

**ECONOMICS 2281  
GCE O Level  
2007**

**IMPORTANT NOTICE**

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This regulation applies only to entry by private candidates in the UK and USA. Entry by private candidates through Centres in other countries is not affected.

Further details are available from Customer Services at University of Cambridge International Examinations.

**Exclusions**

This syllabus must not be offered in the same session with the following syllabus:

0455 Economics

**You can find syllabuses and information about CIE teacher training events on the CIE Website ([www.cie.org.uk](http://www.cie.org.uk)).**



# ECONOMICS

## GCE Ordinary Level/School Certificate

### Subject 2281

(Available in the **June and November** examinations)

Copies of syllabuses, past papers and Examiners' Reports are available on CD ROM and can be ordered using the Publications Catalogue, which is available at [www.cie.org.uk](http://www.cie.org.uk) under 'Qualifications & Diplomas' – 'Order Publications'.

## AIMS

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The purpose of the syllabus is to encourage Centres to devise courses that will enable candidates to:

1. develop a sound knowledge and understanding of economic terminology and principles and elementary economic theory;
2. develop basic economic numeracy and literacy and the ability to handle simple data including graphs and diagrams;
3. use the tools of economic analysis in particular situations;
4. identify and discriminate between differing sources of information and to distinguish between facts and value judgements in economic issues;
5. employ economic skills, with reference to individuals, groups and organisations in order to understand better the world in which they live;
6. participate more fully in decision-making processes, as consumers and producers and as citizens of the local, national and international community;
7. develop an understanding of the economies of developed and developing nations and of the relationships between them; and to appreciate these relationships from the perspective of both developed and developing nations.

## ASSESSMENT OBJECTIVES

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### (a) *Knowledge with understanding*

Students should be able to demonstrate their knowledge and understanding in relation to:

1. economic phenomena, facts, definitions, concepts, principles and theories;
2. economic vocabulary, terminology and conventions.

### (b) *Analysis*

Students should be able to:

3. select, organise and interpret data;
4. apply economic knowledge and understanding in verbal, numerical, diagrammatic, pictorial and graphical form;
5. use economic data, recognise patterns in such data, and deduce relationships.

**(c) Judgement and decision making**

Students should be able to:

6. distinguish between evidence and opinion, make reasoned judgements and communicate them in an accurate and logical manner;
7. recognise that economic theory is subject to various limitations and uncertainties;
8. evaluate the social and environmental implications of particular courses of economic action;
9. draw conclusions from economic enquiry, and evaluate critically observations and other data;
10. communicate conclusions in a logical and concise manner.

## CONTENT

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Students should be able to:

### **1 Basic economic problem: scarcity and exercise of choice**

- 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 describe particular circumstances to illustrate the concept.
- evaluate the implications of particular courses of action in terms of opportunity cost.
- describe specialisation and the need for exchange: functions and types of money.
- describe allocation of resources in market, planned and mixed economic systems.
- evaluate the relative merits of different economic systems and their effectiveness.

### **2 Nature and functions of organisations and institutions in an economy or economies studied**

- describe the type of business organisation in the public and private sectors: sole proprietors, partnerships, private companies, public companies, multi-nationals, co-operatives, public corporations.
- describe and evaluate the effects of changes in structure of business organisations.
- describe trade unions and their role in an economy.
- describe the functions of central banks, stock exchanges, commercial banks.

### **3 How the market works**

- demonstrate the principle of equilibrium price (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 on price.
- define price elasticity of demand and supply and perform simple calculations.
- demonstrate the usefulness of elasticity in particular situations e.g. tax yields, turnover.
- describe the purposes and methods of advertising.
- describe pricing and output policies in perfect competition and monopoly.

#### 4 The individual as producer, consumer and borrower

- identify the factors affecting an individual's choice of occupation (wage factors and non-wage factors).
- analyse changes in earnings over time between occupations and between economic sectors.
- describe the differences in earnings between different occupational groups and different economic sectors
- (male/female; skilled/unskilled; private/public; agricultural/manufacturing/services).
- analyse changes in patterns of expenditure between groups and over time.
- analyse the different motives for spending, saving and borrowing.
- describe how and why different income groups have different expenditure patterns (spending, saving, borrowing).

#### 5 The private firm as producer and employer

- describe the principle of profit maximisation as a goal.
- describe what determines the demand for factors of production.
- define total and average cost, fixed and variable cost.
- analyse particular situations to show the effects of substituting one factor for another and to show the changes in total and average cost as output changes.
- define total and average revenue.
- describe the main reasons for the different sizes of firms (size of market; capital; organisation).
- define integration, economies and diseconomies of scale.

#### 6 Role of government in an economy or economies studied

- describe the government as a producer of goods and services and as an employer.
- describe the aims of government policy, e.g. full employment, price stability, economic growth, redistribution of income, balance of payments stability.
- describe the types of taxation (national and local).
- discuss and reach reasoned conclusions on: the government's influence on private producers, the possible conflicts between government aims, the impact and incidence of taxation.

#### 7 Main economic indicators: recent changes and current trends in an economy and their consequences

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|---------------------|---|
| prices              | <ul style="list-style-type: none"> <li>- define retail price index and its simple calculation.</li> <li>- discuss the causes and consequences of inflation.</li> </ul>  |
| employment          | <ul style="list-style-type: none"> <li>- describe the changing patterns and levels of employment.</li> <li>- discuss the consequences of unemployment.</li> </ul>   |
| output              | <ul style="list-style-type: none"> <li>- define Gross Domestic Product as a measure of economic output.</li> </ul>  |
| international trade | <ul style="list-style-type: none"> <li>- describe the structure of the Balance of Payments.</li> <li>- describe the changing patterns of exports and imports and effects on the balance of payments.</li> <li>- define exchange rates.</li> <li>- give reasons why exchange rates fluctuate.</li> </ul> |

**8 Developed and developing economies: trends in population and in living standards**

- describe developed and developing economies and reasons for different stages of development.
- trends in population and in living standards - describe the factors that affect population growth (birth rate, death rate, fertility rate, net migration) and reasons for rates of growth in different countries.
- describe the effects of changing size and structure of population on an economy.
- analyse problems and consequences for developed and developing countries.
- describe simple measures and indicators of comparative living standards.
- describe differences in living standards and reasons for disparities within nations and between nations, both developed and developing countries.

**9 International aspects of interdependence and possible conflicts between the aims of individuals, firms and governments**

- describe the benefits and disadvantages of specialisation at individual, regional and national levels.
- demonstrate the simple application of absolute and comparative advantage in trade.
- describe conflicts of interest in relation to social costs and benefits, private costs and benefits, short-term/long-term costs and benefits through studies of the following issues:
  - conserving resources versus exploiting resources.
  - free trade versus protection.
  - public expenditure versus private expenditure.

**SCHEME OF ASSESSMENT**

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Two compulsory papers will be set as follows:

<i>Paper</i>	<i>Duration</i>		<i>Mark Weighting</i>
1 Multiple choice	1 hour	40 items, all to be attempted. All items will be of the four response 'simple completion' type.	30%
2 Structured Questions	2 hours	4 questions to be answered, including one compulsory question and 3 questions from a choice of 6.	70%

## BOOK LIST

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This is **NOT** a list of prescribed texts, but merely an attempt to provide a range of alternatives from which teachers may like to choose.

	<i>Longman GCSE Study Guides</i> Longman Group UK, 0 582 45202 3 Does not include multiple choice questions.
AG Anderton	<i>Economics for GCSE</i> Collins Education, 0 00 327429 2 Includes data response questions (but not multiple choice).
Matthew Andrews	<i>HIGCSE Economics</i> Cambridge University Press Module 3, 0 521 59526 6 Covers 'Determining National Income', 'The Components of National Income' and 'Factors Influencing National Income'. Module 4, 0 521 59525 8 Covers 'Income, Growth and Development', 'Internal Development Concerns and Policies' and 'International Development Concerns and Policies'. Designed for a higher level examination taken in southern African countries but contain much material helpful for O Level.
Dan Moynihan & Brian Titley	<i>Economics: A Complete Course</i> (3rd Edition) Oxford University Press 0 19 913413 8 Comprehensive topic coverage with assignments and data response material.
Robert Paisley & John Quillfeldt	<i>GCSE Economics</i> Longman Group UK, 0 582 00520 5 Divided into 38 'units', each with activities including stepped questions and data response (but not multiple choice).
John Pratten	<i>GCSE Economics</i> Liverpool Academic Press, 1872807739
Jason Probert	<i>HIGCSE Economics</i> Cambridge University Press, Module 1, 0 521 595282 Covers 'What is Economics?' and 'Basic Economic Concepts'. Module 2, 0 521 59527 4 Covers 'Supply and Demand', 'Firms and Production' and 'Markets' Designed for a higher level examination taken in southern African countries, but contain much material helpful for O Level.