</sup> These subject-specific skills can be mapped on to the threshold levels of subject-specific knowledge set out in Section 7.

<sup>3</sup> This idea can be found in J Craven (1993), *The Skills of an Economist*, 'Royal Economic Society Newsletter', April 4-5



## **Appendix 2: QAA pro forma consultation form**

**For internal use**

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### **Pro forma for responses to revised subject benchmark statements**

Respondents are invited to use this pro forma for submitting their comments on revised versions of subject benchmark statements published in 2000. Revised subject benchmark statements can be found on QAA's website at [www.qaa.ac.uk/news/consultation/](http://www.qaa.ac.uk/news/consultation/)

Original versions of the subject benchmark statements can be accessed at [www.qaa.ac.uk/academicinfrastructure/benchmark/honours/](http://www.qaa.ac.uk/academicinfrastructure/benchmark/honours/)

Please use a separate form for each subject benchmark statement upon which you wish to comment.

Please provide the following information:

**Name of respondent:**

**Home institution/organisation:**

**Position/responsibilities:**

**Address:**

**Email:**

**Please give the name of the revised subject benchmark statement upon which you are commenting:**

Question 1: Overall, does the revised subject benchmark statement continue to fulfil its original intention in defining the nature of the discipline and the academic standards expected of an undergraduate in the subject area? If it does not, please describe the changes you would see as necessary for the revised subject benchmark statement to continue to fulfil its original intention.

Question 2: Does the information in the introductory section(s) successfully describe the nature of the discipline and its defining principles? If it does not, what additional aspects might be included, excluded or elaborated? (For example, is there sufficient indication given to the existence of additional reference points such as the requirements of professional, statutory or regulatory bodies, or the existence of European standards?)

Question 3: Does the section on subject knowledge and understanding continue to describe successfully the core aspects of an undergraduate education in the subject area? Are there any areas of knowledge that should be included to reflect newly-emerged areas of teaching/research? Are there any areas that have become redundant? Please list these as appropriate.

Question 4: Does the section relating to subject-specific skills continue to cover adequately the skills expected of an undergraduate in the subject area? If it does not, which particular skills should be added or omitted?

Question 5: Is the coverage of generic skills expected to be acquired by a graduate in the subject area adequate and appropriate? If it is not, which particular skills should be added or omitted?

Question 6: Does the section on teaching, learning and assessment continue to provide the user with an appropriate indication of the types of teaching and assessment relevant to an undergraduate education in the subject area? If it does not, how might this section be improved in terms of the level of detail provided, and the types of teaching and assessment defined?

Question 7: Does the standards section successfully articulate what is expected of a graduate in the subject area in terms of a threshold level of attainment? If it does not, what changes would you see as necessary?

Question 8: If the standards section includes attainment levels further to that of threshold (typical/excellent), are these successfully articulated in the revised subject benchmark statement? If they are not, what changes would you see as necessary?

Question 9: Is the content and wording of any individual section sufficiently clear to the reader? Are there any sections that would benefit from further revision to add to their clarity/interpretation?

Question 10: How has the original subject benchmark statement been received and used by the subject community based on your own experience in your home institution/organisation?

Question 11: Were you aware prior to this consultation that the original subject benchmark statement was under review? Have you been directly involved in the process of review and revision?

Question 12: Please use this space to add any further observations relating to the revised subject benchmark statement that are not covered in the questions above.

**Thank you for taking the time to comment on the revised subject benchmark statement as part of the periodic review of all subject benchmark statements published in 2000.**

**August 2006**