

# SYLLABUS

**Cambridge International AS and A Level  
Economics**

**9708**

For examination in June and November 2015

### Changes to syllabus for 2015

This syllabus has been updated, but there are no significant changes.

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# 1. Introduction

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## 1.1 Why choose Cambridge?

### Recognition

Cambridge International Examinations is the world's largest provider of international education programmes and qualifications for learners aged 5 to 19. We are part of Cambridge Assessment, a department of the University of Cambridge, trusted for excellence in education. Our qualifications are recognised by the world's universities and employers.

Cambridge International AS and A Levels are recognised around the world by schools, universities and employers. The qualifications are accepted as proof of academic ability for entry to universities worldwide, though some courses do require specific subjects.

Cambridge International A Levels typically take two years to complete and offer a flexible course of study that gives learners the freedom to select subjects that are right for them.

Cambridge International AS Levels often represent the first half of an A Level course but may also be taken as a freestanding qualification. The content and difficulty of a Cambridge International AS Level examination is equivalent to the first half of a corresponding Cambridge International A Level. Cambridge AS Levels are accepted in all UK universities and carry half the weighting of an A Level. University course credit and advanced standing is often available for Cambridge International AS and A Levels in countries such as the USA and Canada.

Learn more at [www.cie.org.uk/recognition](http://www.cie.org.uk/recognition)

### Excellence in education

Our mission is to deliver world-class international education through the provision of high-quality curricula, assessment and services.

More than 9000 schools are part of our Cambridge learning community. We support teachers in over 160 countries who offer their learners an international education based on our curricula and leading to our qualifications. Every year, thousands of learners use Cambridge qualifications to gain places at universities around the world.

Our syllabuses are reviewed and updated regularly so that they reflect the latest thinking of international experts and practitioners and take account of the different national contexts in which they are taught.

Cambridge programmes and qualifications are designed to support learners in becoming:

- **confident** in working with information and ideas – their own and those of others
- **responsible** for themselves, responsive to and respectful of others
- **reflective** as learners, developing their ability to learn
- **innovative** and equipped for new and future challenges
- **engaged** intellectually and socially, ready to make a difference.

## Support for teachers

A wide range of support materials and resources is available for teachers and learners in Cambridge schools. Resources suit a variety of teaching methods in different international contexts. Through subject discussion forums and training, teachers can access the expert advice they need for teaching our qualifications. More details can be found in Section 2 of this syllabus and at [www.cie.org.uk/teachers](http://www.cie.org.uk/teachers)

## Support for exams officers

Exams officers can trust in reliable, efficient administration of exam entries and excellent personal support from our customer services. Learn more at [www.cie.org.uk/examsOfficers](http://www.cie.org.uk/examsOfficers)

## Not-for-profit, part of the University of Cambridge

We are a not-for-profit organisation where the needs of the teachers and learners are at the core of what we do. We continually invest in educational research and respond to feedback from our customers in order to improve our qualifications, products and services.

Our systems for managing the provision of international qualifications and education programmes for learners aged 5 to 19 are certified as meeting the internationally recognised standard for quality management, ISO 9001:2008. Learn more at [www.cie.org.uk/ISO9001](http://www.cie.org.uk/ISO9001)

## 1.2 Why choose Cambridge International AS and A Level?

Cambridge International AS and A Levels are international in outlook, but retain a local relevance. The syllabuses provide opportunities for contextualised learning and the content has been created to suit a wide variety of schools, avoid cultural bias and develop essential lifelong skills, including creative thinking and problem-solving.

Our aim is to balance knowledge, understanding and skills in our programmes and qualifications to enable candidates to become effective learners and to provide a solid foundation for their continuing educational journey. Cambridge International AS and A Levels give learners building blocks for an individualised curriculum that develops their knowledge, understanding and skills.

Schools can offer almost any combination of 60 subjects and learners can specialise or study a range of subjects, ensuring a breadth of knowledge. Giving learners the power to choose helps motivate them throughout their studies.

Through our professional development courses and our support materials for Cambridge International AS and A Levels, we provide the tools to enable teachers to prepare learners to the best of their ability and work with us in the pursuit of excellence in education.

Cambridge International AS and A Levels have a proven reputation for preparing learners well for university, employment and life. They help develop the in-depth subject knowledge and understanding which are so important to universities and employers.

Learners studying Cambridge International AS and A Levels have the opportunities to:

- acquire an in-depth subject knowledge
- develop independent thinking skills
- apply knowledge and understanding to new as well as familiar situations
- handle and evaluate different types of information sources
- think logically and present ordered and coherent arguments
- make judgements, recommendations and decisions
- present reasoned explanations, understand implications and communicate them clearly and logically
- work and communicate in English.

## Guided learning hours

Cambridge International A Level syllabuses are designed on the assumption that candidates have about 360 guided learning hours per subject over the duration of the course. Cambridge International AS Level syllabuses are designed on the assumption that candidates have about 180 guided learning hours per subject over the duration of the course. This is for guidance only and the number of hours required to gain the qualification may vary according to local curricular practice and the learners' prior experience of the subject.

## 1.3 Why choose Cambridge International AS and A Level Economics?

Success in Cambridge International AS Level and A Level Economics is accepted by universities and employers as proof of essential knowledge and ability. Successful Cambridge International AS and A Level candidates gain lifelong skills, including:

- the ability to explain and analyse economic issues and arguments
- the ability to evaluate economic information and organise, present and communicate ideas and judgements clearly
- a sound foundation of economic ideas including an introduction to the price system and government intervention, international trade and exchange rates, the measurement of employment and inflation and the causes and consequences of inflation.

## Prior learning

Candidates beginning this course are not expected to have studied Economics previously.

## Progression

Cambridge International A Level Economics provides a suitable foundation for the study of Economics or related courses in higher education. Equally it is suitable as part of a course of general education.

Cambridge International AS Level Economics constitutes the first half of the Cambridge International A Level course in Economics and therefore provides a suitable foundation for the study of Economics at Cambridge International A Level and thence for related courses in higher education. Depending on local university entrance requirements, it may permit or assist progression directly to university courses in Economics or some other subjects. It is also suitable as part of a course of general education.

Teachers and Learners should take into account that, in some countries, universities advise that some combinations of subjects with similar content should be avoided where possible, for example Economics, Business Studies and Accounting. Learners are advised to contact universities in advance of making decisions about subject combinations that include two or more of these subjects.

## 1.4 Cambridge AICE (Advanced International Certificate of Education) Diploma

Cambridge AICE Diploma is the group award of the Cambridge International AS and A Level. It gives schools the opportunity to benefit from offering a broad and balanced curriculum by recognising the achievements of learners who pass examinations in three different curriculum groups:

- Mathematics and Science (Group 1)
- Languages (Group 2)
- Arts and Humanities (Group 3)

A Cambridge International A Level counts as a double-credit qualification and a Cambridge International AS Level counts as a single-credit qualification within the Cambridge AICE Diploma award framework.

To be considered for an AICE Diploma, a candidate must earn the equivalent of six credits by passing a combination of examinations at either double credit or single credit, with at least one course coming from each of the three curriculum groups.

Economics (9708) is in Group 3, Arts and Humanities.

Credits gained from Cambridge AS Level Global Perspectives (8987) or Cambridge Pre-U Global Perspectives and Independent Research (9766) can be counted towards the Cambridge AICE Diploma, but candidates must also gain at least one credit from each of the three curriculum groups to be eligible for the award.

Learn more about the Cambridge AICE Diploma at [www.cie.org.uk/qualifications/academic/uppersec/aice](http://www.cie.org.uk/qualifications/academic/uppersec/aice)

The Cambridge AICE Diploma is awarded from examinations administered in the June and November series each year.

Detailed timetables are available from [www.cie.org.uk/examsOfficers](http://www.cie.org.uk/examsOfficers)

## 1.5 How can I find out more?

### If you are already a Cambridge school

You can make entries for this qualification through your usual channels. If you have any questions, please contact us at **info@cie.org.uk**

### If you are not yet a Cambridge school

Learn about the benefits of becoming a Cambridge school at **www.cie.org.uk/startcambridge**. Email us at **info@cie.org.uk** to find out how your organisation can register to become a Cambridge school.

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## 2. Teacher support

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### 2.1 Support materials

Cambridge syllabuses, past question papers and examiner reports to cover the last examination series are on the *Syllabus and Support Materials* DVD, which we send to all Cambridge schools.

You can also go to our public website at [www.cie.org.uk/alevel](http://www.cie.org.uk/alevel) to download current and future syllabuses together with specimen papers or past question papers and examiner reports from one series.

For teachers at registered Cambridge schools a range of additional support materials for specific syllabuses is available online. For Teacher Support go to <http://teachers.cie.org.uk> (username and password required).

### 2.2 Resource lists

We work with publishers providing a range of resources for our syllabuses including textbooks, websites, CDs etc. Any endorsed, recommended and suggested resources are listed on both our public website and on Teacher Support.

The resource lists can be filtered to show all resources or just those which are endorsed or recommended by Cambridge. Resources endorsed by Cambridge go through a detailed quality assurance process and are written to align closely with the Cambridge syllabus they support.

### 2.3 Training

We offer a range of support activities for teachers to ensure they have the relevant knowledge and skills to deliver our qualifications. See [www.cie.org.uk/events](http://www.cie.org.uk/events) for further information.

### 3. Syllabus content at a glance

Overview of the curriculum topics for AS Level and A Level Economics

	Core: AS and A Level	Supplement: A Level only (Additional material for A Level)
1. Basic economic ideas	<ul style="list-style-type: none"> <li>• Scarcity, choice and resource allocation</li> <li>• Production possibility curves</li> <li>• Different allocative mechanisms</li> <li>• Problems of transition</li> <li>• Positive and normative statements</li> <li>• Division of labour</li> <li>• Money: functions and characteristics</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient resource allocation</li> <li>• Concept of economic efficiency</li> </ul>
2. The price system and the theory of the firm	<ul style="list-style-type: none"> <li>• Individual and market demand curves</li> <li>• Price, income and cross elasticities of demand</li> <li>• Firms' supply curves</li> <li>• Price elasticity of supply</li> <li>• Interaction of demand and supply</li> <li>• Consumer and producer surplus</li> <li>• Prices as rationing and allocative mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Law of Diminishing Marginal Utility</li> <li>• Budget lines</li> <li>• Short-run and long-run production and cost functions</li> <li>• Demand and supply for labour</li> <li>• Wage determination</li> <li>• Types of cost, revenue and profit</li> <li>• Growth and survival of firms</li> <li>• Differing objectives of a firm</li> <li>• Different market structures</li> <li>• Contestable markets</li> <li>• Conduct and performance of firms</li> </ul>
3. Government intervention in the price system	<ul style="list-style-type: none"> <li>• Externalities</li> <li>• Social costs and social benefits</li> <li>• Decision making using cost-benefit analysis</li> <li>• Private and public goods</li> <li>• Merit and demerit goods</li> <li>• Examples of government intervention</li> </ul>	<ul style="list-style-type: none"> <li>• Sources of market failure</li> <li>• Objectives of government microeconomic policy</li> <li>• Additional policies to correct market failure and policies towards income and wealth redistribution</li> <li>• Effectiveness of government policies</li> <li>• Privatisation</li> </ul>

	Core: AS and A Level	Supplement: A Level only (Additional material for A Level)
4. International trade	<ul style="list-style-type: none"> <li>Principles of absolute and comparative advantage</li> <li>Arguments for free trade and motives for protection</li> <li>Types of protection</li> <li>Types of economic integration</li> <li>Terms of trade</li> <li>Components of the balance of payments</li> </ul>	<ul style="list-style-type: none"> <li><i>There are no additional international trade topics</i></li> </ul>
5. Theory and measurement in the macroeconomy	<ul style="list-style-type: none"> <li>Employment statistics</li> <li>General price level: price indices</li> <li>Money and real data</li> <li>Shape and determinants of Aggregate Demand (AD) and Aggregate Supply (AS)</li> <li>Interaction of AD and AS</li> </ul>	<ul style="list-style-type: none"> <li>The circular flow of income</li> <li>National income statistics</li> <li>Money supply and the Quantity Theory of Money</li> <li>Keynesian and Monetarist schools</li> <li>Aggregate Expenditure function</li> <li>The demand for money and interest rate determination</li> <li>Liquidity Preference theory and Loanable Funds theory</li> </ul>
6. Macroeconomic problems	<ul style="list-style-type: none"> <li>Inflation</li> <li>Balance of payments problems</li> <li>Fluctuations in foreign exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>Economic growth and development</li> <li>Unemployment</li> <li>Inter-connectedness of problems</li> </ul>
7. Macroeconomic policies	<ul style="list-style-type: none"> <li>Policies to correct balance of payments disequilibrium or influence the exchange rate</li> <li>Comment on possible conflicts between macroeconomic policy objectives</li> </ul>	<ul style="list-style-type: none"> <li>Objectives of macroeconomic policies</li> <li>Policies towards developing economies</li> <li>Types of policy</li> <li>Evaluating policy options</li> </ul>

## 4. Assessment at a glance

No previous study of the subject is assumed by the syllabus.

Centres and candidates may choose to:

- take all Advanced Level (Cambridge International A Level) and Advanced Subsidiary Level (Cambridge International AS Level) components at one exam series, leading to the full Cambridge International A Level qualification (Papers 1, 2, 3 and 4)
- take the Cambridge International AS Level components (Papers 1 and 2) at one exam series and, having received the AS qualification, take both Cambridge International A Level components (Papers 3 and 4) at a later series, leading to the full Cambridge International A Level qualification
- take the Cambridge International AS Level components only (Papers 1 and 2) at one exam series, leading to the AS qualification.

Paper	Weighting	
	AS Level	A Level
<b>Paper 1</b> 30 multiple choice questions (Core)	<b>1 hour</b> 40%	20%
<b>Paper 2</b> (a) Data response (Core) 1 question (b) Structured essay (Core) 1 from a choice of 3	<b>1 hour 30 mins</b> 30%	15%
<b>Paper 3</b> 30 multiple choice questions (Supplement)	<b>1 hour</b>	15%
<b>Paper 4</b> (a) Data response (Supplement) 1 question (b) Essays (Supplement) 2 from a choice of 6	<b>2 hours 15 mins</b>	10%
		25%

Papers 1 and 2 are for both AS Level and A Level candidates. Papers 3 and 4 test the topics in the Supplement, but also require a knowledge and understanding of the topics in the Core.

## Availability

This syllabus is examined in the May/June examination series and the October/November examination series.

This syllabus is available to private candidates.

Detailed timetables are available from **[www.cie.org.uk/examsOfficers](http://www.cie.org.uk/examsOfficers)**

Centres in the UK that receive government funding are advised to consult the Cambridge website **[www.cie.org.uk](http://www.cie.org.uk)** for the latest information before beginning to teach this syllabus.

## Combining this with other syllabuses

Candidates can combine this syllabus in an examination series with any other Cambridge syllabus, except:

- syllabuses with the same title at the same level

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## 5. Syllabus aims and assessment objectives

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### 5.1 Aims

The Cambridge International AS and A Level Economics syllabus aims to:

- provide a basis of factual knowledge of economics
- encourage the student to develop:
  - a facility for self-expression, not only in writing but also in using additional aids, such as statistics and diagrams, where appropriate
  - the habit of using works of reference as sources of data specific to economics
  - the habit of reading critically to gain information about the changing economy we live in
  - an appreciation of the methods of study used by the economist, and of the most effective ways economic data may be analysed, correlated, discussed and presented.

### 5.2 Assessment objectives

There are five Assessment Objectives (AOs) for Cambridge International AS and A Level economics. Students are expected to:

AO1: **Demonstrate knowledge and understanding** of the specified content.

AO2: **Interpret** economic information presented in verbal, numerical or graphical form.

AO3: **Explain and analyse** economic issues and arguments, using relevant economic concepts, theories and information.

AO4: **Evaluate** economic information, arguments, proposals and policies, taking into consideration relevant information and theory, and distinguishing facts from hypothetical statements and value judgements.

AO5: **Organise, present and communicate** economic ideas and informed judgements in a clear, logical and appropriate form.

The multiple choice components (Papers 1 and 3) will particularly test Assessment Objectives 1, 2 and 3.

The data response part of Papers 2 and 4 will particularly test Assessment Objectives 2 and 3, and to a lesser extent Assessment Objectives 1, 4 and 5.

The essay part of Papers 2 and 4 will particularly test Assessment Objectives 1, 3, 4 and 5, and to a lesser extent Assessment Objective 2.

The marks as a % available for each group of skills are as follows:

Component	Assessment Objectives				
	A01 Demonstrate knowledge and understanding	A02 Interpret	A03 Explain and analyse	A04 Evaluate	A05 Organise, present and communicate
Paper 1	40%	25%	25%	10%	–
Paper 2	15%	20%	30%	20%	15%
Paper 3	40%	25%	25%	10%	–
Paper 4	20%	15%	25%	20%	20%

The skills are weighted to give an indication of their relative importance. They are not intended to provide a precise statement of the number of marks allocated to particular skills.

## 6. Syllabus content

Candidates for Cambridge International AS Level should study only the Core Material.

Candidates for Cambridge International A Level should study both Core and Supplementary topics.

### 6.1 Core (AS Level and A Level)

#### 1. Basic economic ideas (AS and A Level)

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Scarcity, choice and resource allocation</li> <br/> <li>• Different allocative mechanisms</li> <br/> <p>Plus the problems of transition when central planning in an economy is reduced</p> <li>• Production possibility curve – shape and shifts</li> <li>• The margin: decision making at the margin</li> <li>• Positive and normative statements</li> <li>• <i>Ceteris paribus</i></li> <li>• Factors of production: land, labour, capital, enterprise</li> <li>• Division of labour</li> <li>• Money: its functions and characteristics</li> </ul> | <ul style="list-style-type: none"> <li>– Meaning of scarcity and the inevitability of choices at all levels (individual, firms, governments)</li> <li>– Opportunity cost</li> <li>– Basic questions of what will be produced, how and for whom</li> <br/> <li>– Market economies</li> <li>– Planned economies</li> <li>– Mixed economies</li> </ul> |
|--|---|

Examples of other concepts and terms included		
barter	investment	production transformation curve
cheques	law (economic)	resources
coincidence of wants	liquidity	secondary sector
command economy	macroeconomics	Smith, Adam
costs of production	market	specialisation
division of labour	market system	standard of deferred payments
economic goods	maximisation	store of wealth
economic growth	measure of value	tertiary sector
economic problem	medium of exchange	unit of account
entrepreneur	microeconomics	value judgement
fixed capital	needs	wants
fixed capital formation	other things being equal	working capital
free goods	primary sector	
interest	production frontier	

## 2. The price system and the theory of the firm (AS and A Level)

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Individual demand curves</li> <li>• Aggregation of individual demand curves to give market demand</li> <li>• Factors influencing demand</li> <li>• Movements along and shifts of a demand curve</li> <br/> <li>• Price, income and cross-elasticities of demand</li> <br/><br/><br/> <li>• Firms' supply curves<br/>Aggregation of individual firms' supply curves to give market supply</li> <li>• Factors influencing market supply, including indirect taxes and subsidies<br/>Movements along and shifts of a supply curve</li> <li>• Price elasticity of supply: determinants, implications for speed/ease with which businesses react to changed market conditions</li> <br/> <li>• Interaction of demand and supply: equilibrium price and quantity</li> <br/><br/> <li>• Consumer surplus and producer surplus</li> <li>• Prices as rationing and allocative mechanisms</li> </ul> | <ul style="list-style-type: none"> <li>– Meaning and calculation</li> <li>– Factors affecting</li> <li>– Implications for revenue and business decisions</li> <br/><br/><br/><br/><br/><br/><br/><br/><br/><br/> <li>– Meaning of equilibrium and disequilibrium</li> <li>– Effects of changes in supply and demand on equilibrium price and quantity</li> <li>– Applications of demand and supply analysis</li> </ul> |
|---|--|

## 2. The price system and the theory of the firm (AS and A Level) – continued

Examples of other concepts and terms included

ad valorem tax	equilibrium	normal good
change in demand	equilibrium price	perfectly elastic
change in quantity demanded	equilibrium quantity	perfectly inelastic
complementary goods	impact of tax	perishability
composite demand	incidence of tax	price mechanism
demand conditions	income tax	rectangular hyperbola
demand schedule	inelastic	specific tax
derived demand	inferior good	stocks
direct taxation	joint demand	substitute goods
disequilibrium	joint supply	supply conditions
effective demand	law of demand	total revenue
elastic	law of supply	unitary elasticity

## 3. Government intervention in the price system (AS and A Level)

- Externalities
- Social costs as the sum of private costs and external costs  
Social benefits as the sum of private benefits and external benefits
- Decision making using cost-benefit analysis
- Private goods and public goods  
Merit goods and demerit goods
- Government intervention via maximum price controls, price stabilisation, taxes, subsidies, direct provision of goods and services

Examples of other concepts and terms included

excise duties	imperfections	non-rejectability
external benefit	information failure	non-rivalness
external cost	market failure	positive externality
free rider	negative externality	
government expenditure	non-excludability	

#### 4. International Trade (AS and A Level)

- Principles of absolute and comparative advantage, and their real-world limitations  
Other explanations/determinants of trade flows  
Opportunity cost concept allied to trade
- Arguments for free trade and motives for protection
- Types of protection and their effects
- Economic integration: free trade area, customs union, economic union, monetary union
- Terms of trade
- Components of the balance of payments

#### Examples of other concepts and terms included

bilateral trade capital account of balance of payments comparative costs current account of balance of payments current transfers deficit dumping embargoes exports	external balance financial account of balance of payments globalisation imports infant industry argument invisible balance multilateral trade net errors and omissions net investment income quota	sunrise/sunset industries surplus tariff trade creation trade diversion trading possibility curve visible balance Voluntary Export Restraints (VERs) World Trade Organisation (WTO)
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### 5. Theory and measurement in the macroeconomy (AS and A Level)

- Employment statistics
  - Size and components of labour force
  - Labour productivity
  - Definition of unemployment
  - Unemployment rate; patterns and trends in (un)employment
  - Difficulties involved in measuring unemployment
- General price level: price indices
- Money and real data
- Shape and determinants of Aggregate Demand (AD)
  - Shape and determinants of Aggregate Supply (AS)
  - Interaction of AD and AS: determination of level of output, prices and employment

#### Examples of other concepts and terms included

base year	household expenditure	Retail Prices Index
claimant count	labourforce survey	sampling
Consumer Price Index	nominal value	weights
cost of living	participation rate	working population
dependency ratio	real value	

## 6. Macroeconomic problems (AS and A Level)

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Inflation</li> <br/> <li>• Balance of payments problems</li> <br/> <li>• Fluctuations in foreign exchange rates</li> </ul> | <ul style="list-style-type: none"> <li>– Definition of inflation; degrees of inflation; types of inflation</li> <li>– Causes of inflation</li> <li>– Consequences of inflation</li> <br/> <li>– Meaning of balance of payments equilibrium and disequilibrium</li> <li>– Causes of balance of payments disequilibrium</li> <li>– Consequences of balance of payments disequilibrium on domestic and external economy</li> <br/> <li>– Definitions and measurement of exchange rates – nominal, real, trade-weighted exchange rates</li> <li>– Determination of exchange rates – floating, fixed, managed float</li> <li>– Factors underlying fluctuations in exchange rates</li> <li>– Effects of changing exchange rates on the economy</li> </ul> |
|---|---|

### Examples of other concepts and terms included

anticipated inflation appreciation cost-push inflation deflation demand-pull inflation depreciation devaluation 'dirty float' fiscal boost	fiscal drag foreign exchange Forex Market hyperinflation IMF J-curve Marshall-Lerner condition menu costs monetary inflation	purchasing power parity Quantity Theory of Money reflation revaluation shoe leather costs stagflation unanticipated inflation velocity of circulation
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## 7. Macroeconomic policies (AS and A Level)

Policies designed to correct balance of payments disequilibrium or influence the exchange rate  
 Comment on possible conflicts between policy objectives on inflation, balance of payments and exchange rate

### Examples of other concepts and terms included

exchange controls expenditure dampening	expenditure switching interest rate policy	trade-off(s)
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## 6.2 Supplement (A Level only)

### 1. Basic economic ideas (A Level only)

Efficient resource allocation

Concept of economic efficiency: productive and allocative efficiency

Examples of other concepts and terms included

optimum resource allocation

Pareto optimality

### 2. The price system and the theory of the firm (A Level only)

- Law of diminishing marginal utility and its relationship to derivation of an individual demand schedule and curve
  - Equi-marginal principle
  - Limitations of marginal utility theory
- Budget lines
  - Income and substitution effects.
- Short-run production function: fixed and variable factors of production, total product, average product and marginal product
  - Law of diminishing returns (law of variable proportions)
- Demand for labour:
  - meaning and factors affecting demand for labour
  - derivation of individual firm's demand for a factor using marginal revenue product theory
- Supply of labour – meaning and factors affecting supply
  - Net advantages and the long-run supply of labour
- Wage determination under free market forces (competitive product and factor markets)
  - The role of trade unions and government in wage determination
  - Wage differentials and economic rent
- Long-run production function
  - Returns to scale
- Economist's versus accountant's definition of costs and profits
  - Marginal cost and average cost
  - Short-run cost function – fixed costs versus variable costs
  - Explanation of shape of Short-Run Average Cost (SRAC)
- Long-run cost function
  - Explanation of shape of Long-Run Average Cost (LRAC)
  - Relationship between economies of scale and decreasing costs
  - Internal and external economies of scale
- Survival of small firms
  - Growth of firms

## 2. The price system and the theory of the firm (A Level only) – continued

- Relationship between elasticity, marginal, average and total revenue for a downward-sloping demand curve
- Concepts of firm and industry
- Traditional objective of firm – profit maximisation  
Normal and abnormal profit  
An understanding of other objectives of firm
- Different market structures – perfect competition, monopoly, monopolistic competition, oligopoly  
Structure of markets as explained by number of buyers and sellers, nature of product, degree of freedom of entry and nature of information  
Contestable markets
- Conduct of firms – pricing policy and non-price policy, including price discrimination, price leadership models and mutual interdependence in the case of oligopolies
- Performance of firms – in terms of output, profits and efficiency  
Comparisons with regard to economic efficiency, barriers to entry, price competition, non-price competition and collusion

### Examples of other concepts and terms included

average fixed cost	immobility of labour	predatory pricing
average variable cost	imperfect competition	price agreements
barriers to exit	increasing returns	risk-bearing economies of scale
break-even point	industrial concentration	sales maximisation
cartel	integration	sales revenue maximisation
closed shop	marginal physical product	satisficing profits
collective bargaining	minimum efficient scale (MES)	second-best theory
concentration ratio	mobility of labour	shares
decreasing returns	monopsony	supernormal profit
diseconomies of scale	natural monopoly	technical economies
diversification	non-pecuniary advantages	transfer earnings
economies of large dimensions	occupational mobility	vertical integration
financial economies of scale	paradox of value	wage drift
horizontal integration	pecuniary advantages	

### 3. Government intervention in the price system (A Level only)

- Sources of market failure
- Meaning of deadweight losses
  - Market imperfections – existence of monopolistic elements
- Objectives of government microeconomic policy: efficiency, equity
- Additional policies to correct market failure: regulation
  - Policies towards income and wealth redistribution
  - Effectiveness of government policies
- Privatisation

Examples of other concepts and terms included

contracting out deregulation government failure means tested benefits	negative income tax price stabilisation supply-side economics tax credits	technical monopoly the poverty trap universal benefits x-inefficiency
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### 4. International Trade (A Level only)

THERE IS NO SUPPLEMENT SECTION FOR INTERNATIONAL TRADE

### 5. Theory and measurement in the macroeconomy (A Level only)

- National income statistics
  - Use of national income statistics as measures of economic growth and living standards
  - GDP deflator
  - Comparison of economic growth rates and living standards over time and between countries
  - Other indicators of living standards and economic development
  
- Money supply
  - Broad and narrow money supply
  - Government accounts: government budget, deficit financing
- The circular flow of income between households, firms, government and the international economy
- Main schools of thought on how the macroeconomy functions – Keynesian and Monetarist
- Aggregate Expenditure function (AE)
  - Meaning, components of AE and their determinants
  - Income determination using AE-income approach and withdrawal/injection approach
  - Inflationary and deflationary gaps; full employment level of income versus equilibrium level of income
  - The multiplier
  - Autonomous and induced investment; the accelerator
- Sources of money supply in an open economy (commercial banks/credit creation, central bank, deficit financing, total currency flow)
  - Relationship between money supply, price level and output as explained by the Quantity Theory of Money
- The demand for money
  - Interest rate determination
  - Liquidity Preference theory and Loanable Funds theory

### 5. Theory and measurement in the macroeconomy (A Level only) – continued

Examples of other concepts and terms included

active balances at constant prices at current prices average propensity balanced budget budget surplus/deficit capital:output ratio closed economy consumption credit multiplier depreciation (of capital) dissaving	distribution of income gross domestic product gross national product idle balances leakage liquidity trap marginal propensity National Debt net domestic product net national product net property income from abroad	output gap paradox of thrift precautionary demand for money quality of life saving speculative demand for money transactions demand for money yield
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### 6. Macroeconomic problems (A Level only)

<ul style="list-style-type: none"> <li>Economic growth and development</li> </ul>	<ul style="list-style-type: none"> <li>– Definition of economic growth and development</li> <li>– Indicators of comparative development and underdevelopment in the world economy – economic, monetary, non-monetary and demographic indicators</li> <li>– Characteristics of developing economies: population growth and structure, income distribution, economic structure, employment composition, external trade and urbanisation in developing economies, the nature of dependency, including the role of multinational corporations and external debt</li> <li>– Actual versus potential growth in national output</li> <li>– Factors contributing to economic growth</li> <li>– Costs and benefits of growth, including using and conserving resources</li> </ul>
<ul style="list-style-type: none"> <li>Unemployment</li> </ul>	<ul style="list-style-type: none"> <li>– Full employment and natural rate of unemployment</li> <li>– Causes of unemployment</li> <li>– Consequences of unemployment</li> <li>– Types of unemployment</li> </ul>
<ul style="list-style-type: none"> <li>Inter-connectedness of problems</li> </ul> <p>Links between macroeconomic problems and their interrelatedness, for example</p>	<ul style="list-style-type: none"> <li>– relationship between internal and external value of money</li> <li>– relationship between balance of payments and inflation</li> <li>– relationship between inflation and unemployment; trade-off between inflation and unemployment</li> </ul>

## 6. Macroeconomic problems (A Level only) – continued

Examples of other concepts and terms included

birth rate	frictional unemployment	structural unemployment
cyclical unemployment	general unemployment	sustainability
death rate	migration	technological unemployment
demand-deficiency unemployment	natural increase	trade (business) cycle
disguised unemployment (underemployment)	optimum population	voluntary unemployment
	seasonal unemployment	

## 7. Macroeconomic policies (A Level only)

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Objectives of macroeconomic policy: stabilisation, growth</li> <li>• Policies towards developing economies; policies of trade and aid</li> <li>• Types of policy: aims and instruments of each policy; how each is used to control inflation, stimulate employment, stimulate growth and development, correct balance of payments disequilibrium; the effectiveness of each</li> <li>• Evaluating policy options to deal with problems arising from conflicts between policy objectives on inflation, unemployment, economic growth, balance of payments, exchange rates and the redistribution of income and wealth</li> </ul> | <ul style="list-style-type: none"> <li>– Fiscal policy</li> <li>– Monetary policy</li> <li>– Exchange rate policy</li> <li>– Supply side policy</li> </ul> |
|--|--|

Examples of other concepts and terms included

automatic stabiliser	marginal tax rates	proportional taxation
canons of taxation	open market operations	quantitative easing (QE)
flat tax	poverty trap	regressive taxation
laffer curve	progressive taxation	work disincentives

## 7. Appendix: Resource list

### Text books

This is not a list of compulsory texts, but a range of alternatives which teachers may like to choose from.

Author	Title	Publisher	Date	ISBN
Anderton, A G	<i>Economics A Level</i> (5th edition)	Causeway	2008	1405892358
Bamford, Colin and Grant, Susan	<i>Cambridge International AS and A Level Economics</i> (2nd edition)	Cambridge	2010	0521126657
Beardshaw, J	<i>Economics: A Student's Guide</i>	Longman	2001	0273651404
Begg, David et al	<i>Economics</i> (9th edition)	McGraw Hill	2008	0077117875
Gillespie, A	<i>Economics AS and A Level Through Diagrams</i>	OUP Oxford	2009	019918089X
Grant, Susan	<i>Stanlake's Introductory Economics</i>	Longman	2000	0582405483
Ison, Stephen and Wall, Stuart	<i>Economics</i> (4th edition)	FT Prentice Hall	2006	0273681079
Sloman, John	<i>Essentials of Economics</i>	FT Prentice Hall	2009	1408241560

### Dictionaries

Author	Title	Publisher	Date	ISBN
Bannock, Graham et al (eds)	<i>Penguin Dictionary of Economics</i>	Penguin	2004	0141010754
Rutherford, Donald	<i>Routledge Dictionary of Economics</i> (2nd edition)	Routledge	2002	0415250919
Wall, Nancy	<i>The Complete A–Z Economics Handbook</i> (3rd edition)	Philip Allan	2009	0340991011

## Internet

Teachers will also find useful material on the following websites:

**[www.bized.co.uk](http://www.bized.co.uk)**

**[www.tutor2u.net](http://www.tutor2u.net)**

and the Useful Websites page on the Subject Page for Economics on the Cambridge Students website:

**[www.cambridgestudents.org.uk](http://www.cambridgestudents.org.uk)**

Resources are also listed on Cambridge's public website at **[www.cie.org.uk](http://www.cie.org.uk)**. Please visit this site on a regular basis as the Resource lists are updated through the year.

Access to teachers' email discussion groups, suggested schemes of work and regularly updated resource lists may be found on the Cambridge Teacher Support website at **<http://teachers.cie.org.uk>**. This website is available to teachers at registered Cambridge Centres.

## Key Directive Words

Directive Word	What it means
Calculate	Work out using the information provided
Define	Give the exact meaning of
Describe	Give a description of, explain the main features of
Illustrate	Give examples, use a diagram
Outline	Describe the key points without detail
Analyse	Explain the main points in detail, examine closely, separate into parts and show how all the parts connect and link
Compare	Explain the similarities and differences between
Explain	Give clear reasons or make clear the meaning of, use examples and explain the theory behind the question
Consider	Give your thoughts about, with some justification
Assess	Show how important something is, give your judgement on
Comment upon	Give your reasoned opinion on, with explanations
Criticise	Give an opinion but support it with evidence
Discuss	Give the important arguments for and against, often requires a conclusion
Evaluate	Discuss the importance of, judge the overall worth of, make an attempt to weigh up your opinions
To what extent	Give reasons for and against, come to a conclusion with a justification of which arguments are strongest and which are weakest

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## 8. Other information

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### Equality and inclusion

Cambridge International Examinations has taken great care in the preparation of this syllabus and assessment materials to avoid bias of any kind. To comply with the UK Equality Act (2010), Cambridge has designed this qualification with the aim of avoiding direct and indirect discrimination.

The standard assessment arrangements may present unnecessary barriers for candidates with disabilities or learning difficulties. Arrangements can be put in place for these candidates to enable them to access the assessments and receive recognition of their attainment. Access arrangements will not be agreed if they give candidates an unfair advantage over others or if they compromise the standards being assessed.

Candidates who are unable to access the assessment of any component may be eligible to receive an award based on the parts of the assessment they have taken.

Information on access arrangements is found in the *Cambridge Handbook* which can be downloaded from the website **[www.cie.org.uk](http://www.cie.org.uk)**

### Language

This syllabus and the associated assessment materials are available in English only.

### Grading and reporting

Cambridge International A Level results are shown by one of the grades A\*, A, B, C, D or E, indicating the standard achieved, A\* being the highest and E the lowest. 'Ungraded' indicates that the candidate's performance fell short of the standard required for grade E. 'Ungraded' will be reported on the statement of results but not on the certificate. The letters Q (result pending); X (no results) and Y (to be issued) may also appear on the statement of results but not on the certificate.

Cambridge International AS Level results are shown by one of the grades a, b, c, d or e, indicating the standard achieved, 'a' being the highest and 'e' the lowest. 'Ungraded' indicates that the candidate's performance fell short of the standard required for grade 'e'. 'Ungraded' will be reported on the statement of results but not on the certificate. The letters Q (result pending); X (no results) and Y (to be issued) may also appear on the statement of results but not on the certificate.

If a candidate takes a Cambridge International A Level and fails to achieve grade E or higher, a Cambridge International AS Level grade will be awarded if both of the following apply:

- the components taken for the Cambridge International A Level by the candidate in that series included all the components making up a Cambridge International AS Level
- the candidate's performance on these components was sufficient to merit the award of a Cambridge International AS Level grade.

For languages other than English, Cambridge also reports separate speaking endorsement grades (Distinction, Merit and Pass), for candidates who satisfy the conditions stated in the syllabus.

## Entry codes

To maintain the security of our examinations we produce question papers for different areas of the world, known as 'administrative zones'. Where the component entry code has two digits, the first digit is the component number given in the syllabus. The second digit is the location code, specific to an administrative zone. Information about entry codes, examination timetables and administrative instructions for your administrative zone can be found in the *Cambridge Guide to Making Entries*.

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