

# SYLLABUS

**Cambridge O Level  
Economics**

**2281**

For examination in June and November 2015

### Changes to syllabus for 2015

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

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# 1. Introduction

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## 1.1 Why choose Cambridge?

### Recognition

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

Cambridge O Level is internationally recognised by schools, universities and employers as equivalent in demand to Cambridge IGCSE® (International General Certificate of Secondary Education). Learn more at **[www.cie.org.uk/recognition](http://www.cie.org.uk/recognition)**

### Excellence in education

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

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

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

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

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

### Support for teachers

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

### Support for exams officers

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

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

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

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

## 1.2 Why choose Cambridge O Level?

Cambridge O Levels have been designed for an international audience and are sensitive to the needs of different countries. These qualifications are designed for students whose first language may not be English and this is acknowledged throughout the examination process. The Cambridge O Level syllabus also allows teaching to be placed in a localised context, making it relevant in varying regions.

Our aim is to balance knowledge, understanding and skills in our programmes and qualifications to enable candidates to become effective learners and to provide a solid foundation for their continuing educational journey.

Through our professional development courses and our support materials for Cambridge O 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 O Levels are considered to be an excellent preparation for Cambridge International AS and A Levels, the Cambridge AICE (Advanced International Certificate of Education) Group Award, Cambridge Pre-U, and other education programmes, such as the US Advanced Placement program and the International Baccalaureate Diploma programme. Learn more about Cambridge O Levels at **[www.cie.org.uk/cambridgesecundary2](http://www.cie.org.uk/cambridgesecundary2)**

## Guided learning hours

Cambridge O Level syllabuses are designed on the assumption that candidates have about 130 guided learning hours per subject over the duration of the course, but this is for guidance only. The number of hours required to gain the qualification may vary according to local curricular practice and the learners' prior experience of the subject.

## 1.3 Why choose Cambridge O Level Economics?

Cambridge O Levels are established qualifications that keep pace with educational developments and trends. The Cambridge O Level curriculum places emphasis on broad and balanced study across a wide range of subject areas. The curriculum is structured so that students attain both practical skills and theoretical knowledge.

Cambridge O Level Economics is recognised by universities and employers throughout the world as proof of knowledge and understanding. Successful Cambridge O Level Economics candidates gain lifelong skills, including:

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

In addition to Cambridge O Levels, Cambridge also offers Cambridge IGCSE as an alternative and Cambridge International A and AS Levels for further study. See **[www.cie.org.uk](http://www.cie.org.uk)** for a full list of the qualifications you can take.

### Prior learning

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

### Progression

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

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

## 1.4 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](mailto: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](http://www.cie.org.uk/startcambridge)**. Email us at **[info@cie.org.uk](mailto:info@cie.org.uk)** to find out how your organisation can register to become a Cambridge school.

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## 2. Teacher support

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### 2.1 Support materials

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

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

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

### 2.2 Resource lists

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

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

### 2.3 Training

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

### 3. Syllabus content at a glance

All candidates study the following topics.

Section	Topics
<b>1. Basic economic problem: choice and the allocation of resources</b>	<ul style="list-style-type: none"> <li>• economic problem</li> <li>• factors of production</li> <li>• opportunity cost</li> <li>• resource allocation</li> <li>• choice</li> <li>• production possibility curves.</li> </ul>
<b>2. The allocation of resources: how the market works; market failure</b>	<ul style="list-style-type: none"> <li>• market and mixed economic systems</li> <li>• demand and supply analysis</li> <li>• price elasticity</li> <li>• market failure</li> <li>• social and private costs and benefits.</li> </ul>
<b>3. The individual as producer, consumer and borrower</b>	<ul style="list-style-type: none"> <li>• functions of money</li> <li>• exchange</li> <li>• central banks, stock exchanges and commercial banks</li> <li>• labour market</li> <li>• motives for spending, saving and borrowing.</li> </ul>
<b>4. The private firm as producer and employer</b>	<ul style="list-style-type: none"> <li>• types and sizes of business organisation</li> <li>• demand for factors of production</li> <li>• costs and revenue</li> <li>• profit maximisation and other business goals</li> <li>• perfect competition</li> <li>• monopoly</li> <li>• advantages and disadvantages of increased scale.</li> </ul>
<b>5. Role of government in economy</b>	<ul style="list-style-type: none"> <li>• government as a producer and an employer</li> <li>• aims of government economic policy</li> <li>• fiscal, monetary and supply-side policies</li> <li>• types of taxation</li> <li>• possible policy conflicts</li> <li>• government's influence on private producers.</li> </ul>



<b>6. Economic indicators</b>	<ul style="list-style-type: none"> <li>• price indices</li> <li>• inflation and deflation</li> <li>• employment and unemployment</li> <li>• GDP, economic growth and recession</li> <li>• GDP and other measures of living standards.</li> </ul>
<b>7. Developed and developing economies: trends in production, population and living standards</b>	<ul style="list-style-type: none"> <li>• developed and developing countries</li> <li>• absolute and relative poverty</li> <li>• alleviating poverty</li> <li>• population growth</li> <li>• differences in living standards.</li> </ul>
<b>8. International aspects</b>	<ul style="list-style-type: none"> <li>• specialisation</li> <li>• absolute and comparative advantage</li> <li>• current account of the balance of payments</li> <li>• current account deficits and surpluses</li> <li>• exchange rate fluctuations</li> <li>• protectionism and free trade.</li> </ul>

## 4. Assessment at a glance

The assessment has two components, Paper 1: Multiple choice and Paper 2: Structured questions. Candidates must take both papers.

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

### Availability

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

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

This syllabus is available to private candidates.

Cambridge O Levels are available to Centres in Administrative Zones 3, 4 and 5. Centres in Administrative Zones 1, 2 or 6 wishing to enter candidates for Cambridge O Level examinations should contact Cambridge Customer Services.

### Combining this with other syllabuses

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

- syllabuses with the same title at the same level
- 0455 Cambridge IGCSE Economics.

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

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## 5. Syllabus aims and assessment objectives

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### 5.1 Syllabus aims

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

The aims are to:

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

### 5.2 Assessment objectives and their weightings

The three assessment objectives in Cambridge O Level Economics are:

AO1: Knowledge with understanding

AO2: Analysis

AO3: Critical evaluation and decision-making.

#### AO1: Knowledge with understanding

Candidates should be able to:

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

#### AO2: Analysis

Candidates should be able to:

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

## AO3: Critical evaluation and decision-making

Candidates should be able to:

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

The weightings given to the assessment objectives are:

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

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

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## 6. Syllabus content

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### 6.1 Basic economic problem: choice and the allocation of resources

Candidates should be able to:

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

### 6.2 The allocation of resources: how the market works; market failure

Candidates should be able to:

- describe the allocation of resources in market and mixed economic systems
- demonstrate the principle of equilibrium price and analyse simple market situations with changes in demand and supply
- describe the causes of changes in demand and supply conditions and analyse such changes to show effects in the market
- define price elasticity of demand and supply and perform simple calculations
- demonstrate the usefulness of price elasticity in particular situations such as revenue changes, consumer expenditure
- evaluate the merits of the market system
- describe the concept of market failure and explain the reasons for its occurrence
- define private and social costs<sup>1</sup> and benefits and discuss conflicts of interest in relation to these costs and benefits in the short-term and long-term through studies of the following issues:
  - conserving resources versus using resources
  - public expenditure versus private expenditure.

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<sup>1</sup> Social costs are equal to the sum of private costs and external costs.

## 6.3 The individual as producer, consumer and borrower

Candidates should be able to:

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

## 6.4 The private firm as producer and employer

Candidates should be able to:

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

## 6.5 Role of government in an economy

Candidates should be able to:

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

## 6.6 Economic indicators

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

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

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

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

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

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

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

Candidates should be able to:

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

## 6.8 International aspects

Candidates should be able to:

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



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## 7. Other information

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### Equality and inclusion

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

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

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

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

### Language

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

### Grading and reporting

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

### 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 can be found in the *Cambridge Guide to Making Entries*.

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