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SUBJECT BENCHMARK STATEMENT

IN

ECONOMICS

Committee of Vice-Chancellors & Directors
and
University Grants Commission
Sri Lanka

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FOREWORD

The work in connection with the development of Subject Benchmark Statements was begun in August 2003 as a part of the overall quality assurance framework that supports academic standards and the furtherance and dissemination of good practice in Universities in Sri Lanka.

Subject Benchmark Statements will support and promote quality and standards by:

- Providing universities with a common and explicit reference point for internal and external programme approval and review;
- Guiding and promoting curriculum development, especially in new departments and new universities, and in other institutions of higher education;
- Evolving over time to take account of changes and innovations that reflect subject development and new expectations;
- Providing an authoritative and widely recognized statement of expectations of what is expected of a graduate in a specific (or designated) subject area in a form readily accessible to students, employers and others with a stake in higher education qualifications;
- Providing a clear and transparent reference point for external examiners;
- Assisting international comparison and competitiveness of higher education awards and student achievement.

SUBJECT BENCHMARK STATEMENT

ECONOMICS

1. INTRODUCTION

The subject benchmarking group in Economics has prepared this statement under the Quality Assurance Project for the universities in Sri Lanka carried out by the University Grants Commission (UGC). The objective of this benchmarking statement is to provide general guidelines to the academic community engaged in teaching Economics on

- a) expected nature and characteristics of degrees in Economics;
- b) expected standards for the award of the degrees at different levels;
- c) expected attributes and capabilities that the Economics graduates should possess and
- d) current and future needs of the country/changing economy.

It is expected that this subject benchmarking statement would ensure maintaining high standards and quality of the degree programmes in Economics in all national Universities.

This subject benchmarking statement ought to be used as a broad framework in planning and executing degree programmes. But it should not be treated as a rigid set of rules. It allows variety, flexibility and innovation within the overall framework. The benchmarking statement can be used to review and evaluate learning outcomes against expectations. It also provides a basis for academic review. Degrees in Economics with sufficient theoretical background are expected to adopt a practical approach focusing on economic issues, problems and policies in the real world. In particular, they need to be geared to enlighten students about the economic performance and policy strategies in developing countries with special reference to Sri Lanka. Graduates in Economics should be equipped with necessary knowledge and skills to work in the dynamic economic and business environment characterized by economic deregulation, changing role of the state, increasing private sector participation, information and communication technology (ICT) development and globalization.

2. THE NATURE AND SCOPE OF ECONOMICS

Economics is widely considered as a social science that studies human behaviour as a relationship between ends and scarce means which have alternative uses.

Economics deals with three main coordination problems:

- a) what to produce?
- b) how to produce?
- and
- c) for whom to produce?

Thus, Economics; in essence, is the science of rational choice. It also focuses on economic sustainability.

It is important that students need to understand the economist's way of thinking. In Economics, most economic problems are addressed by using the cost/benefit framework based on marginal analysis. This framework, for example, implies that if a project's marginal benefits are higher than its marginal costs, it would be a viable one. But if the marginal benefits are lower than the marginal costs, the project should be abandoned. Such decision making based on marginal costs and benefits is a core element of economist's approach. In this regard, the concepts of resource allocation and opportunity cost are crucial. Opportunity cost means the benefit foregone by undertaking a particular activity. The popular saying, "there is no such thing as a free lunch" embodies the opportunity cost concept.

Economics focuses on production, distribution and consumption of goods and services. In understanding and analyzing each of these components, economists rely heavily on other behavioral sciences like Philosophy, Sociology, Psychology, Law, Geography and Politics. Some of the laws in Economics are based on natural sciences. Economics is a complex subject partly because economic reality is controlled by economic, political, social and natural forces. The implications of these forces for economic activity should be understood in the light of other relevant subjects. Hence, Economics could be considered as a multi-disciplinary subject. Tools of Mathematics and Statistics are used extensively in economic analysis for logical reasoning as well as for empirical testing.

The study of Economics is concerned with four types of economic agents: households, firms, government and the rest of the world. These agents are linked with each other in a circular manner, and they are interdependent. It is required to study the mechanisms of resource and product markets. Economics is mainly divided into two main branches: MicroEconomics (dealing with individual economic units) and MacroEconomics (dealing with aggregate economic quantities). In addition, there are a number of other sub-branches such as Econometrics, Development Economics, Environmental Economics, International Economics, Monetary Economics and Labour Economics.

It is important to distinguish Positive Economics (which studies objective or scientific explanations) from Normative Economics (which offers recommendations based on value judgments). Economic analysis deals with two types of magnitudes: static (dealing with levels like output, income, money supply, employment etc.) and dynamic (dealing with changes like economic growth, development, productivity changes and innovation etc.).

With the expansion of the Sri Lankan economy in recent times, growing industrial and service sectors constantly need professionals qualified in Economics as well as in related fields like Management, Accountancy and Finance. Given its practical importance, Economics has gained prominence as a core subject in such related fields. These industries need ought to be taken into account in designing the degree programmes. Graduates who read Economics at either General or Special degree level have potential to obtain employment in a variety of sectors including the following:

- Banking Sector, e.g. Central Bank, Commercial Banks, Merchant Banks;
- Other Financial Institutions, e.g. Leasing Companies, Insurance Companies;

- Government Ministries dealing with subjects like Finance, Planning, Trade and Commerce;
- Secondary and Tertiary Level Institutes of Education;
- Foreign Trade Missions;
- Industrial Organizations;
- International Organizations, e.g. IMP, World Bank, ADB;
- NGOs.

3. THE ECONOMIST'S APPROACH AND TOOL KIT

Basically, economists use three methods to express economic reasoning:

- a) in words,
 - b) in mathematics (equations)
- and
- c) in graphical form.

Economists need to *abstract* from details of real world economic activities based on human behaviour to make generalizations in order to construct some theoretical structure called a “model”. Human behaviour is erratic and unpredictable, unlike the observations that could be tested in laboratories in the case of physical sciences. Economist's laboratory is the real world. Therefore, he/she has to revise the theories all the time taking into account the frequent developments in the relevant sectors of the economy.

The methodology used by economists includes

- a) identification of the problem;
 - b) definitions of terms and concepts;
 - c) assumptions;
 - d) deductive reasoning;
 - e) predictions;
 - f) validation tests
- and
- g) theory.

Based on the definitions and assumptions, a theory's implications are deduced. These are the predictions of the theory. The theory is tested by using empirical data and statistical techniques. If the theory is not consistent with the empirical evidence, it will have to be amended.

Economists use mathematical, statistical and econometric tools widely for theoretical modeling and empirical investigations. Although these models can be used to explain economic behaviour, they might not be sufficient to deal with the problems that confront policymakers. Therefore, economists should be equipped to use their own value judgments to supplement formal economic models. Also, quantitative analyses may be supplemented by qualitative analyses. Some teaching beyond the accepted mainstream theories and policies, which are mostly based on the experiences, of developed countries, should be encouraged because such theories and policies may not be appropriate to local conditions.

4. AIMS OF DEGREE PROGRAMMES IN ECONOMICS

The broad aims of a degree programme in Economics are:

- To provide an in-depth knowledge of the core principles of Economics appropriate to the degree concerned: Special Degree in Economics or General Degree with Economics as one of the courses;
- To enable students to understand those core principles in relation to wide ranging economic problems and issues in the modern world;
- To equip students with appropriate tools of analysis to deal with economic problems and economic policies;
- To develop in students the ability to make abstraction to focus on the essential features of an economic problem and related issues;
- To enable students to apply the knowledge and skills gained by them to solve theoretical and applied economic problems;
- To provide a sound foundation of knowledge about the functioning of the economy;
- To enable students to interpret trends and patterns of economic activities and to provide realistic recommendations to policy makers;
- To help students to learn how to apply economic principles and analysis to a range of problems and policies in developing countries, with particular reference to Sri Lanka;
- To develop appropriate quantitative and computing skills;
- To provide students with transferable skills that will be of value in employment and self-employment;
- To equip students with knowledge and research skills to enable them to proceed to postgraduate study in Economics;
- To motivate students to cope up with changing socio-economic requirements.

5. SUBJECT KNOWLEDGE AND UNDERSTANDING

5.1. A degree course in Economics is expected to contain the following components:

- Knowledge of principles of Microeconomics and Macroeconomics: Microeconomics focuses on the behaviour of individuals and firms while Macroeconomics covers broader issues such as economic growth, unemployment and inflation. The principles of Microeconomics include problem of choice, market structure, supply and demand, factor markets, economic welfare and policy issues. Macroeconomics should have emphasis on circular flow of income, national income, macroeconomic equilibrium, economic growth, inflation, money and finance, fiscal policy and balance of payments;
- Fundamentals of economic development: Students should be able to apply economic analysis to understand the development constraints confronted by developing countries, and to evaluate appropriate policies. Specifically, emphasis ought to be given to issues such as growth constraints, economic stability, structural adjustments, socio-economic policies promoted by multilateral organizations, inflation, fiscal deficits, foreign exchange imbalances, income distribution, unemployment and poverty;
- Skills of quantitative methods and computing techniques relevant to the subject of Economics: These include Mathematical tools, Statistics and Econometrics.

Students are expected to have the ability to apply these techniques for analysis of actual socio-economic data;

- Ability to understand and interpret quantitative and qualitative economic data: Students should be familiar with national and international economic publications such as the Annual Report of the Central Bank of Sri Lanka, IMP Statistics of the International Monetary Fund and World Development Report of the World Bank;
- Competence to apply economic principles and statistical tools to investigate particular economic hypotheses using economic data, and to make forecasts and simulations for policy formulation: Students should have the ability to apply their knowledge and skills to assess the performance of the Sri Lankan economy and government policies. For example, they should be able to critically evaluate the donor-sponsored programmes/projects, poverty reduction programmes and privatization policies;
- Ability to work productively in a 'multi-disciplinary' environment with confidence.

5.2. The depth of the subject matter should be decided by the course development teams of respective universities taking into account the nature of the degree programme/course.

5.3. Students are expected to achieve the following:

- Knowledge and understanding of fundamentals/principles of Economics;
- Understanding and application of analytical tools of Economics;
- Learning of evolution of economic thought and different methods of economic analysis;
- Understanding of relevant quantitative methods: data tabulation, model building, validity testing and simulation;
- Ability to apply computing techniques; spread sheets and statistical software packages;
- Use of quantitative and qualitative data; questionnaires, sampling and sample surveys;
- Ability to apply core economic theories to actual problems and issues;
- Competence to use economic theories and statistical techniques to analyze data, and to make policy simulations;
- Ability to assess the performance of the Sri Lankan economy and government policies;
- Understanding and presentation of socio-economic data using verbal, graphical, mathematical and econometric methods;
- Appreciation of the limitations of data;
- Ability to adapt economic fundamentals/principles to accommodate local requirements.

6. SUBJECT-SPECIFIC SKILLS AND OTHER SKILLS

6.1 Undergraduate students in Economics are expected to inherit certain attributes like cognitive skills (literacy and information processing skills) and interpersonal

skills (communication). Economics degree programmes need to provide a learning environment to facilitate and enhance the development and use of such skills.

6.2 Cognitive Skills

The degree programmes in Economics should enhance the ability of students to:

- abstract the essential features of complex systems;
- identify exogenous and endogenous variables;
- analyze complex socio-economic issues using deductive and inductive reasoning;
- organize and use information to analyze complex issues;
- review critically alternative explanations and analyze problems.

6.3 Graduates in Economics should be equipped with a coherent framework of thinking that is readily transferable and applicable to decision-making in a wide range of areas. In this context, three elements are important.

They are

- (i) a set of subject-specific skills;
- (ii) a conceptual framework that offers a guide to good decision-making; and
- (iii) the general, but crucial, skill of numeracy.

6.4 Subject-specific Skills

On successful completion of degree programmes in Economics, students will have the ability to:

- understand and apply key economic concepts such as opportunity cost, incentives, equilibrium and disequilibrium, strategic behaviour, expectations and surprises and marginal considerations;
- abstract the essential features of economic issues, problems or systems;
- apply relevant techniques to make optimal choices between economic alternatives;
- analyze complex systems using deductive and inductive methods;
- use economic and statistical methods to analyze economic issues;
- apply economic principles and analyze wide ranging issues;
- use and present numerical information;
- write analytical reports on specific economic issues and policies;
- work independently and innovatively.

6.5 Transferable Skills

Transferable skills (or key skills) are now considered as an essential goal to be achieved in a degree programme. Employers, particularly those who are in the private sector, frequently complain that graduates of national universities in Sri Lanka do not have adequate transferable skills, although they may possess subject-specific skills. This does not mean that transferable skills are totally neglected in the current degree programmes in Economics or other subjects. But these programmes do not explicitly recognize the need to enhance such skills.

Hence, it is desirable to recognize this need more explicitly in planning the degree programmes in Economics.

On successful completion of the programme, students must have acquired the ability to:

- collect, analyze, use and interpret data;
- apply information technology;
- write reports effectively;
- communicate effectively (oral/written);
- think critically about economic and business issues;
- use decision making models;
- work effectively and be self-motivated.

7. TEACHING AND LEARNING STRATEGIES

Teaching and learning methods in Economics should enable the students to acquire subject knowledge and skills systematically, so as to progress themselves from a dependent learner to an independent learner. Given the nature of the subject as described earlier, Economics is heavily based on empirical findings and research. Therefore, learning opportunities should be made available to the students to derive findings based on field research and to apply such findings to resolve economic problems. Students should be encouraged to engage in guided field studies. They should also be equipped with policy formulation and report writing.

In order to achieve the above objectives, a wide variety of teaching and assessment methods can be adopted:

- In general, learning and teaching are provided through lectures, tutorials and practical activities. Other learning and teaching modes are seminars, group tutorials, presentations, interactive workshops, field work, site visits, and supervised group and individual research projects. Case studies and group work are also effective methods of learning;
- Action may be taken, where necessary, to provide facilities like libraries, IT-based resources and text materials;
- Learning environment should be conducive for team work, creative activity and interactive sessions;
- Students may be guided to learn by engaging in mock financial and business activities. E.g. foreign exchange bourse games;
- Internship programmes/industry placements and close links with industry can be used to enhance the transferable and practical skills of students;
- Site visits to key institutions like the Central Bank, commercial banks, stock market and major industries may be encouraged and organized;
- Students may be motivated to engage in supervised research assignments. The staff may take leadership to mobilize grants from foreign donor agencies to mobilize resources to conduct field-level socio-economic research. Students should be given exposure to such research opportunities: data collection and processing, and report writing.

8. ASSESSMENT METHODS

Assessment should be aimed at evaluating the performance of the undergraduate in Economics in the light of the aims and the expected knowledge and skills relevant to each course. It would be desirable to consider giving feedback to them wherever possible. A combination of assessment methods may be used, depending on the attributes to be tested. They include the following:

- Formal Written Examinations: Closed and/or Open Book;
- Other modes of Examination, e.g. Computer-based Tests, MCQ, Quizzes;
- Continuous Assessments;
- Viva voce Examinations;
- Coursework Assignments;
- Tutorials/Term Papers;
- Group Reports;
- Field Survey Reports;
- Essays, Dissertations;
- Written Work (Critical Reviews; Field Notes).

9. BENCHMARK LEVELS

The benchmark levels described below generally apply (a) to General Degrees which includes Economics as subject, and (b) to Special Degrees in Economics. The two levels of achievements identified are as follows:

Threshold Level: This is the minimum acceptable standard or benchmark to be achieved by a graduate who obtains a second-class lower division or a pass.

Good Level: This is expected to be the standard or benchmark level to be achieved by a graduate who obtains a second-class upper division or a first class.

9.1 B. A. General Degree (Economics as a Subject)

Threshold Level

A graduate should:

- Demonstrate basic understanding of economic concepts and principles;
- Demonstrate basic knowledge of economic theory and modeling 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 basic 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 basic knowledge in an appropriate number of specialized areas in Economics;
- Display general awareness of the possibility that many economic problems may have more than one approach and may have more than one solution.

Good Level

A graduate should:

- Demonstrate in-depth understanding of economic concepts and principles;
- Demonstrate in-depth knowledge of Economic theory and modeling approaches;
- Demonstrate proficiency in quantitative methods and computing techniques, and know how to use these techniques effectively across a range of problems;
- Display in-depth 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 in a critical manner;
- Demonstrate in-depth knowledge in an appropriate number of specialized areas in Economics;
- Display thorough awareness of the possibility that many economic problems may have more than one approach and may have more than one solution.

9.2 B.A. Special Degree in Economics

Threshold Level

A graduate should:

- Demonstrate basic understanding of economic concepts and principles;
- Demonstrate basic knowledge of economic theory and modeling 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 basic 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 basic knowledge in an appropriate number of specialized areas in Economics;
- Display general awareness of the possibility that many economic problems may have more than one approach and may have more than one solution;
- Have the ability to collect process and tabulate economic data;
- Have the ability to test economic hypotheses using economic data;
- To be able to plan and execute a field project displaying effective time management.

Good Level

A graduate should:

- Demonstrate in-depth understanding of economic concepts and principles;
- Demonstrate in-depth knowledge of economic theory and modeling approaches;
- Demonstrate proficiency in quantitative methods and computing techniques and know how to use these techniques effectively across a range of problems;
- Display in-depth 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 in a critical manner;
- Demonstrate in-depth knowledge in an appropriate number of specialized areas in Economics;
- Display thorough awareness of the possibility that many economic problems may have more than one approach and may have more than one solution;
- Have proficiency to collect, process, tabulate and analyze economic data;
- Have the proficiency to test economic hypotheses using economic data;
- To be able to plan and execute a field project independently displaying effective time management.

APPENDIX 1 - MEMBERS OF THE BENCHMARKING PANEL

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|----------------------------|-----------------------------------|
| 1. Prof. S. S. Colombage | Open University of Sri Lanka |
| 2. Prof. W.A. Jayatissa | University of Sri Jayawardenapura |
| 3. Prof. W.D. Lakshman | University of Colombo |
| 4. Prof. S.M.P. Senanayake | University of Colombo |
| 5. Prof. D. Atapattu | University of Ruhuna |