



# Syllabus

## Cambridge International AS & A Level Economics 9708

Use this syllabus for exams in 2022.

Exams are available in the June and November series.

Exams are also available in the March series in India only.



### Changes to the syllabus for 2022

The latest syllabus is version 1, published September 2019.

There are no significant changes which affect teaching.

**You are strongly advised to read the whole syllabus before planning your teaching programme.**

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## Why choose Cambridge International?

Cambridge International prepares school students for life, helping them develop an informed curiosity and a lasting passion for learning. We are part of the University of Cambridge.

Our Cambridge Pathway gives students a clear path for educational success from age 5 to 19. Schools can shape the curriculum around how they want students to learn – with a wide range of subjects and flexible ways to offer them. It helps students discover new abilities and a wider world, and gives them the skills they need for life, so they can achieve at school, university and work.

Our programmes and qualifications set the global standard for international education. They are created by subject experts, rooted in academic rigour and reflect the latest educational research. They provide a strong platform for students to progress from one stage to the next, and are well supported by teaching and learning resources.

We review all our syllabuses regularly, so they reflect the latest research evidence and professional teaching practice – and take account of the different national contexts in which they are taught.

We consult with teachers to help us design each syllabus around the needs of their learners. Consulting with leading universities has helped us make sure our syllabuses encourage students to master the key concepts in the subject and develop the skills necessary for success in higher education.

Our mission is to provide educational benefit through provision of international programmes and qualifications for school education and to be the world leader in this field. Together with schools, we develop Cambridge learners who are confident, responsible, reflective, innovative and engaged – equipped for success in the modern world.

Every year, nearly a million Cambridge students from 10 000 schools in 160 countries prepare for their future with the Cambridge Pathway.

“ We think the Cambridge curriculum is superb preparation for university. ”

Christoph Guttentag, Dean of Undergraduate Admissions, Duke University, USA

“ Cambridge students develop a deep understanding of subjects and independent thinking skills. ”

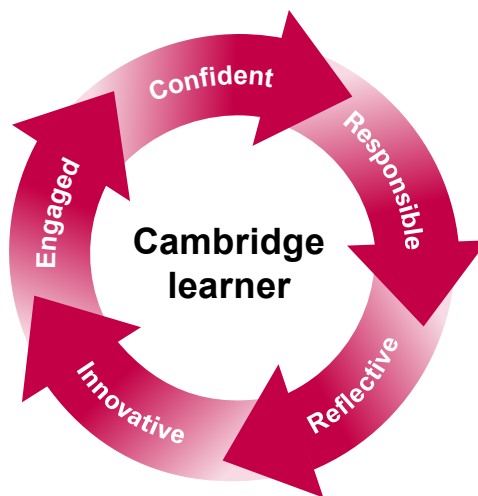
Principal, Rockledge High School, USA

## Why choose Cambridge International AS & A Levels?

The best motivation for a student is a real passion for the subject they're learning. By offering students a variety of Cambridge International AS & A Levels, you can give them the greatest chance of finding the path of education they most want to follow. With over 50 subjects to choose from, students can select the ones they love and that they're best at, which helps motivate them throughout their studies.

Following a Cambridge International AS & A Level programme helps students develop abilities which universities value highly, including:

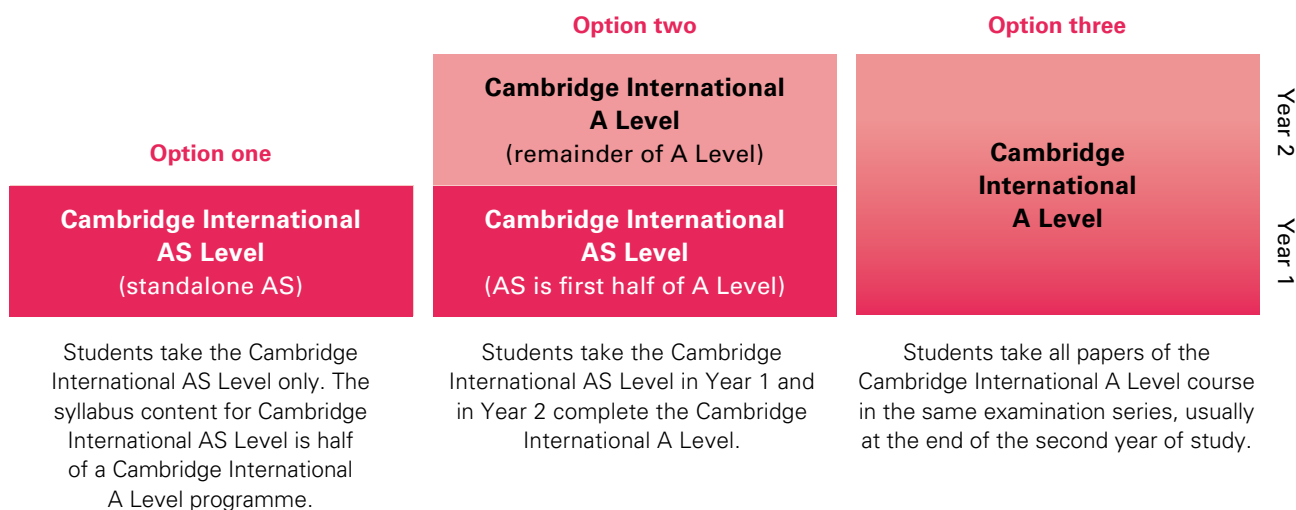
- a deep understanding of their subjects
- higher order thinking skills – analysis, critical thinking, problem solving
- presenting ordered and coherent arguments
- independent learning and research.



Our approach in Cambridge International AS & A Level encourages learners to be:

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

Cambridge International AS & A Level offers a choice of assessment routes with staged assessment available in many subjects: Cambridge International AS Level can be offered as a standalone qualification or as part of a progression to Cambridge International A Level:



## International recognition and acceptance

Our expertise in curriculum, teaching and learning, and assessment is the basis for the recognition of our programmes and qualifications around the world. Every year thousands of students with Cambridge International AS & A Levels gain places at leading universities worldwide. They are valued by top universities around the world including those in the UK, US (including Ivy League universities), Europe, Australia, Canada and New Zealand.

UK NARIC, the national agency in the UK for the recognition and comparison of international qualifications and skills, has carried out an independent benchmarking study of Cambridge International AS & A Level and found it to be comparable to the standard of AS & A Level in the UK. This means students can be confident that their Cambridge International AS & A Level qualifications are accepted as equivalent, grade for grade, to UK AS & A Levels by leading universities worldwide.

### Learn more

For more details go to [www.cambridgeinternational.org/recognition](http://www.cambridgeinternational.org/recognition)

## Quality management

Cambridge International is committed to providing exceptional quality. In line with this commitment, our quality management system for the provision of international qualifications and education programmes for students aged 5 to 19 is independently certified as meeting the internationally recognised standard, ISO 9001:2015. Learn more at [www.cambridgeinternational.org/ISO9001](http://www.cambridgeinternational.org/ISO9001)



Cambridge Assessment International Education is an education organisation and politically neutral. The content of this syllabus, examination papers and associated materials do not endorse any political view. We endeavour to treat all aspects of the exam process neutrally.

“ The depth of knowledge displayed by the best A Level students makes them prime targets for America’s Ivy League universities ”

Yale University, USA

## Why choose Cambridge International AS & A Level Economics?

The study of Cambridge International AS & A Level Economics allows learners to explore concepts and theories which can be applied to the way that modern economies work.

Cambridge learners develop the ability to explain, evaluate and analyse economic issues and arguments. They gain lifelong skills and a solid foundation for further study.

### About the syllabus

Through the Cambridge International AS and A Level Economics syllabus, learners study how to explain and analyse economic issues and arguments, evaluate economic information, and organise, present and communicate ideas and judgements clearly.

The syllabus covers a range of basic 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. Learners also study the price system, the theory of the firm, market failure, macroeconomic theory and policy, and economic growth and development.

### Key concepts

The key concepts on which this syllabus is built are set out below. These key concepts can help teachers think about how to approach each syllabus topic in order to encourage learners to make links between topics and develop a deep overall understanding of the subject.

As a teacher, you will refer again and again to these concepts, which can serve as tools when considering both familiar and unfamiliar issues and contexts in economics.

- **Scarcity and choice**  
The fundamental problem in economics is that resources are scarce and wants are unlimited, so there is always a choice required between competing uses for the resources.
- **The margin and change**  
Decision-making by individuals, firms and governments is based on choices at the margin; that is, once behaviour has been optimised, any change will be detrimental as long as conditions remain the same.
- **Equilibrium and efficiency**  
Prices are set by markets, are always moving in to and out of equilibrium, and can be both efficient and inefficient in different ways and over different time periods.
- **Regulation and equity**  
There is a trade-off between, on the one hand, freedom for firms and individuals in unregulated markets and, on the other hand, greater social equality and equity through the government regulation of individuals and markets.
- **Progress and development**  
Economics studies how societies can progress in measurable money terms and develop in a wider more normative sense.

### Guided learning hours

Guided learning hours give an indication of the amount of contact time teachers need to have with learners to deliver a particular course. Our syllabuses are designed around 180 guided learning hours for Cambridge International AS Level, and around 360 guided learning hours for Cambridge International A Level.

These figures are for guidance only. The number of hours needed to gain the qualification may vary depending on local practice and the learners' previous experience of the subject.

### Prior learning

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

### Progression

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

Cambridge International AS Level Economics is the first half of Cambridge International A Level Economics. Depending on local university entrance requirements, the qualification may permit or assist progression directly to university courses in Economics or some other subjects.

We recommend learners check the Cambridge recognitions database and the university websites to find the most up-to-date entry requirements for courses they wish to study.

#### 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@cambridgeinternational.org](mailto:info@cambridgeinternational.org)

##### If you are not yet a Cambridge school

Learn more about the benefits of becoming a Cambridge school from our website at [www.cambridgeinternational.org/startcambridge](http://www.cambridgeinternational.org/startcambridge)

Email us at [info@cambridgeinternational.org](mailto:info@cambridgeinternational.org) to find out how your organisation can register to become a Cambridge school.

## Cambridge AICE

Cambridge AICE (Advanced International Certificate of Education) Diploma is the group award of the Cambridge International AS & A Level. It gives schools the opportunity to benefit from offering a broad and balanced curriculum by recognising the achievements of candidates who pass examinations from different curriculum groups.

### Learn more

For more details go to [www.cambridgeinternational.org/aice](http://www.cambridgeinternational.org/aice)

“ Our research has shown that students who came to the university with a Cambridge AICE background performed better than anyone else that came to the university. That really wasn't surprising considering the emphasis they have on critical research and analysis, and that's what we require at university. ”

Assistant Vice President for Enrollment Management, Florida State University, USA



## Supporting teachers

We provide a wide range of practical resources, detailed guidance, and innovative training and professional development so that you can give your students the best possible preparation for Cambridge International AS & A Level.

### Teaching resources

- School Support Hub  
[www.cambridgeinternational.org/support](http://www.cambridgeinternational.org/support)
- Syllabuses
- Schemes of work
- Learner guides
- Discussion forums
- Endorsed resources

### Exam preparation resources

- Question papers
- Mark schemes
- Example candidate responses to understand what examiners are looking for at key grades
- Examiner reports to improve future teaching

**Support  
for Cambridge  
International  
AS & A Level**

### Training

- Introductory – face-to-face or online
  - Extension – face-to-face or online
  - Enrichment – face-to-face or online
  - Coursework – online
  - Cambridge Professional Development Qualifications
- Find out more at  
[www.cambridgeinternational.org/profdev](http://www.cambridgeinternational.org/profdev)

### Community

You can find useful information, as well as share your ideas and experiences with other teachers, on our social media channels and community forums.

Find out more at  
[www.cambridgeinternational.org/social-media](http://www.cambridgeinternational.org/social-media)

“ Cambridge International AS & A Levels prepare students well for university because they’ve learnt to go into a subject in considerable depth. There’s that ability to really understand the depth and richness and the detail of a subject. It’s a wonderful preparation for what they are going to face at university. ”

US Higher Education Advisory Council

# 1 Syllabus overview

## 1.1 Content

This table gives an overview of the syllabus content for Cambridge International AS and A Level Economics.

	All candidates study these AS Level topics	A Level candidates also study these additional topics
1 Basic economic ideas and resource allocation	<ul style="list-style-type: none"> <li>• Scarcity, choice and opportunity cost</li> <li>• Positive and normative statements</li> <li>• Factors of production</li> <li>• Resource allocation in different economic systems and issues of transition</li> <li>• Production possibility curves</li> <li>• Money</li> <li>• Classification of goods and services</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient resource allocation</li> <li>• Externalities and market failure</li> <li>• Social costs and benefits; cost-benefit analysis</li> </ul>
2 The price system and the micro economy	<ul style="list-style-type: none"> <li>• Demand and supply curves</li> <li>• Price elasticity, income elasticity and cross-elasticities of demand</li> <li>• Price elasticity of supply</li> <li>• Interaction of demand and supply</li> <li>• Market equilibrium and disequilibrium</li> <li>• Consumer and producer surplus</li> </ul>	<ul style="list-style-type: none"> <li>• Law of diminishing marginal utility</li> <li>• Indifference curves</li> <li>• Budget lines</li> <li>• Types of cost, revenue and profit, short-run and long-run production</li> <li>• Different market structures</li> <li>• Growth and survival of firms</li> <li>• Differing objectives of a firm</li> </ul>
3 Government microeconomic intervention	<ul style="list-style-type: none"> <li>• Maximum and minimum prices</li> <li>• Taxes (direct and indirect)</li> <li>• Subsidies</li> <li>• Transfer payments</li> <li>• Direct provision of goods and services</li> <li>• Nationalisation and privatisation</li> </ul>	<ul style="list-style-type: none"> <li>• Policies to achieve efficient resource allocation and correct market failure</li> <li>• Equity and policies towards income and wealth redistribution</li> <li>• Labour market forces and government intervention:                             <ul style="list-style-type: none"> <li>– Demand and supply of labour</li> <li>– Wage determination in perfect markets</li> <li>– Wage determination in imperfect markets</li> </ul> </li> <li>• Government failure in microeconomic intervention</li> </ul>

	All candidates study these AS Level topics	A Level candidates also study these additional topics
4 The macro economy	<ul style="list-style-type: none"> <li>• Aggregate Demand and Aggregate Supply analysis</li> <li>• Inflation</li> <li>• Balance of payments</li> <li>• Exchange rates</li> <li>• The terms of trade</li> <li>• Principles of absolute and comparative advantage</li> <li>• Protectionism</li> </ul>	<ul style="list-style-type: none"> <li>• Economic growth, economic development and sustainability</li> <li>• National Income statistics</li> <li>• Classification of countries</li> <li>• Employment/unemployment</li> <li>• The circular flow of income</li> <li>• Money supply (theory)</li> <li>• Keynesian and Monetarist schools</li> <li>• The demand for money and interest rate determination</li> <li>• Policies towards developing economies; policies of trade and aid</li> </ul>
5 Government macro intervention	<ul style="list-style-type: none"> <li>• Types of policy: fiscal, monetary and supply side policy</li> <li>• Policies to correct balance of payments disequilibrium</li> <li>• Policies to correct inflation and deflation</li> </ul>	<ul style="list-style-type: none"> <li>• Government macro policy aims</li> <li>• Inter-connectedness of problems</li> <li>• Effectiveness of policy options to meet all macroeconomic objectives</li> </ul>

## 1.2 Assessment

For Cambridge International AS & A Level Economics, candidates:

- take Papers 1 and 2 only (for the Cambridge International AS Level qualification)
  - or
- follow a staged assessment route by taking Papers 1 and 2 (for the Cambridge International AS Level qualification) in one series, then Papers 3 and 4 (for the Cambridge International A Level qualification) in a later series
  - or
- take Papers 1, 2, 3 and 4 in the same examination series (for the Cambridge International A Level qualification).

All components are externally assessed.

Component	Weighting	
	AS Level	A Level
<b>Paper 1 Multiple Choice</b> <span style="float: right;"><b>1 hour</b></span> 30 multiple choice questions based on the AS Level syllabus content 30 marks	40%	20%
<b>Paper 2 Data Response and Essay</b> <span style="float: right;"><b>1 hour 30 minutes</b></span> Section A: one data response question (20 marks) Section B: one structured essay from a choice of three (20 marks) Based on the AS Level syllabus content 40 marks	30%	15%
<b>Paper 3 Multiple Choice</b> <span style="float: right;"><b>1 hour 15 minutes</b></span> 30 multiple choice questions based on the A Level syllabus content 30 marks		15%
<b>Paper 4 Data Response and Essays</b> <span style="float: right;"><b>2 hours 15 minutes</b></span> Section A: one data response question (20 marks) Section B: two essays from a choice of six (50 marks) Based on the A Level syllabus content 70 marks		10%
		25%

Candidates following an AS Level route will be eligible for grades a–e.

Candidates following an A Level route will be eligible for grades A\*–E.

**Note:** Papers 3 and 4 test the additional syllabus content for A Level, but also require a knowledge and understanding of the AS Level syllabus content.

## Availability

This syllabus is examined in the June and November examination series. This syllabus is also available for examination in March for India only.

This syllabus is available to private candidates.

Detailed timetables are available from [www.cambridgeinternational.org/timetables](http://www.cambridgeinternational.org/timetables)

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

## Combining this with other syllabuses

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

- syllabuses with the same title at the same level.

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## 2 Syllabus aims and assessment objectives

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### 2.1 Syllabus aims

The syllabus aims to enable candidates to develop:

- an understanding of the factual knowledge of economics
- 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.

### 2.2 Assessment objectives

#### **AO1 Knowledge and understanding**

Demonstrate knowledge and understanding.

#### **AO2 Application**

Interpret and apply knowledge and understanding to information presented in written, numerical or graphical form.

#### **AO3 Analysis**

Analyse economic issues and arguments, using relevant economic concepts, theories and information, and communicate conclusions in a clear, reasoned manner.

#### **AO4 Evaluation**

Critically evaluate economic information, arguments, proposals and policies, taking into consideration relevant information and economic principles and distinguishing facts from hypothetical statements and value judgements.

## 2.3 Relationship between assessment objectives and components

The approximate weightings allocated to each of the assessment objectives are summarised below.

The table shows the assessment objectives (AO) as a percentage of each component.

Component	AO1 %	AO2 %	AO3 %	AO4 %
<b>Paper 1</b>	40	25	25	10
<b>Paper 2</b>	25	20	30	25
<b>Paper 3</b>	40	25	25	10
<b>Paper 4</b>	25	15	30	30

## 2.4 Relationship between assessment objectives and qualifications

The approximate weightings allocated to each of the assessment objectives are summarised below.

The table shows the assessment objectives (AO) as a percentage of each qualification.

Assessment objective	Weighting in AS Level %	Weighting in A Level %
<b>AO1</b>	30	30
<b>AO2</b>	20	20
<b>AO3</b>	30	30
<b>AO4</b>	20	20

## 3 Syllabus content

Candidates for Cambridge International AS Level should study the AS Level content for Paper 1 and Paper 2. Candidates for Cambridge International A Level should study all the syllabus content.

The AS & A Level syllabus content is divided into five topic areas:

- 1 Basic economic ideas and resource allocation
- 2 The price system and the micro economy
- 3 Government microeconomic intervention
- 4 The macro economy
- 5 Government macroeconomic intervention

### 3.1 AS Level content – Paper 1 and Paper 2

1 Basic economic ideas and resource allocation (AS Level)	
a) Scarcity, choice and opportunity cost	<ul style="list-style-type: none"> <li>• the fundamental economic problem</li> <li>• the meaning of scarcity and the inevitability of choices at all levels (individual, firms, governments)</li> <li>• the basic questions of what will be produced, how and for whom</li> <li>• the meaning of the term, '<i>ceteris paribus</i>'</li> <li>• the margin and decision making at the margin</li> <li>• short run, long run, very long run</li> </ul>
b) Positive and normative statements	<ul style="list-style-type: none"> <li>• the distinction between facts and value judgements</li> </ul>
c) Factors of production	<ul style="list-style-type: none"> <li>• the rewards to the factors of production: land, labour, capital and enterprise</li> <li>• specialisation and division of labour</li> </ul>
d) Resource allocation in different economic systems and issues of transition	<ul style="list-style-type: none"> <li>• decision making in market, planned and mixed economies</li> <li>• the role of the factor enterprise in a modern economy</li> </ul>
e) Production possibility curves	<ul style="list-style-type: none"> <li>• shape and shifts of the curve</li> <li>• constant and increasing opportunity costs</li> </ul>
f) Money	<ul style="list-style-type: none"> <li>• functions and characteristics in a modern economy</li> <li>• barter, cash and bank deposits, cheques, near money, liquidity</li> </ul>
g) Classification of goods and services	<ul style="list-style-type: none"> <li>• free goods, private goods (economic goods) and public goods</li> <li>• merit goods and demerit goods as the outcome of imperfect information by consumers.</li> </ul>



2 The price system and the micro economy (AS Level)	
a) Demand and supply curves	<ul style="list-style-type: none"> <li>• effective demand</li> <li>• individual and market demand and supply</li> <li>• factors influencing demand and supply</li> </ul>
b) Price elasticity, income elasticity and cross-elasticities of demand	<ul style="list-style-type: none"> <li>• the meaning and calculation of elasticity of demand</li> <li>• the range of elasticities of demand</li> <li>• the factors affecting elasticity of demand</li> <li>• the implications for revenue and business decisions of price, income and cross-elasticities of demand</li> </ul>
c) Price elasticity of supply	<ul style="list-style-type: none"> <li>• meaning and calculation of elasticity of supply</li> <li>• the range of elasticities of supply</li> <li>• the factors affecting elasticity of supply</li> <li>• implications for speed and ease with which businesses react to changed market conditions</li> </ul>
d) Interaction of demand and supply e) Market equilibrium and disequilibrium	<ul style="list-style-type: none"> <li>• meaning of equilibrium and disequilibrium</li> <li>• effects of changes in supply and demand on equilibrium price and quantity</li> <li>• applications of demand and supply analysis</li> <li>• movements along and shifts of the demand and supply curves</li> <li>• joint demand (complements) and alternative demand (substitutes)</li> <li>• joint supply</li> <li>• the workings of the price mechanism; rationing, signalling and the transmission of preferences</li> </ul>
f) Consumer and producer surplus	<ul style="list-style-type: none"> <li>• meaning and significance</li> <li>• how these are affected by changes in equilibrium price and quantity</li> </ul>

3 Government microeconomic intervention (AS Level)	
a) Maximum and minimum prices	<ul style="list-style-type: none"> <li>• meaning and effect on the market</li> </ul>
b) Taxes (direct and indirect)	<ul style="list-style-type: none"> <li>• impact and incidence of taxes</li> <li>• specific and <i>ad valorem</i> taxes</li> <li>• average and marginal rates of taxation</li> <li>• proportional, progressive and regressive taxes</li> <li>• the Canons of Taxation</li> </ul>
c) Subsidies	<ul style="list-style-type: none"> <li>• impact and incidence of subsidies</li> </ul>
d) Transfer payments	<ul style="list-style-type: none"> <li>• meaning and effect on the market</li> </ul>
e) Direct provision of goods and services	<ul style="list-style-type: none"> <li>• meaning and effect on the market</li> </ul>
f) Nationalisation and privatisation	<ul style="list-style-type: none"> <li>• meaning and effect on the market</li> </ul>

4 The macro economy (AS Level)	
a) Aggregate Demand (AD) and Aggregate Supply (AS) analysis	<ul style="list-style-type: none"> <li>• the shape and determinants of AD and AS curves; <math>AD = C + I + G + (X - M)</math></li> <li>• the distinction between a movement along and a shift in AD and AS</li> <li>• the interaction of AD and AS and the determination of the level of output, prices and employment</li> </ul>
b) Inflation	<ul style="list-style-type: none"> <li>• the definition of inflation; degrees of inflation and the measurement of inflation; deflation and disinflation</li> <li>• the distinction between money values and real data</li> <li>• the causes of inflation (cost-push and demand-pull inflation)</li> <li>• the consequences of inflation</li> </ul>
c) Balance of payments	<ul style="list-style-type: none"> <li>• the components of the balance of payments accounts (using the IMF/OECD definition): current account; capital and financial account; balancing item</li> <li>• meaning of balance of payments equilibrium and disequilibrium</li> <li>• causes of balance of payments disequilibrium in each component of the accounts</li> <li>• consequences of balance of payments disequilibrium on domestic and external economy</li> </ul>

4. The macro economy (AS Level) cont.	
d) Exchange rates	<ul style="list-style-type: none"> <li>• definitions and measurement of exchange rates – nominal, real, trade-weighted exchange rates</li> <li>• the determination of exchange rates – floating, fixed, managed float</li> <li>• the factors underlying changes in exchange rates</li> <li>• the effects of changing exchange rates on the domestic and external economy using AD, Marshall-Lerner and J curve analysis</li> <li>• depreciation/appreciation</li> <li>• devaluation/revaluation</li> </ul>
e) The terms of trade	<ul style="list-style-type: none"> <li>• the measurement of the terms of trade</li> <li>• causes of changes in the terms of trade</li> <li>• the impact of changes in the terms of trade</li> </ul>
f) Principles of absolute and comparative advantage	<ul style="list-style-type: none"> <li>• the distinction between absolute and comparative advantage</li> <li>• free trade area, customs union, monetary union, full economic union</li> <li>• trade creation and trade diversion</li> <li>• the benefits of free trade, including the trading possibility curve</li> </ul>
g) Protectionism	<ul style="list-style-type: none"> <li>• the meaning of protectionism in the context of international trade</li> <li>• different methods of protection and their impact, for example, tariffs, import duties and quotas, export subsidies, embargoes, voluntary export restraints (VERs) and excessive administrative burdens ('red tape')</li> <li>• the arguments in favour of protectionism</li> </ul>

5 Government macroeconomic intervention (AS Level)	
a) Types of policy: fiscal policy, monetary policy, and supply side policy	<ul style="list-style-type: none"> <li>instruments of each policy</li> </ul>
b) Policies to correct balance of payments disequilibrium	<ul style="list-style-type: none"> <li>assessment of the effectiveness of fiscal, monetary and supply side policies to correct a balance of payments disequilibrium</li> <li>expenditure-reducing and expenditure-switching</li> </ul>
c) Policies to correct inflation and deflation	<ul style="list-style-type: none"> <li>assessment of the effectiveness of fiscal, monetary and supply side policies to correct inflation and deflation</li> </ul>

### 3.2 Additional A Level content – Paper 3 and Paper 4

The content of the AS Level is assumed knowledge for the assessment of Paper 3 and Paper 4. However, the AS Level content will not be the direct focus of questions in Paper 3 and Paper 4.

1 Basic economic ideas and resource allocation (A Level)	
a) Efficient resource allocation	<ul style="list-style-type: none"> <li>productive and allocative efficiency</li> <li>Pareto optimality</li> <li>dynamic efficiency</li> </ul>
b) Externalities and market failure	<ul style="list-style-type: none"> <li>reasons for market failure</li> <li>positive and negative externalities for both consumers and firms</li> <li>inefficient resource allocation</li> </ul>
c) Social costs and benefits; cost-benefit analysis	<ul style="list-style-type: none"> <li>social costs as the sum of private costs and external costs</li> <li>social benefits as the sum of private benefits and external benefits</li> <li>use of cost-benefit analysis in decision-making</li> </ul>

2 The price system and the micro economy (A Level)	
a) Law of diminishing marginal utility	<ul style="list-style-type: none"> <li>• its relationship to derivation of an individual demand schedule</li> <li>• equi-marginal principle</li> <li>• limitations of marginal utility theory; rational behaviour versus behavioural economic models</li> </ul>
b) Indifference curves and budget lines	<ul style="list-style-type: none"> <li>• income, substitution and price effects for various types of goods</li> </ul>
c) Types of cost, revenue and profit, short-run and long-run production	<ul style="list-style-type: none"> <li>• short-run production function: fixed and variable factors of production, total product, average product and marginal product                             <ul style="list-style-type: none"> <li>– law of diminishing returns (law of variable proportions)</li> <li>– marginal cost and average cost</li> <li>– short-run cost function – fixed costs versus variable costs</li> <li>– explanation of shape of Short-Run Average Cost (SRAC)</li> </ul> </li> <li>• long-run production function                             <ul style="list-style-type: none"> <li>– returns to scale</li> <li>– long-run cost function</li> <li>– explanation of shape of Long-Run Average Cost (LRAC)</li> <li>– relationship between economies of scale and decreasing costs</li> <li>– internal and external economies of scale and diseconomies of scale</li> </ul> </li> <li>• revenue: total, average and marginal</li> <li>• profit: normal and abnormal (supernormal)</li> </ul>
d) Different market structures	<ul style="list-style-type: none"> <li>• perfect competition, imperfect competition (monopoly, monopolistic competition, oligopoly, natural monopoly)</li> <li>• structure of markets as explained by number of buyers and sellers, nature of product, degree of freedom of entry and nature of information</li> <li>• contestable markets and their implications</li> <li>• concentration ratio</li> </ul>
e) Growth and survival of firms	<ul style="list-style-type: none"> <li>• reasons for small firms</li> <li>• integration, diversification, mergers, cartels</li> </ul>

## 2 The price system and the micro economy (A Level) cont.

### f) Differing objectives of a firm

- traditional profit maximising objective of firm:
  - normal and abnormal profit
  - relation between elasticity and revenue
- an understanding of other objectives of the firm:
  - survival, strategic, satisficing, sales maximisation
  - principal agent problem, for example the divorce of ownership from control
  - behavioural analysis approach to the decision-making of a firm; the Prisoner's Dilemma, 2 player Pay-off Matrix, kinked demand curve
- pricing policy:
  - including price discrimination, limit pricing, price leadership and mutual interdependence in the case of oligopoly (including game theory)
- comparisons of performance of firms:
  - revenue, output, profits, efficiency, X-inefficiency, barriers to entry and exit, price competition, non-price competition and collusion

## 3 Government microeconomic intervention (A Level)

### a) Policies to achieve efficient resource allocation and correct market failure

- application of indirect taxes and subsidies
- price and output decisions under nationalisation and privatisation
- prohibitions and licences
- property rights
- information
- regulatory bodies, deregulation and direct provision of goods and services
- pollution permits
- behavioural insights and 'nudge' theory

3 Government microeconomic intervention (A Level) cont.	
<p>b) Equity and policies towards income and wealth redistribution</p>	<ul style="list-style-type: none"> <li>• equity versus efficiency</li> <li>• price stabilisation</li> <li>• means tested benefits</li> <li>• transfer payments</li> <li>• progressive income taxes, inheritance and capital taxes</li> <li>• negative income tax</li> <li>• poverty trap analysis</li> <li>• Gini coefficient and the Lorenz curve</li> <li>• inter-generational equity</li> </ul>
<p>c) Labour market forces and government intervention:</p> <p style="padding-left: 20px;">(i) demand for and supply of labour</p> <p style="padding-left: 20px;">(ii) wage determination in perfect markets</p> <p style="padding-left: 20px;">(iii) wage determination in imperfect markets</p>	<ul style="list-style-type: none"> <li>• factors affecting demand for labour</li> <li>• derivation of individual firm's demand for using marginal revenue product theory</li> <li>• factors affecting supply for labour</li> <li>• net advantages and the long-run supply of labour</li> <li>• competitive product and factor market forces determining wage differentials, transfer earnings and economic rent</li> <li>• influence of trades unions on wage determination</li> <li>• influence of government on wage determination</li> <li>• monopsony</li> </ul>
<p>d) Government failure in microeconomic intervention</p>	<ul style="list-style-type: none"> <li>• effectiveness of government policies</li> </ul>

4 The macro economy (A Level)	
<p>a) Economic growth, economic development and sustainability</p> <p>b) National Income statistics</p> <p>c) Classification of countries</p>	<ul style="list-style-type: none"> <li>• definition of economic growth, economic development and sustainability</li> <li>• actual versus potential growth in national output; output gap; business (trade) cycle</li> <li>• factors contributing to economic growth</li> <li>• costs and benefits of growth, including using and conserving resources</li> <li>• use of National Income statistics as measures of economic growth and living standards</li> <li>• Gross Domestic Product (GDP)/Gross National Product (GNP)/Gross National Income (GNI)</li> <li>• national debt (government or public sector debt)</li> <li>• indicators of living standards and economic development, monetary, non-monetary, Human Development Index (HDI), Measure of Economic Welfare (MEW), Human Poverty Index (HPI), later supplanted by the Multidimensional Poverty Index (MPI), and the Kuznets curve</li> <li>• characteristics of developed, developing and emerging (BRICS) economies: by population growth and structure, income distribution, economic structure, employment composition, external trade and urbanisation in developing economies – comparison of economic growth rates and living standards over time and between countries</li> </ul>
<p>d) Employment/unemployment</p>	<ul style="list-style-type: none"> <li>• size and components of labour force</li> <li>• labour productivity</li> <li>• full employment and natural rate of unemployment</li> <li>• causes of unemployment</li> <li>• consequences of unemployment</li> <li>• types of unemployment</li> <li>• unemployment rate; patterns and trends in (un)employment</li> <li>• difficulties involved in measuring unemployment</li> <li>• policies to correct unemployment</li> </ul>



4 The macro economy (A Level) cont.	
e) The circular flow of income	<ul style="list-style-type: none"> <li>• closed and open economies</li> <li>• the circular flow of income between households, firms, government and the international economy: the multiplier, average and marginal propensities to save and consume</li> <li>• Aggregate Expenditure (AE) function               <ul style="list-style-type: none"> <li>– meaning, components of AE and their determinants</li> <li>– income determination using AE and income approach; and withdrawal (leakage) and injection approach</li> <li>– inflationary and deflationary gaps; full employment level of income and equilibrium level of income</li> <li>– autonomous and induced investment; the accelerator</li> </ul> </li> </ul>
f) Money supply (theory)	<ul style="list-style-type: none"> <li>• Quantity theory of money (<math>MV = PT</math>)</li> <li>• broad and narrow money supply</li> <li>• sources of money supply in an open economy (commercial banks and credit creation, role of central bank, deficit financing, quantitative easing, total currency flow)</li> <li>• transmission mechanism of monetary policy</li> </ul>
g) Keynesian and Monetarist schools	<ul style="list-style-type: none"> <li>• different theoretical approaches to how the macro economy functions</li> </ul>
h) The demand for money and interest rate determination	<ul style="list-style-type: none"> <li>• Liquidity Preference theory</li> </ul>
i) Policies towards developing economies; policies of trade and aid	<ul style="list-style-type: none"> <li>• types of aid, nature of dependency</li> <li>• trade and investment, role of multinationals and Foreign Direct Investment (FDI)</li> <li>• external debt, role of IMF and World Bank</li> <li>• impact of corruption, and importance of the legal framework in an economy</li> </ul>

5 Government macroeconomic intervention (A Level)	
a) Government macro policy aims	<ul style="list-style-type: none"><li>• on inflation, balance of payments, exchange rates, unemployment, growth and development</li></ul>
b) Inter-connectedness of problems	<ul style="list-style-type: none"><li>• links between macroeconomic problems and their interrelatedness, for example:<ul style="list-style-type: none"><li>– relationship between internal and external value of money</li><li>– relationship between balance of payments and inflation</li><li>– trade-off between inflation and unemployment; Phillips curve</li></ul></li></ul>
c) Effectiveness of policy options to meet all macroeconomic objectives	<ul style="list-style-type: none"><li>• problems arising from conflicts between policy objectives on inflation, unemployment, economic growth, balance of payments, exchange rates and the redistribution of income and wealth</li><li>• existence of government failure in macroeconomic policies</li><li>• Laffer curve analysis</li></ul>

## 4 Glossary of command words

This glossary should prove helpful to candidates as a guide, although it is not exhaustive and it has deliberately been kept brief. The number of marks allocated for any part of a question is a guide to the depth required for the answer.

Command 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
Identify	Name the key knowledge point
Illustrate	Give examples, use a diagram
Outline	Describe the key points without detail
State	Give a concise answer with little or no supporting argument required
Analyse	Explain the main points in detail, examine closely, separate into parts and show how all the parts connect and link
Compare	Explain the similarities and differences between
Explain/how	Give clear reasons or make clear the meaning of, use examples and explain the theory behind the question. This command word requires 'Knowledge and Understanding' as well as 'Application'
Consider	Give your thoughts about, with some justification
Assess	Show how important something is, give your judgement on
Comment upon	Give your reasoned opinion on, with explanations
Criticise	Give an opinion but support it with evidence
Discuss	Give the important arguments for and against, often requires a conclusion. This command word requires 'Analysis' and 'Evaluation'
Justify	Explain why the arguments for an opinion are stronger than the arguments against
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

## 5 Other information

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### Equality and inclusion

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

The standard assessment arrangements may present unnecessary barriers for candidates with disabilities or learning difficulties. Arrangements can be put in place for these candidates to enable them to access the assessments and receive recognition of their attainment. Access arrangements will not be agreed if they give candidates an unfair advantage over others or if they compromise the standards being assessed. Candidates who are unable to access the assessment of any component may be eligible to receive an award based on the parts of the assessment they have taken.

Information on access arrangements is in the *Cambridge Handbook* at [www.cambridgeinternational.org/eoguide](http://www.cambridgeinternational.org/eoguide)

### Language

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

### Making entries

Exams officers are responsible for submitting entries to Cambridge International. We encourage them to work closely with you to make sure they enter the right number of candidates for the right combination of syllabus components. Entry option codes and instructions for submitting entries are in the *Cambridge Guide to Making Entries*. Your exams officer has a copy of this guide.

### Exam administration

To keep our exams secure, we produce question papers for different areas of the world, known as administrative zones. We allocate all Cambridge schools to one administrative zone determined by their location. Each zone has a specific timetable. Some of our syllabuses offer candidates different assessment options. An entry option code is used to identify the components the candidate will take relevant to the administrative zone and the available assessment options.

## Retakes

Candidates can retake Cambridge International AS Level and Cambridge International A Level as many times as they want to. Cambridge International AS & A Levels are linear qualifications so candidates cannot re-sit individual components. Information on retake entries is in the *Cambridge Handbook* at [www.cambridgeinternational.org/eoguide](http://www.cambridgeinternational.org/eoguide)

Candidates can carry forward the result of their Cambridge International AS Level assessment from one series to complete the Cambridge International A Level in a following series, subject to the rules and time limits described in the *Cambridge Handbook*.

## Grading and reporting

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

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

## How students, teachers and higher education can use the grades

### Cambridge International A Level

Assessment at Cambridge International A Level has two purposes:

- to measure learning and achievement  
The assessment:
  - confirms achievement and performance in relation to the knowledge, understanding and skills specified in the syllabus, to the levels described in the grade descriptions.
- to show likely future success  
The outcomes:
  - help predict which students are well prepared for a particular course or career and/or which students are more likely to be successful
  - help students choose the most suitable course or career.

### Cambridge International AS Level

Assessment at Cambridge International AS Level has two purposes:

- to measure learning and achievement  
The assessment:
  - confirms achievement and performance in relation to the knowledge, understanding and skills specified in the syllabus.
- to show likely future success  
The outcomes:
  - help predict which students are well prepared for a particular course or career and/or which students are more likely to be successful
  - help students choose the most suitable course or career
  - help decide whether students part way through a Cambridge International A Level course are making enough progress to continue
  - guide teaching and learning in the next stages of the Cambridge International A Level course.

'While studying Cambridge IGCSE and Cambridge International A Levels, students broaden their horizons through a global perspective and develop a lasting passion for learning.'

**Zhai Xiaoning**, Deputy Principal, The High School Affiliated to Renmin University of China

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