
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">• Scarcity, choice and opportunity cost• Positive and normative statements• Factors of production• Resource allocation in different economic systems and issues of transition• Production possibility curves• Money• Classification of goods and services	<ul style="list-style-type: none">• Efficient resource allocation• Externalities and market failure• Social costs and benefits; cost-benefit analysis
2 The price system and the micro economy	<ul style="list-style-type: none">• Demand and supply curves• Price elasticity, income elasticity and cross-elasticities of demand• Price elasticity of supply• Interaction of demand and supply• Market equilibrium and disequilibrium• Consumer and producer surplus	<ul style="list-style-type: none">• Law of diminishing marginal utility• Indifference curves• Budget lines• Types of cost, revenue and profit, short-run and long-run production• Different market structures• Growth and survival of firms• Differing objectives of a firm

<p>3 Government microeconomic intervention</p>	<ul style="list-style-type: none"> • Maximum and minimum prices • Taxes (direct and indirect) • Subsidies • Transfer payments • Direct provision of goods and services • Nationalisation and privatisation 	<ul style="list-style-type: none"> • Policies to achieve efficient resource allocation and correct market failure • Equity and policies towards income and wealth redistribution • Labour market forces and government intervention: <ul style="list-style-type: none"> – Demand and supply of labour – Wage determination in perfect markets – Wage determination in imperfect markets • Government failure in microeconomic intervention
--	--	--

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

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
Paper 1 Multiple Choice 1 hour 30 multiple choice questions based on the AS Level syllabus content 30 marks	40%	20%
Paper 2 Data Response and Essay 1 hour 30 minutes 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% 30%	15% 15%
Paper 3 Multiple Choice 1 hour 15 minutes 30 multiple choice questions based on the A Level syllabus content 30 marks		15%
Paper 4 Data Response and Essays 2 hours 15 minutes 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

Centres in the UK that receive government funding are advised to consult the Cambridge International website 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.

2 Syllabus aims and assessment objectives

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 %
Paper 1	40	25	25	10

Paper 2	25	20	30	25
Paper 3	40	25	25	10
Paper 4	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 %
AO1	30	30
AO2	20	20
AO3	30	30
AO4	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">• the fundamental economic problem• the meaning of scarcity and the inevitability of choices at all levels (individual, firms, governments)• the basic questions of what will be produced, how and for whom• the meaning of the term, '<i>ceteris paribus</i>'• the margin and decision making at the margin• short run, long run, very long run
b) Positive and normative statements	<ul style="list-style-type: none">• the distinction between facts and value judgements
c) Factors of production	<ul style="list-style-type: none">• the rewards to the factors of production: land, labour, capital and enterprise• specialisation and division of labour
d) Resource allocation in different economic systems and issues of transition	<ul style="list-style-type: none">• decision making in market, planned and mixed economies• the role of the factor enterprise in a modern economy
e) Production possibility curves	<ul style="list-style-type: none">• shape and shifts of the curve• constant and increasing opportunity costs
f) Money	<ul style="list-style-type: none">• functions and characteristics in a modern economy• barter, cash and bank deposits, cheques, near money, liquidity

g) Classification of goods and services	<ul style="list-style-type: none"> • free goods, private goods (economic goods) and public goods • merit goods and demerit goods as the outcome of imperfect information by consumers.
---	--

2 The price system and the micro economy (AS Level)

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

3 Government microeconomic intervention (AS Level)

a) Maximum and minimum prices	<ul style="list-style-type: none"> • meaning and effect on the market
-------------------------------	--

b) Taxes (direct and indirect)	<ul style="list-style-type: none"> • impact and incidence of taxes • specific and <i>ad valorem</i> taxes • average and marginal rates of taxation • proportional, progressive and regressive taxes • the Canons of Taxation
c) Subsidies	<ul style="list-style-type: none"> • impact and incidence of subsidies
d) Transfer payments	<ul style="list-style-type: none"> • meaning and effect on the market
e) Direct provision of goods and services	<ul style="list-style-type: none"> • meaning and effect on the market
f) Nationalisation and privatisation	<ul style="list-style-type: none"> • meaning and effect on the market
4 The macro economy (AS Level)	
a) Aggregate Demand (AD) and Aggregate Supply (AS) analysis	<ul style="list-style-type: none"> • the shape and determinants of AD and AS curves; $AD = C + I + G + (X - M)$ • the distinction between a movement along and a shift in AD and AS • the interaction of AD and AS and the determination of the level of output, prices and employment
b) Inflation	<ul style="list-style-type: none"> • the definition of inflation; degrees of inflation and the measurement of inflation; deflation and disinflation • the distinction between money values and real data • the causes of inflation (cost-push and demand-pull inflation) • the consequences of inflation
c) Balance of payments	<ul style="list-style-type: none"> • the components of the balance of payments accounts (using the IMF/OECD definition): current account; capital and financial account; balancing item • meaning of balance of payments equilibrium and disequilibrium • causes of balance of payments disequilibrium in each component of the accounts • consequences of balance of payments disequilibrium on domestic and external economy

4. The macro economy (AS Level) cont.

d) Exchange rates	<ul style="list-style-type: none"> • definitions and measurement of exchange rates – nominal, real, trade-weighted exchange rates
-------------------	--

	<ul style="list-style-type: none"> • the determination of exchange rates – floating, fixed, managed float • the factors underlying changes in exchange rates • the effects of changing exchange rates on the domestic and external economy using AD, Marshall-Lerner and J curve analysis • depreciation/appreciation • devaluation/revaluation
e) The terms of trade	<ul style="list-style-type: none"> • the measurement of the terms of trade • causes of changes in the terms of trade • the impact of changes in the terms of trade
f) Principles of absolute and comparative advantage	<ul style="list-style-type: none"> • the distinction between absolute and comparative advantage • free trade area, customs union, monetary union, full economic union • trade creation and trade diversion • the benefits of free trade, including the trading possibility curve
g) Protectionism	<ul style="list-style-type: none"> • the meaning of protectionism in the context of international trade • 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') • the arguments in favour of protectionism
5 Government macroeconomic intervention (AS Level)	
a) Types of policy: fiscal policy, monetary policy, and supply side policy	<ul style="list-style-type: none"> • instruments of each policy
b) Policies to correct balance of payments disequilibrium	<ul style="list-style-type: none"> • assessment of the effectiveness of fiscal, monetary and supply side policies to correct a balance of payments disequilibrium • expenditure-reducing and expenditureswitching
c) Policies to correct inflation and deflation	<ul style="list-style-type: none"> • assessment of the effectiveness of fiscal, monetary and supply side policies to correct inflation and deflation

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.

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

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

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

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.

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

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"> • definition of economic growth, economic development and sustainability • actual versus potential growth in national output; output gap; business (trade) cycle factors • contributing to economic growth costs and benefits of growth, including using and conserving resources • use of National Income statistics as measures of economic growth and living standards Gross Domestic Product (GDP)/Gross National Product (GNP)/Gross National Income (GNI) national debt (government or public sector debt) 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 • 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
<p>d) Employment/unemployment</p>	<ul style="list-style-type: none"> • size and components of labour force • labour productivity • full employment and natural rate of unemployment • causes of unemployment • consequences of unemployment • types of unemployment • unemployment rate; patterns and trends in (un)employment • difficulties involved in measuring unemployment • policies to correct unemployment

4 The macro economy (A Level) cont.

<p>e) The circular flow of income</p>	<ul style="list-style-type: none"> • closed and open economies
---------------------------------------	---

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

5 Government macroeconomic intervention (A Level)

a) Government macro policy aims	<ul style="list-style-type: none"> • on inflation, balance of payments, exchange rates, unemployment, growth and development
---------------------------------	---

b) Inter-connectedness of problems

c) Effectiveness of policy options to meet all macroeconomic objectives

- links between macroeconomic problems and their interrelatedness, for example:
 - relationship between internal and external value of money
 - relationship between balance of payments and inflation
 - trade-off between inflation and unemployment; Phillips curve
- problems arising from conflicts between policy objectives on inflation, unemployment, economic growth, balance of payments, exchange rates and the redistribution of income and wealth
- existence of government failure in macroeconomic policies
- Laffer curve analysis

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