

SYLLABUS

**Cambridge International AS and A Level
Economics (US)**

9275

For examination in June and November 2015

**This syllabus is available only to Centers taking part in the
Board Examination Systems (BES) Pilot.**

**If you have any questions about this syllabus, please contact Cambridge at
international@cie.org.uk quoting syllabus code 9275.**

Changes to syllabus for 2015

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

Note

The subject content of this syllabus is the same as the international version. The range of components available is limited to make coursework, if applicable, a mandatory part of the syllabus. Because of this, there may be component numbers omitted in the list of components.

Administration materials appear in UK English and are standard for all our international customers. Please read the *Cambridge Glossary* alongside this syllabus. This is available from our website.

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Contents

- 1. Introduction 2
 - 1.1 Why Choose Cambridge?
 - 1.2 Why Choose Cambridge International AS and A Level?
 - 1.3 Why Choose Cambridge International AS and A Level Economics?
 - 1.4 Cambridge AICE (Advanced International Certificate of Education) Diploma
 - 1.5 How Can I Find Out More?
- 2. Teacher support 7
 - 2.1 Resources
 - 2.2 Resource Lists
 - 2.3 Training
- 3. Curriculum Content at a Glance 8
- 4. Assessment at a Glance 10
- 5. Syllabus Goals and Assessment Objectives 12
 - 5.1 Goals
 - 5.2 Assessment Objectives
- 6. Curriculum Content 14
 - 6.1 Core (AS Level and A Level)
 - 6.2 Supplement (A Level only)
- 7. Appendix: Resource List..... 27
- 8. Other Information 30

1. Introduction

1.1 Why Choose Cambridge?

Recognition

Cambridge International Examinations is the world's largest provider of international education programs and qualifications for students 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 recognized by the world's universities and employers.

Cambridge International AS or A Levels are recognized 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 students 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 are 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 are 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

Excellence in Education

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

More than 9,000 schools are part of our Cambridge learning community. We support teachers in over 160 countries who offer their students an international education based on our curricula and leading to our qualifications. Every year, thousands of students use Cambridge qualifications to gain admission to universities around the world.

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

Cambridge programs and qualifications are designed to support students 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 students, 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 students 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**

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**

Nonprofit, Part of the University of Cambridge

We are a nonprofit organization where the needs of the teachers and students 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 programs for students aged 5 to 19 are certified as meeting the internationally recognized standard for quality management, ISO 9001:2008. Learn more at **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 syllabi provide opportunities for contextualized 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 goal is to balance knowledge, understanding, and skills in our programs and qualifications to enable candidates to become effective students and to provide a solid foundation for their continuing educational journey. Cambridge International AS and A Levels give students building blocks for an individualized curriculum that develops their knowledge, understanding, and skills.

Schools can offer almost any combination of 60 subjects, and students can specialize or study a range of subjects, ensuring a breadth of knowledge. Giving students 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 students 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 students well for university, employment, and life. They help develop the in-depth subject knowledge and understanding that are so important to universities and employers.

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

- acquire an in-depth subject content
- 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 judgments, 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 syllabi are designed with the assumption that candidates have about 360 guided learning hours per subject over the duration of the course. Cambridge International AS Level syllabi are designed with 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 students' 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.

Prerequisites

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 thereafter 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 (9275) falls into Group C, Arts and Humanities.

Credits gained from Cambridge AS Level Global Perspectives (8275) 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**

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/exams/officers**

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 organization can register to become a Cambridge school.

2. Teacher support

2.1 Resources

Syllabi, 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. These materials are also on our public website.

Go to our public website at **www.cie.org.uk/alevel** to download the following materials:

- current and future syllabi
- past question papers, mark schemes, and examiner reports from one series
- frequently asked questions
- resource lists

For teachers at registered Cambridge schools additional support materials for specific syllabi are available. For our Teacher Support website go to **<http://teachers.cie.org.uk>** (username and password required).

2.2 Resource Lists

We work with publishers providing a range of resources including textbooks, websites, CDs, etc. Lists of endorsed, recommended, and suggested resources are available on our website as soon as they are published. The most up to date resource lists can be accessed from our public and Teacher Support websites. The resource lists can be filtered to show all resources or just those that 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 make sure they have the relevant knowledge and skills to deliver our qualifications. See **www.cie.org.uk/events** for further information.

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

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

4. Assessment at a Glance

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

Centers 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 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
Paper 1 30 multiple-choice questions (Core) 1 hour	40%	20%
Paper 2 (a) Data response (Core) 1 question (b) Structured essay (Core) 1 from a choice of 3 1 hour, 30 mins	30%	15%
Paper 3 30 multiple-choice questions (Supplement) 1 hour		15%
Paper 4 (a) Data response (Supplement) 1 question (b) Essays (Supplement) 2 from a choice of 6 2 hours, 15 mins		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 available in the May/June examination series and the October/November examination series.

Detailed timetables are available from **www.cie.org.uk/examsOfficers**

Combining This with Other Syllabi

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

- syllabi with the same title at the same level

5. Syllabus Goals and Assessment Objectives

5.1 Goals

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 analyzed, 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 analyze 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 judgments.

AO5: Organize, present, and communicate economic ideas and informed judgments in a clear, logical, and appropriate form.

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

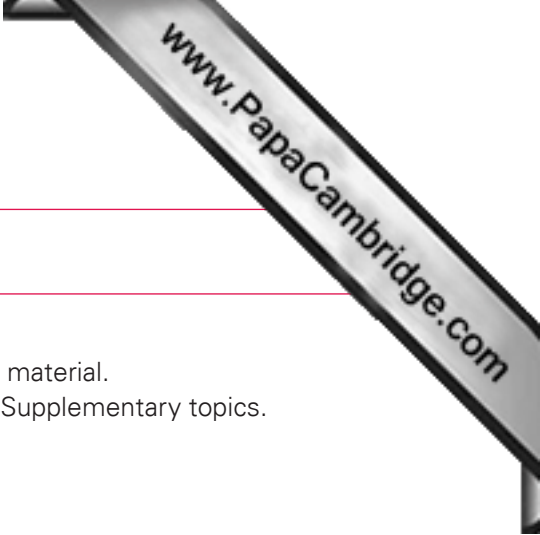
The data response part of Papers 2 and 4 will particularly test Assessment Objectives 2 and 3, and to a lesser extent Assessment Objectives 1, 4, and 5.

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				
	AO1 Demonstrate knowledge and understanding	AO2 Interpret	AO3 Explain and analyze	AO4 Evaluate	AO5 Organize, 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. Curriculum 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">• Scarcity, choice, and resource allocation• Different allocative mechanisms <p>Plus the problems of transition when central planning in an economy is reduced</p> <ul style="list-style-type: none">• Production possibility curve—shape and shifts• The margin: decision making at the margin• Positive and normative statements• <i>Ceteris paribus</i>• Factors of production: land, labor, capital, enterprise• Division of labor• Money: its functions and characteristics	<ul style="list-style-type: none">– Meaning of scarcity and the inevitability of choices at all levels (individual, firms, governments)– Opportunity cost– Basic questions of what will be produced, how, and for whom– Market economies– Planned economies– Mixed economies

Examples of other concepts and terms included

barter	investment	production transformation
checks	law (economic)	curve
coincidence of wants	liquidity	resources
command economy	macroeconomics	secondary sector
costs of production	market	Smith, Adam
division of labor	market system	specialization
economic goods	maximization	standard of deferred
economic growth	measure of value	payments
economic problem	medium of exchange	store of wealth
entrepreneur	microeconomics	tertiary sector
fixed capital	needs	unit of account
fixed capital formation	other things being equal	value judgment
free goods	primary sector	wants
interest	production frontier	working capital

2. The Price System and the Theory of the Firm (AS and A Level)

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

2. The Price System and the Theory of the Firm (AS and A Level)—continued

Examples of other concepts and terms included

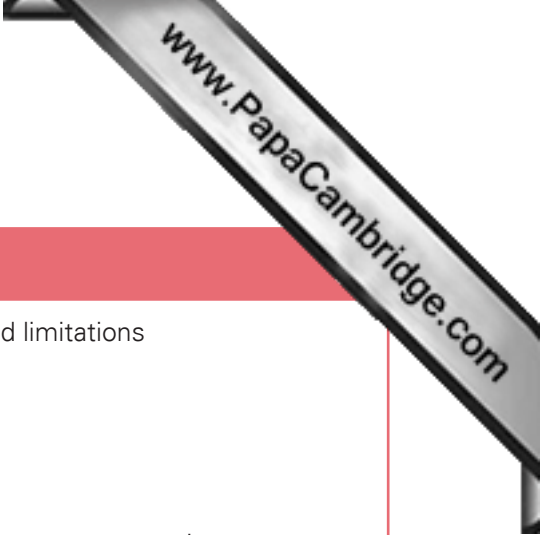
ad valorem tax	equilibrium	normal good
change in demand	equilibrium price	perfectly elastic
change in quantity demanded	equilibrium quantity	perfectly inelastic
complementary goods	impact of tax	perishability
composite demand	incidence of tax	price mechanism
demand conditions	income tax	rectangular hyperbola
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 stabilization, 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 globalization 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 Organization (WTO)
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5. Theory and Measurement in the Macroeconomy (AS and A Level)

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

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 labor:
 - meaning and factors affecting demand for labor
 - derivation of individual firm's demand for a factor using marginal revenue product theory
- Supply of labor—meaning and factors affecting supply
 - Net advantages and the long-run supply of labor
- 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 maximization
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
average variable cost
barriers to exit
break-even point
cartel
closed shop
collective bargaining
concentration ratio
decreasing returns
diseconomies of scale
diversification
economies of large dimensions
financial economies of scale
horizontal integration

immobility of labor
imperfect competition
increasing returns
industrial concentration
integration
marginal physical product
minimum efficient scale (MES)
mobility of labor
monopsony
natural monopoly
non-pecuniary advantages
occupational mobility
paradox of value
pecuniary advantages

predatory pricing
price agreements
risk-bearing economies of scale
sales maximization
sales revenue maximization
satisficing profits
second-best theory
shares
supernormal profit
technical economies
transfer earnings
vertical integration
wage drift

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 toward income and wealth redistribution
Effectiveness of government policies
- Privatization

Examples of other concepts and terms included

contracting out
deregulation
government failure
means-tested benefits

negative income tax
price stabilization
supply-side economics
tax credits

technical monopoly
the poverty trap
universal benefits
x-inefficiency

4. International Trade (A Level only)

THERE IS NO SUPPLEMENT SECTION FOR INTERNATIONAL TRADE

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

6. Macroeconomic Problems (A Level only)—continued

Examples of other concepts and terms included

birth rate cyclical unemployment death rate demand-deficiency unemployment disguised unemployment (underemployment)	frictional unemployment general unemployment migration natural increase optimum population seasonal unemployment	structural unemployment sustainability technological unemployment trade (business) cycle voluntary unemployment
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7. Macroeconomic Policies (A Level only)

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| <ul style="list-style-type: none"> Objectives of macroeconomic policy: stabilization, growth Policies toward developing economies; policies of trade and aid 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 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 | <ul style="list-style-type: none"> Fiscal policy Monetary policy Exchange rate policy Supply side policy |
|--|--|

Examples of other concepts and terms included

automatic stabilizer canons of taxation flat tax Laffer curve	marginal tax rates open market operations poverty trap progressive taxation	proportional taxation quantitative easing (QE) regressive taxation work disincentives
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7. Appendix: Resource List

Text books

This is not a list of mandatory texts, but a range of alternatives that teachers may wish to choose from.

Author	Title	Publisher	Date	ISBN
Anderton, A G	<i>Economics A Level (5th edition)</i>	Causeway	2008	1405892358
Bamford, Colin and Grant, Susan	<i>Cambridge International AS and A Level Economics (2nd edition)</i>	Cambridge	2010	0521126657
Beardshaw, J	<i>Economics: A Student's Guide</i>	Longman	2001	0273651404
Begg, David et al	<i>Economics (9th edition)</i>	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 (4th edition)</i>	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 (2nd edition)</i>	Routledge	2002	0415250919
Wall, Nancy	<i>The Complete A-Z Economics Handbook (3rd edition)</i>	Philip Allan	2009	0340991011



Internet

Teachers will also find useful material on the following websites:

www.bized.co.uk

www.tutor2u.net

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

www.cambridgestudents.org.uk

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

Access to teachers' discussion forums, suggested schemes of work (unit lesson plans), 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 Centers.

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
Analyze	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 judgment on
Comment upon	Give your reasoned opinion on, with explanations
Criticize	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

8. Other Information

Equality and Inclusion

Cambridge 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 International Examinations 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 to if they give candidates an unfair advantage over others or if they compromise the standards being assessed.

Candidates who are unable to access a component of the assessment 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**

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, grade A* being the highest and grade 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, grade "a" being the highest and grade "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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