



UNIVERSITY *of* CAMBRIDGE
International Examinations

Cambridge
IGCSE

SYLLABUS

Cambridge IGCSE[®]

Economics

0455

For examination in June and November 2014

University of Cambridge International Examinations retains the copyright on all its publications. Registered Centres are permitted to copy material from this booklet for their own internal use. However, we cannot give permission to Centres to photocopy any material that is acknowledged to a third party even for internal use within a Centre.

® IGCSE is the registered trademark of University of Cambridge International Examinations

© University of Cambridge International Examinations 2011

Contents

1. Introduction.....	2
1.1 Why choose Cambridge?	
1.2 Why choose Cambridge IGCSE?	
1.3 Why choose Cambridge IGCSE Economics?	
1.4 Cambridge International Certificate of Education (ICE)	
1.5 How can I find out more?	
2. Assessment at a glance.....	5
3. Syllabus aims and assessment objectives	6
3.1 Aims	
3.2 Assessment objectives and their weightings	
4. Syllabus content.....	8
4.1 Basic economic problem: choice and the allocation of resources	
4.2 The allocation of resources: how the market works; market failure	
4.3 The individual as producer, consumer and borrower	
4.4 The private firm as producer and employer	
4.5 Role of government in an economy	
4.6 Economic indicators	
4.7 Developed and developing economies: trends in production, population and living standards	
4.8 International aspects	
5. Grade descriptions	12
6. Additional information	14
6.1 Guided learning hours	
6.2 Recommended prior learning	
6.3 Progression	
6.4 Component codes	
6.5 Grading and reporting	
6.6 Access	
6.7 Support and resources	

Alterations in the syllabus are indicated by black vertical lines on either side of the text.

1. Introduction

1.1 Why choose Cambridge?

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

Recognition

Every year, hundreds of thousands of learners gain the Cambridge qualifications they need to enter the world's universities.

Cambridge IGCSE® (International General Certificate of Secondary Education) is internationally recognised by schools, universities and employers as equivalent to UK GCSE. Learn more at www.cie.org.uk/recognition

Excellence in education

We understand education. We work with over 9000 schools in over 160 countries who offer our programmes and qualifications. Understanding learners' needs around the world means listening carefully to our community of schools, and we are pleased that 98% of Cambridge schools say they would recommend us to other schools.

Our mission is to provide excellence in education, and our vision is that Cambridge learners become confident, responsible, innovative and engaged.

Cambridge programmes and qualifications help Cambridge learners to become:

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

Support in the classroom

We provide a world-class support service for Cambridge teachers and exams officers. We offer a wide range of teacher materials to Cambridge schools, plus teacher training (online and face-to-face), expert advice and learner-support materials. Exams officers can trust in reliable, efficient administration of exams entry and excellent, personal support from our customer services. Learn more at www.cie.org.uk/teachers

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

We are a part of Cambridge Assessment, a department of the University of Cambridge and a not-for-profit organisation.

We invest constantly in research and development to improve our programmes and qualifications.

1.2 Why choose Cambridge IGCSE?

Cambridge IGCSE helps your school improve learners' performance. Learners develop not only knowledge and understanding, but also skills in creative thinking, enquiry and problem solving, helping them to perform well and prepare for the next stage of their education.

Cambridge IGCSE is the world's most popular international curriculum for 14 to 16 year olds, leading to globally recognised and valued Cambridge IGCSE qualifications. It is part of the Cambridge Secondary 2 stage.

Schools worldwide have helped develop Cambridge IGCSE, which provides an excellent preparation for Cambridge International AS and A Levels, Cambridge Pre-U, Cambridge AICE (Advanced International Certificate of Education) and other education programmes, such as the US Advanced Placement Program and the International Baccalaureate Diploma. Cambridge IGCSE incorporates the best in international education for learners at this level. It develops in line with changing needs, and we update and extend it regularly.

1.3 Why choose Cambridge IGCSE Economics?

Cambridge IGCSE Economics is accepted by universities and employers as proof of knowledge and understanding of economics. Successful Cambridge IGCSE Economics candidates gain lifelong skills, including:

- an understanding of economic theory, terminology and principles
- the ability to apply the tools of economic analysis
- the ability to distinguish between facts and value judgements in economic issues
- an understanding of, and an ability to use, basic economic numeracy and literacy
- the ability to take a greater part in decision-making processes in everyday life
- an understanding of the economies of developed and developing nations
- an excellent foundation for advanced study in economics.

1.4 Cambridge International Certificate of Education (ICE)

Cambridge ICE is the group award of Cambridge IGCSE. It gives schools the opportunity to benefit from offering a broad and balanced curriculum by recognising the achievements of learners who pass examinations in at least seven subjects. Learners draw subjects from five subject groups, including two languages, and one subject from each of the other subject groups. The seventh subject can be taken from any of the five subject groups.

Economics (0455) falls into Group II, Humanities and Social Sciences.

Learn more about Cambridge IGCSE and Cambridge ICE at www.cie.org.uk/cambridgesecondary2

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 **international@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 **international@cie.org.uk** to find out how your organisation can become a Cambridge school.

2. Assessment at a glance

The assessment has two components, Paper 1: Multiple choice and Paper 2: Structured questions. Candidates must take both papers. Candidates receive grades from A* to G.

Paper 1 Multiple choice	45 minutes
Candidates answer 30 multiple choice questions. Weighted at 30% of total available marks.	
Paper 2 Structured questions	2 hours 15 minutes
Candidates answer one compulsory question, which requires them to interpret and analyse previously unseen data relevant to a real economic situation, and three optional questions from a choice of six. Weighted at 70% of total available marks.	

Availability

This syllabus is examined in the June exam series and the November exam series.

This syllabus is available to private candidates.

Centres in the UK that receive government funding are advised to consult the Cambridge website 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 exam series with any other Cambridge syllabus, except:

- syllabuses with the same title at the same level
- 2281 Cambridge O Level Economics.

Please note that Cambridge IGCSE, Cambridge International Level 1/Level 2 Certificates and Cambridge O Level syllabuses are at the same level.

3. Syllabus aims and assessment objectives

3.1 Aims

The aims below describe the educational purposes of a course in economics for the Cambridge IGCSE exam.

The aims are to:

- 1 develop candidates' knowledge and understanding of economic terminology, principles and theories
- 2 develop candidates' basic economic numeracy and literacy and their ability to handle simple data including graphs and diagrams
- 3 develop candidates' ability to use the tools of economic analysis in particular situations
- 4 show candidates how to identify and discriminate between differing sources of information and how to distinguish between facts and value judgements in economic issues
- 5 develop candidates' ability to use economic skills (with reference to individuals, groups and organisations) to understand better the world in which they live
- 6 develop candidates' understanding of the economies of developed and developing nations and of the relationships between them; and to develop their appreciation of these relationships from the perspective of both developed and developing nations.

3.2 Assessment objectives and their weightings

The three assessment objectives in Cambridge IGCSE Economics are:

AO1: Knowledge with understanding

AO2: Analysis

AO3: Critical evaluation and decision-making.

AO1: Knowledge with understanding

Candidates should be able to:

- show knowledge and understanding of economic facts, definitions, concepts, principles and theories
- use economic vocabulary and terminology.

AO2: Analysis

Candidates should be able to:

- select, organise and interpret data
- apply economic knowledge and understanding in written, numerical, diagrammatic and graphical form
- use economic data, to recognise patterns in such data, and to deduce relationships.

AO3: Critical evaluation and decision-making

Candidates should be able to:

- distinguish between evidence and opinion, make reasoned judgements and communicate those judgements in an accurate and logical manner
- recognise that economic theory has various limits and uncertainties
- evaluate the social and environmental implications of particular courses of economic action
- draw conclusions from economic information and critically evaluate economic data
- communicate conclusions in a logical and clear manner.

The weightings given to the assessment objectives are:

Assessment objective	Paper 1 (%)	Paper 2 (%)	Overall (%)
AO1: Knowledge with understanding	45 ± 5	20 ± 5	28 ± 5
AO2: Analysis	55 ± 5	35 ± 5	41 ± 5
AO3: Critical evaluation and decision-making	0	45 ± 5	31 ± 4

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

4. Syllabus content

4.1 Basic economic problem: choice and the allocation of resources

Candidates should be able to:

- define the nature of the economic problem (finite resources and unlimited wants)
- define the factors of production (land, labour, capital, enterprise)
- define opportunity cost and analyse particular circumstances to illustrate the concept
- demonstrate how production possibility curves can be used to illustrate choice and resource allocation
- evaluate the implications of particular courses of action in terms of opportunity cost.

4.2 The allocation of resources: how the market works; market failure

Candidates should be able to:

- describe the allocation of resources in market and mixed economic systems
- demonstrate the principle of equilibrium price and analyse simple market situations with changes in demand and supply
- describe the causes of changes in demand and supply conditions and analyse such changes to show effects in the market
- define price elasticity of demand and supply and perform simple calculations
- demonstrate the usefulness of price elasticity in particular situations such as revenue changes, consumer expenditure
- evaluate the merits of the market system
- describe the concept of market failure and explain the reasons for its occurrence
- define private and social costs¹ and benefits and discuss conflicts of interest in relation to these costs and benefits in the short-term and long-term through studies of the following issues:
 - conserving resources versus using resources
 - public expenditure versus private expenditure.

¹ Social costs are equal to the sum of private costs and external costs.

4.3 The individual as producer, consumer and borrower

Candidates should be able to:

- describe the functions of money and the need for exchange
- describe the functions of central banks, stock exchanges, commercial banks
- identify the factors affecting an individual's choice of occupation (wage factors and non-wage factors)
- describe likely changes in earnings over time for an individual
- describe the differences in earnings between different groups of workers (male/female; skilled/unskilled; private/public; agricultural/manufacturing/services)
- describe trade unions and analyse their role in an economy
- describe the benefits and disadvantages of specialisation for the individual
- analyse the different motives for spending, saving and borrowing
- discuss how and why different income groups have different expenditure patterns (spending, saving and borrowing).

4.4 The private firm as producer and employer

Candidates should be able to:

- describe the type of business organisation in the public and private sectors: sole proprietors, partnerships, private limited companies, public limited companies, multinationals, co-operatives, public corporations
- describe and evaluate the effects of changes in the structure of business organisations
- describe what determines the demand for factors of production
- distinguish between labour-intensive and capital-intensive production
- define productivity and recognise the difference between productivity and production
- define total and average cost, fixed and variable cost and perform simple calculations
- analyse particular situations to show changes in total and average cost as output changes
- define total and average revenue and perform simple calculations
- describe the principle of profit maximisation as a goal and recognise that business organisations may have different goals
- describe the characteristics of perfect competition and monopoly
- describe pricing and output policies in perfect competition and monopoly
- describe the main reasons for the different sizes of firms (size of market, capital, organisation)
- describe and evaluate integration, economies and diseconomies of scale
- discuss the advantages and disadvantages of monopoly.

4.5 Role of government in an economy

Candidates should be able to:

- describe the government as a producer of goods and services and as an employer
- describe the aims of government policies, such as full employment, price stability, economic growth, redistribution of income, balance of payments stability
- explain fiscal, monetary and supply-side policies
- analyse the use of fiscal, monetary and supply-side policies
- discuss the possible conflicts between government aims
- describe the types of taxation (direct, indirect, progressive, regressive, proportional) and the impact of taxation
- discuss the government's influence (regulation, subsidies, taxes) on private producers.

4.6 Economic indicators

With regards to **prices**, candidates should be able to:

- describe how a consumer prices index/retail prices index is calculated
- discuss the causes and consequences of inflation
- discuss the causes and consequences of deflation.

With regards to **employment**, candidates should be able to:

- describe the changing patterns and levels of employment
- discuss the causes and consequences of unemployment.

With regards to **output**, candidates should be able to:

- define Gross Domestic Product (GDP)
- describe and have a general understanding of the causes and consequences of economic growth
- define the term recession
- describe and evaluate measures and indicators of comparative living standards, such as GDP per head, Human Development Index (HDI).

4.7 Developed and developing economies: trends in production, population and living standards

Candidates should be able to:

- describe why some countries are classified as developed and others are not
- describe the difference between absolute and relative poverty
- recognise and discuss policies to alleviate poverty
- describe the factors that affect population growth (birth rate, death rate, fertility rate, net migration) and discuss reasons for the different rates of growth in different countries
- analyse the problems and consequences of these population changes for countries at different stages of development
- describe the effects of changing size and structure of population on an economy
- discuss differences in standards of living within countries and between countries, both developed and developing.

4.8 International aspects

Candidates should be able to:

- describe the benefits and disadvantages of specialisation at regional and national levels
- describe the structure of the current account of the balance of payments
- discuss the causes and consequences of current account deficits and surpluses
- define exchange rates
- discuss the causes and consequences of exchange rate fluctuations
- describe methods of trade protection
- discuss the merits of free trade and protection.

5. Grade descriptions

Cambridge provides grade descriptions to give a general indication of what a candidate must achieve for a particular grade. The actual grade given to the candidate will depend on how well they have met the assessment objectives overall. A candidate's weakness in one aspect of the exam may be balanced by above average performance in some other aspect.

Grade A

To achieve a Grade A, a candidate must show mastery of the syllabus and an outstanding performance on the more academic problems. Within the separate assessment objectives, a candidate awarded a Grade A must show:

AO1: Knowledge with understanding

- an excellent ability to identify detailed facts and principles in relation to the content of the syllabus
- an excellent ability to describe clearly graphs, diagrams, tables
- a thorough ability to define the concepts and ideas of the syllabus.

AO2: Analysis

- an excellent ability to classify and comment on information
- an ability to apply this information in a logical and well-structured manner to illustrate the application of economic analysis to a particular situation.

AO3: Critical evaluation and decision-making

- a thorough ability to classify and order information
- a sound ability to discriminate between varied sources of information and to distinguish clearly between facts and opinions
- a sound ability to make clear, reasoned judgements and to communicate them in an accurate and logical manner.

Grade C

To achieve a Grade C, a candidate must show a good understanding of the syllabus and some ability to answer questions that are pitched at a more academic level. Within the separate assessment objectives, a candidate awarded a Grade C must show:

AO1: Knowledge with understanding

- a sound ability to identify detailed facts and principles in relation to the content of the syllabus
- a sound ability to describe clearly graphs, diagrams, tables
- a sound ability to define the concepts and ideas of the syllabus.

AO2: Analysis

- an ability to use and comment on information
- an ability to apply this information to illustrate the application of economic analysis to a particular situation.

AO3: Critical evaluation and decision-making

- an ability to interpret information accurately
- an ability to discriminate between varied sources of information and to distinguish clearly between facts and opinions
- an ability to evaluate and make reasoned judgements.

Grade F

To achieve a Grade F, a candidate must show some familiarity with the central concepts and ideas in the syllabus. Within the separate assessment objectives, a candidate awarded a Grade F must show:

AO1: Knowledge with understanding

- some ability to identify specific facts or principles in relation to the content of the syllabus
- some ability to describe graphs, diagrams, tables.

AO2: Analysis

- some ability to classify data in a simple way and some ability to select relevant information from a set of data
- some ability to apply the tools of economic analysis to particular situations.

AO3: Critical evaluation and decision-making

- a limited ability to discriminate between different sources of information and to describe the difference between facts and opinions
- some ability to use information relating to a particular topic.

6. Additional information

6.1 Guided learning hours

Cambridge IGCSE syllabuses are designed on the assumption that candidates have about 130 guided learning hours per subject over the duration of the course. ('Guided learning hours' include direct teaching and any other supervised or directed study time. They do not include private study by the candidate.)

However, this figure is for guidance only, and the number of hours required may vary according to local curricular practice and the candidates' prior experience of the subject.

6.2 Recommended prior learning

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

6.3 Progression

Cambridge IGCSE Certificates are general qualifications that enable candidates to progress either directly to employment, or to proceed to further qualifications.

Candidates who are awarded grades C to A* in Cambridge IGCSE Economics are well prepared to follow courses leading to Cambridge International AS and A Level Economics, or the equivalent.

6.4 Component codes

Because of local variations, in some cases component codes will be different in instructions about making entries for examinations and timetables from those printed in this syllabus, but the component names will be unchanged to make identification straightforward.

6.5 Grading and reporting

Cambridge IGCSE results are shown by one of the grades A*, A, B, C, D, E, F or G indicating the standard achieved, Grade A* being the highest and Grade G the lowest. 'Ungraded' indicates that the candidate's performance fell short of the standard required for Grade G. 'Ungraded' will be reported on the statement of results but not on the certificate.

Percentage uniform marks are also provided on each candidate's statement of results to supplement their grade for a syllabus. They are determined in this way:

- A candidate who obtains...
 - ... the minimum mark necessary for a Grade A* obtains a percentage uniform mark of 90%.
 - ... the minimum mark necessary for a Grade A obtains a percentage uniform mark of 80%.
 - ... the minimum mark necessary for a Grade B obtains a percentage uniform mark of 70%.
 - ... the minimum mark necessary for a Grade C obtains a percentage uniform mark of 60%.
 - ... the minimum mark necessary for a Grade D obtains a percentage uniform mark of 50%.

- ... the minimum mark necessary for a Grade E obtains a percentage uniform mark of 40%.
- ... the minimum mark necessary for a Grade F obtains a percentage uniform mark of 30%.
- ... the minimum mark necessary for a Grade G obtains a percentage uniform mark of 20%.
- ... no marks receives a percentage uniform mark of 0%.

Candidates whose mark is none of the above receive a percentage mark in between those stated, according to the position of their mark in relation to the grade 'thresholds' (i.e. the minimum mark for obtaining a grade). For example, a candidate whose mark is halfway between the minimum for a Grade C and the minimum for a Grade D (and whose grade is therefore D) receives a percentage uniform mark of 55%.

The percentage uniform mark is stated at syllabus level only. It is not the same as the 'raw' mark obtained by the candidate, since it depends on the position of the grade thresholds (which may vary from one series to another and from one subject to another) and it has been turned into a percentage.

6.6 Access

Reasonable adjustments are made for disabled candidates in order to enable them to access the assessments and to demonstrate what they know and what they can do. For this reason, very few candidates will have a complete barrier to the assessment. Information on reasonable adjustments is found in the *Cambridge Handbook* which can be downloaded from the website www.cie.org.uk

Candidates who are unable to access part of the assessment, even after exploring all possibilities through reasonable adjustments, may still be able to receive an award based on the parts of the assessment they have taken.

6.7 Support and resources

Copies of syllabuses, the most recent question papers and Principal Examiners' reports for teachers are on the Syllabus and Support Materials CD-ROM, which we send to all Cambridge International Schools. They are also on our public website – go to www.cie.org.uk/igcse. Click the **Subjects** tab and choose your subject. For resources, click 'Resource List'.

You can use the 'Filter by' list to show all resources or only resources categorised as 'Endorsed by Cambridge'. Endorsed resources are written to align closely with the syllabus they support. They have been through a detailed quality-assurance process. As new resources are published, we review them against the syllabus and publish their details on the relevant resource list section of the website.

Additional syllabus-specific support is available from our secure Teacher Support website <http://teachers.cie.org.uk> which is available to teachers at registered Cambridge schools. It provides past question papers and examiner reports on previous examinations, as well as any extra resources such as schemes of work or examples of candidate responses. You can also find a range of subject communities on the Teacher Support website, where Cambridge teachers can share their own materials and join discussion groups.

University of Cambridge International Examinations
1 Hills Road, Cambridge, CB1 2EU, United Kingdom
Tel: +44 (0)1223 553554 Fax: +44 (0)1223 553558
Email: international@cie.org.uk www.cie.org.uk

® IGCSE is the registered trademark of University of Cambridge International Examinations

© University of Cambridge International Examinations 2011

