

Syllabus

Cambridge International A & AS Level Economics
Syllabus code 9708
For examination in June and November 2011



UNIVERSITY *of* CAMBRIDGE
International Examinations

Note for Exams Officers: Before making Final Entries, please check availability of the codes for the components and options in the E3 booklet (titled "Procedures for the Submission of Entries") relevant to the exam session. Please note that component and option codes are subject to change.

Contents

Cambridge International A & AS Level Economics Syllabus code 9708

1. Introduction	2
1.1 Why choose Cambridge?	
1.2 Why choose Cambridge International A & AS Level Economics?	
1.3 How can I find out more?	
2. Assessment at a glance	4
3. Syllabus aims and assessment	5
3.1 Aims	
3.2 Assessment objectives	
4. Curriculum content	6
5. Appendix: Resource list.....	18

1. Introduction

1.1 Why choose Cambridge?

University of Cambridge International Examinations (CIE) is the world's largest provider of international qualifications. Around 1.5 million students from 150 countries enter Cambridge examinations every year. What makes educators around the world choose Cambridge?

Recognition

A Cambridge International A or AS Level is recognised around the world by schools, universities and employers. The qualifications are accepted as proof of academic ability for entry to universities worldwide. 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. They 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 A/AS Levels in countries such as the USA and Canada. Learn more at www.cie.org.uk/recognition.

Support

CIE provides a world-class support service for teachers and exams officers. We offer a wide range of teacher materials to Centres, plus teacher training (online and face-to-face) and student support materials. Exams officers can trust in reliable, efficient administration of exams entry and excellent, personal support from CIE Customer Services. Learn more at www.cie.org.uk/teachers.

Excellence in education

Cambridge qualifications develop successful students. They not only build understanding and knowledge required for progression, but also learning and thinking skills that help students become independent learners and equip them for life.

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

CIE is part of Cambridge Assessment, a not-for-profit organisation and part of the University of Cambridge. The needs of teachers and learners are at the core of what we do. CIE invests constantly in improving its qualifications and services. We draw upon education research in developing our qualifications.

1. Introduction

1.2 Why choose Cambridge International A & AS Level Economics?

Success in Cambridge International A Level & AS Level Economics is accepted by universities and employers as proof of essential knowledge and ability. Successful Cambridge International A & AS 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.

1.3 How can I find out more?

If you are already a Cambridge Centre

You can make entries for this qualification through your usual channels, e.g. CIE Direct. If you have any queries, please contact us at **international@cie.org.uk**.

If you are not a Cambridge Centre

You can find out how your organisation can become a Cambridge Centre. Email us at **international@cie.org.uk**. Learn more about the benefits of becoming a Cambridge Centre at **www.cie.org.uk**.

2. Assessment at a glance

Cambridge International A & AS Level Economics Syllabus code 9708

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

Centres and candidates may choose to:

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

Paper	Weighting	
	AS Level	A Level
Paper 1 30 multiple choice questions (Core)	40%	20%
Paper 2 (a) Data response (Core) 1 question (b) Structured essay (Core) 1 from a choice of 3	30%	15%
Paper 3 30 multiple choice questions (Supplement)		15%
Paper 4 (a) Data response (Supplement) 1 question (b) Essays (Supplement) 2 from a choice of 6		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.

All question papers are available for examination in both June and November.

3. Syllabus aims and assessment

3.1 Aims

The Cambridge International A & AS 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.

3.2 Assessment objectives

There are five Assessment Objectives (AOs) for A & AS 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.

4. Curriculum content

Candidates for AS Level should study only the Core material.

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

1. Basic economic ideas

CORE: AS Level	Examples of other concepts and terms included
<p>Basic economic ideas</p> <p>(a) Scarcity, choice and resource allocation</p> <ol style="list-style-type: none"> i. Meaning of scarcity and the inevitability of choices at all levels (individual, firms, governments) ii. Opportunity cost iii. Basic questions of what will be produced, how and for whom <p>(b) Different allocative mechanisms</p> <ol style="list-style-type: none"> i. Market economies ii. Planned economies iii. Mixed economies <p>(c) Production possibility curve – shape and shifts</p> <p>(d) The margin: decision making at the margin</p> <p>(e) Positive and normative statements</p> <p>(f) Ceteris paribus</p> <p>(g) Factors of production: land, labour, capital, enterprise</p> <p>(h) Division of labour</p> <p>(i) Money: its functions and characteristics</p>	<p>barter</p> <p>cheques</p> <p>coincidence of wants</p> <p>command economy</p> <p>costs of production</p> <p>division of labour</p> <p>economic goods</p> <p>economic growth</p> <p>economic problem</p> <p>entrepreneur</p> <p>fixed capital</p> <p>fixed capital formation</p> <p>free goods</p> <p>interest</p> <p>investment</p> <p>law (economic)</p> <p>liquidity</p> <p>macroeconomics</p> <p>market</p> <p>market system</p> <p>maximisation</p> <p>measure of value</p> <p>medium of exchange</p> <p>microeconomics</p> <p>needs</p> <p>other things being equal</p> <p>primary sector</p> <p>production frontier</p> <p>production transformation curve</p> <p>resources</p> <p>secondary sector</p> <p>Smith, Adam</p>

1. Basic economic ideas (Core) continues on next page

4. Curriculum content

1. Basic economic ideas (Core) continued

	specialisation standard of deferred payments store of wealth tertiary sector unit of account value judgement wants working capital
--	---

SUPPLEMENT: Additional material for A Level	Examples of other concepts and terms included
Basic economic ideas Efficient resource allocation Concept of economic efficiency: productive and allocative efficiency	optimum resource allocation

4. Curriculum content

2. The price system and the theory of the firm

CORE: AS Level	Examples of other concepts and terms included
<p>The price system</p> <p>(a) Individual demand curves</p> <p>(b) Aggregation of individual demand curves to give market demand</p> <p>(c) Factors influencing demand</p> <p>(d) Movements along and shifts of a demand curve</p> <p>(e) Price, income and cross- elasticities of demand</p> <p> i. Meaning and calculation</p> <p> ii. Factors affecting</p> <p> iii. Implications for revenue and business decisions</p> <p>(f) Firms' supply curves</p> <p> Aggregation of individual firms' supply curves to give market supply</p> <p>(g) Factors influencing market supply, including indirect taxes and subsidies</p> <p> Movements along and shifts of a supply curve</p> <p>(h) Price elasticity of supply: determinants, implications for speed/ease with which businesses react to changed market conditions</p> <p>(i) Interaction of demand and supply: equilibrium price and quantity</p> <p> i. Meaning of equilibrium and disequilibrium</p> <p> ii. Effects of changes in supply and demand on equilibrium price and quantity</p> <p> iii. Applications of demand and supply analysis</p> <p>(j) Consumer surplus</p> <p>(k) Prices as rationing and allocative mechanisms</p>	<p>ad valorem tax</p> <p>change in demand</p> <p>change in quantity demanded</p> <p>complementary goods</p> <p>composite demand</p> <p>demand conditions</p> <p>demand schedule</p> <p>derived demand</p> <p>direct taxation</p> <p>disequilibrium</p> <p>effective demand</p> <p>elastic</p> <p>equilibrium</p> <p>equilibrium price</p> <p>equilibrium quantity</p> <p>impact of tax</p> <p>incidence of tax</p> <p>income tax</p> <p>inelastic</p> <p>inferior good</p> <p>joint demand</p> <p>joint supply</p> <p>law of demand</p> <p>law of supply</p> <p>normal good</p> <p>perfectly elastic</p> <p>perfectly inelastic</p> <p>perishability</p> <p>price mechanism</p> <p>rectangular hyperbola</p> <p>specific tax</p> <p>stocks</p> <p>substitute goods</p> <p>supply conditions</p> <p>total revenue</p> <p>unitary elasticity</p>

4. Curriculum content

SUPPLEMENT: Additional material for A Level	Examples of other concepts and terms included
<p>The price system and the theory of the firm</p> <p>(a) 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</p> <p>(b) Budget lines Income and substitution effects of a price change.</p> <p>(c) 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)</p> <p>(d) Demand for labour: meaning and factors affecting demand for labour derivation of individual firm's demand for a factor using marginal revenue product theory</p> <p>(e) Supply of labour – meaning and factors affecting supply Net advantages and the long-run supply of labour</p> <p>(f) 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</p> <p>(g) Long-run production function Returns to scale</p> <p>(h) Economist's versus accountant's definition of costs Marginal cost and average cost Short-run cost function – fixed costs versus variable costs Explanation of shape of SRAC</p> <p>(i) Long-run cost function Explanation of shape of LRAC Relationship between economies of scale and decreasing costs Internal and external economies of scale</p>	<p>average fixed cost average variable cost barriers to exit cartel closed shop collective bargaining decreasing returns diseconomies of scale economies of large dimensions financial economies of scale horizontal integration immobility of labour imperfect competition increasing returns industrial concentration integration marginal physical product mobility of labour monopsony natural monopoly non-pecuniary advantages occupational mobility paradox of value pecuniary advantages price agreements risk-bearing economies of scale sales maximisation sales revenue maximisation satisficing profits second-best theory shares supernormal profit technical economies transactions demand for money transfer earnings vertical integration</p>

2. The price system and the theory of the firm (Supplement) continues on next page

4. Curriculum content

2. The price system and the theory of the firm (Supplement) continued

- | | |
|---|--|
| <ul style="list-style-type: none">(j) Survival of small firms
Growth of firms(k) Relationship between elasticity, marginal, average and total revenue for a downward-sloping demand curve(l) Concepts of firm and industry(m) Traditional objective of firm – profit maximisation
Normal and abnormal profit
An awareness of other objectives of firm(n) 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(o) Conduct of firms – pricing policy and non-price policy, including price discrimination, price leadership models and mutual interdependence in the case of oligopolies(p) 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 | |
|---|--|

4. Curriculum content

3. Government intervention in the price system

CORE: AS Level	Examples of other concepts and terms included
<p>Government intervention in the price system</p> <p>(a) Externalities</p> <p>(b) Social costs as the sum of private costs and external costs Social benefits as the sum of private benefits and external benefits</p> <p>(c) Decision making using cost-benefit analysis</p> <p>(d) Private goods and public goods Merit goods and demerit goods</p> <p>(e) Government intervention via maximum price controls, price stabilisation, taxes, subsidies, direct provision of goods and services</p>	<p>excise duties</p> <p>external benefit</p> <p>external cost</p> <p>free rider</p> <p>government expenditure</p> <p>imperfections</p> <p>information failure</p> <p>negative externality</p> <p>non-excludability</p> <p>non-rivalness</p> <p>positive externality</p>

SUPPLEMENT: Additional material for A Level	Examples of other concepts and terms included
<p>Government intervention in the price system</p> <p>(a) Sources of market failure</p> <p>(b) Meaning of deadweight losses Market imperfections – existence of monopolistic elements</p> <p>(c) Objectives of government microeconomic policy: efficiency, equity</p> <p>(d) Policies to correct market failure: regulation Policies towards income and wealth redistribution Effectiveness of government policies</p> <p>(e) Privatisation Problems of transition when central planning in an economy is reduced</p>	<p>supply-side economics</p>

4. Curriculum content

4. International Trade

CORE: AS Level	Examples of other concepts and terms included
<p>International Trade</p> <p>(a) Principles of absolute and comparative advantage, and their real-world limitations</p> <p>Other explanations/determinants of trade flows</p> <p>Opportunity cost concept allied to trade</p> <p>(b) Arguments for free trade and motives for protection</p> <p>(c) Types of protection and their effects</p> <p>(d) Economic integration: free trade area, customs union, economic union</p> <p>(e) Terms of trade</p> <p>(f) Components of the balance of payments</p>	<p>bilateral trade</p> <p>capital account of balance of payments</p> <p>comparative costs</p> <p>current account of balance of payments</p> <p>current transfers</p> <p>deficit</p> <p>dumping</p> <p>exports</p> <p>external balance</p> <p>financial account of balance of payments</p> <p>globalisation</p> <p>imports</p> <p>infant industry argument</p> <p>invisible balance</p> <p>multilateral trade</p> <p>net errors and omissions</p> <p>quota</p> <p>sunrise/sunset industries</p> <p>surplus</p> <p>tariff</p> <p>trade creation</p> <p>trade diversion</p> <p>trading possibility curve</p> <p>visible balance</p>

THERE IS NO SUPPLEMENT SECTION FOR INTERNATIONAL TRADE

4. Curriculum content

5. Theory and measurement in the macroeconomy

CORE: AS Level	Examples of other concepts and terms included
<p>Measurement in the macroeconomy</p> <p>(a) Employment statistics</p> <p>Size and components of labour force</p> <p>Labour productivity</p> <p>Definition of unemployment</p> <p>Unemployment rate; patterns and trends in (un)employment</p> <p>Difficulties involved in measuring unemployment</p> <p>(b) General price level: price indices</p>	<p>base date</p> <p>claimant count</p> <p>consumer price index</p> <p>cost of living</p> <p>deflation</p> <p>dependency ratio</p> <p>household expenditure</p> <p>labourforce survey</p> <p>participation rate</p> <p>Retail Prices Index</p> <p>weights</p> <p>working population</p>

SUPPLEMENT: Additional material for A Level	Examples of other concepts and terms included
<p>Theory and measurement in the macroeconomy</p> <p>(a) National income statistics</p> <p>i. Use of national income statistics as measures of economic growth and living standards</p> <p>ii. Money and real data; GDP deflator</p> <p>iii. Comparison of economic growth rates and living standards over time and between countries</p> <p>iv. Other indicators of living standards and economic development</p> <p>(b) Money supply</p> <p>Broad and narrow money supply</p> <p>Government accounts: government budget, deficit financing</p> <p>(c) The circular flow of income between households, firms, government and the international economy</p> <p>(d) Main schools of thought on how the macroeconomy functions – Keynesian and monetarist</p>	<p>active balances</p> <p>at constant prices</p> <p>at current prices</p> <p>average propensity</p> <p>balanced budget</p> <p>capital:output ratio</p> <p>closed economy</p> <p>consumption</p> <p>credit multiplier</p> <p>depreciation (of capital)</p> <p>dissaving</p> <p>distribution of income</p> <p>gross domestic product</p> <p>gross national product</p> <p>idle balances</p> <p>leakage</p> <p>liquidity trap</p> <p>marginal propensity</p>

5. Theory and measurement in the macroeconomy (Supplement) continues on next page

4. Curriculum content

5. Theory and measurement in the macroeconomy (Supplement) continued

<p>(e) 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</p> <p>(f) Shape and determinants of AD Shape and determinants of AS Interaction of AD and AS: determination of level of output, prices and employment</p> <p>(g) 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</p> <p>(h) The demand for money Interest rate determination Liquidity Preference theory and Loanable Funds theory</p>	<p>National Debt net domestic product net national product net property income from abroad paradox of thrift precautionary demand for money quality of life saving speculative demand for money yield</p>
---	---

4. Curriculum content

6. Macroeconomic problems

CORE: AS Level	Examples of other concepts and terms included
<p>Macroeconomic problems</p> <p>(a) Inflation</p> <ul style="list-style-type: none"> i. Definition of inflation; degrees of inflation ii. Causes of inflation iii. Consequences of inflation <p>(b) Balance of payments problems</p> <ul style="list-style-type: none"> i. Meaning of balance of payments equilibrium and disequilibrium ii. Causes of balance of payments disequilibrium iii. Consequences of balance of payments disequilibrium on domestic and external economy <p>(c) Fluctuations in foreign exchange rates</p> <ul style="list-style-type: none"> i. Definitions and measurement of exchange rates – nominal, real, trade-weighted exchange rates ii. Determination of exchange rates – floating, fixed, managed float iii. Factors underlying fluctuations in exchange rates iv. Effects of changing exchange rates on the economy 	<p>anticipated inflation appreciation cost-push inflation deflation demand-pull inflation depreciation devaluation fiscal boost fiscal drag foreign exchange hyperinflation IMF J-curve Marshall-Lerner condition menu costs monetary inflation nominal value purchasing power parity Quantity Theory of Money real value reflation revaluation shoe leather costs stagflation trade-weighted exchange rate unanticipated inflation velocity of circulation wage drift</p>

4. Curriculum content

6. Macroeconomic problems (continued)

SUPPLEMENT: Additional material for A Level	Examples of other concepts and terms included
<p>Macroeconomic problems</p> <p>(a) Economic growth and development</p> <ol style="list-style-type: none"> i. Definition of economic growth and development ii. Indicators of comparative development and underdevelopment in the world economy – economic, monetary, non-monetary and demographic indicators iii. 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 multi-national corporations and external debt iv. Actual versus potential growth in national output v. Factors contributing to economic growth vi. Costs and benefits of growth, including using and conserving resources <p>(b) Unemployment</p> <ol style="list-style-type: none"> i. Full employment and natural rate of unemployment ii. Causes of unemployment iii. Consequences of unemployment <p>(c) Inter-connectedness of problems</p> <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 	<p>birth rate</p> <p>cyclical unemployment</p> <p>death rate</p> <p>demand-deficiency unemployment</p> <p>frictional unemployment</p> <p>general unemployment</p> <p>migration</p> <p>natural increase</p> <p>optimum population</p> <p>seasonal unemployment</p> <p>structural unemployment</p> <p>sustainability</p> <p>technological unemployment</p> <p>trade cycle</p> <p>voluntary unemployment</p>

4. Curriculum content

7. Macroeconomic policies

CORE: AS Level	Examples of other concepts and terms included
Macroeconomic policies Policies designed to correct balance of payments disequilibrium or influence the exchange rate	exchange controls expenditure dampening expenditure switching interest rate policy
SUPPLEMENT: Additional material for A Level	Examples of other concepts and terms included
Macroeconomic policies (a) Objectives of macroeconomic policy: stabilisation, growth (b) Policies towards developing economies; policies of trade and aid (c) 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 i. Fiscal policy ii. Monetary policy iii. Exchange rate policy iv. Supply side policy (d) Conflicts between policy objectives and evaluating policy options to deal with problems	automatic stabiliser canons of taxation marginal tax rates open market operations poverty trap progressive taxation proportional taxation regressive taxation

5. 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, AG	<i>Economics AS Level</i>	Causeway	2004	1902796128
Bamford, Colin, <i>et al</i>	<i>Economics International AS and A Level*</i>	Cambridge	2002	052100781X
Beardshaw, J	<i>Economics: A Student's Guide</i>	Longman	2001	0273651404
Begg, David <i>et al</i>	<i>Economics</i>	McGraw Hill	2005	0077107756
Gillespie, A	<i>Economics A Level Through Diagrams</i>	Oxford	2001	0199134294
Grant, Susan	<i>Stanlake's Introductory Economics</i>	Longman	2000	0582405483
Grant, Susan	<i>Introductory Economics: A Study Guide</i>	Longman	1997	0582302560
Ison, Stephen	<i>Economics</i>	FT Prentice Hall	1999	0273634275
Sloman, John	<i>Essentials of Economics</i>	FT Prentice Hall	2003	0273683829

* This textbook is endorsed by University of Cambridge International Examinations

Dictionaries

Author	Title	Publisher	Date	ISBN
Bannock, Graham <i>et al</i> (eds)	<i>Penguin Dictionary of Economics</i>	Penguin	2004	0141010754
Cairns, John <i>et al</i>	<i>Macmillan Dictionary of Modern Economics</i>	Palgrave	1992	0333576934
Wall, Nancy <i>et al</i>	<i>The Complete A-Z Economics and Business Studies Handbook</i>	Hodder	2003	0340872764

Internet

Teachers will also find useful material on the following websites:

www.bized.ac.uk

www.tutor2u.net

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 Website: www.cie.org.uk

© University of Cambridge International Examinations 2008