

**Edexcel International
London Examinations
GCE Ordinary Level**

Syllabus Booklet

London Examinations GCE Ordinary Level

Economics (7120)

May/June 2005 January 2006



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Economics 7120

This subject may be taken at both the May/June and January examinations.

Introduction

Economics in the real world is subject to changes. There have been important developments of which candidates should be aware which effect not only individual countries but the global economy. These include:

- the shift in the importance of the government and the economy in many countries;
- the growth of multinational companies and the changing nature of world trade;
- the global effects of not only the trends in the size of the population but also its composition.

Linked with all these developments is an increasing need for those who study the subject to be able to interpret and use data in their analysis.

Aims

The aims of the syllabus are to enable candidates to show:

- an awareness of economic concepts and an ability to use these concepts;
- an understanding of different economies (with special emphasis on their own country's economy or that of the UK);
- an awareness of economic change and its impact (factors affecting growth, development and the environment).

Assessment Objectives

At the end of the course candidates should know and understand:

1. the different forms of enterprise and understand the reasons for the differences in their scale and organisation in a mixed economy;
2. the reasons for industrial location;
3. the influences determining the demand for and supply of goods and services and understand the inter-relationship between demand and supply in the formation of price;
4. the influences at work in the markets for factors of production;
5. the importance of the structure and distribution of population and of changes in these;
6. the benefits obtained from, and the difficulties associated with, international trading;
7. the role of the financial institutions and their importance for an economy;
8. the structure of and the reasons for government revenue and expenditure;
9. the forces which influence the price level, employment, output and economic growth.

Candidates should be able to:

- interpret and use data in their analyses.

Scheme of Assessment

There will be one written examination paper of 2½ hours. The paper will be divided into two sections, A and B, as detailed below. Section A will carry 40% of the total marks and Section B 60%. The allocation of marks for the parts of each question will be given on the examination paper. Candidates will be advised to spend the first ten minutes studying the question paper.

Section A

This section will consist of a series of compulsory questions, some of which will be based on stimulus material; such material may take the form of brief prose passages on economics or simple numerical data or a diagram. The stimulus material may be hypothetical. The use of simple arithmetic may be required to answer some of the questions in this section. Candidates will be advised to spend 50 minutes on this section.

Section B

The questions in this section will generally require extended answers of the essay type. Six questions will be set, some of which will allow candidates to illustrate their answers by reference to contemporary examples. All questions will carry equal marks. Candidates will be required to answer *three* questions. Candidates will be advised to spend 25 to 30 minutes on each of these questions.

Syllabus Content

The specific, and more detailed, objectives which follow focus on each of the objectives (1–9) above. It is not intended that the structure of the syllabus (1–9) represents a specific teaching order.

1. Business Enterprise

1.1 The ownership, control, finance, management and aims of different forms of business enterprise

Candidates should be able to:

- distinguish between different ways of organising production through private and public enterprise;
- distinguish between different ways of organising production through sole trader and plc;
- distinguish between different ways of organising production through co-operatives;
- distinguish between different ways of organising production through municipal enterprises;

1.2 The nature and importance of economies and diseconomies of scale

Candidates should be able to:

- identify and give reasons for internal and external economies of scale.

1.3 The advantages and disadvantages of small and large companies

Candidates should be able to:

- look at the advantages and disadvantages from the viewpoint of the consumers, producers and wider society.

1.4 The factors influencing the growth of firms

Candidates should be able to:

- describe the causes, types and consequences of growth within firms.

1.5 The aims and effects of government intervention on producers

Candidates should be able to:

- illustrate knowledge of advantages and disadvantages of competition within an economy (knowledge of theories of monopoly and perfect competition is not required).

1.6 The role of public enterprise and the arguments for and against privatisation

Candidates should be able to:

- give examples of public enterprise and privatisation;
- assess the arguments for and against privatisation.

2. Location

2.1 The location and localisation of firm industry and economic activity

Candidates should be able to:

- identify, account for and analyse effects of location decisions of firms including multinationals.

2.2 The causes and consequences of changing location patterns

Candidates should be able to:

- identify patterns of employment in primary, secondary, and tertiary sectors of the economy;
- understand the meaning and effects of occupational and geographical immobility of labour.

2.3 The reasons for, and the effects of, government intervention in the location of industry

Candidates should be able to:

- assess the impact of location changes on the economy; e.g. employment, the environment etc.;
- discuss the role of the government in influencing regional and international employment patterns.

3. Economic Systems

3.1 Scarcity and choice, opportunity cost

Candidates should be able to:

- show an appreciation of the basic problems of scarcity, choice and allocation of resources;

- apply the concept of opportunity cost to economic decision making;
- interpret production possibility curves.

3.2 The determination of the allocation of resources in different economic systems

Candidates should be able to:

- analyse the main features of market, state planned and mixed economies and assess the advantages and disadvantages of each;
- distinguish between private and public goods.

3.3 The determination of price in market economies

Candidates should be able to:

- construct demand and supply curves from basic data;
- explain shifts of the curves;
- understand the market forces that determine equilibrium;
- explain the impact of government intervention e.g. taxes, subsidies, minimum and maximum prices.

3.4 Elasticities of demand and supply

Candidates should be able to:

- calculate and use price, income and cross elasticities.

4. Incomes

4.1 Factors of production and their rewards

Candidates should be able to:

- define production and factors of production.

4.2 Specialisation of factors of production

Candidates should be able to:

- identify the advantages and disadvantages of specialisation of resources.

4.3 Differences and changes in factor rewards

Candidates should be able to:

- analyse the effects of changes in demand and supply;
- give arguments for and against government intervention e.g. wage and rent controls;
- identify differences between money, disposable and real income.

5. Population

5.1 The main determinants in size and composition of a country's population

Candidates should be able to:

- understand the effects of changes in birth rate, death rate and migration on a population;

- interpret population pyramids e.g. identify 'ageing populations'.

5.2 The consequences of changes in population on an individual economy and the world

Candidates should be able to:

- understand the importance of changes in the size and composition of the population on the economy and environment;
- understand the importance of changes in the dependency ratio.

6. International Trade

6.1 Specialisation and the principle of comparative advantage

Candidates should be able to:

- understand the advantages and disadvantages of specialisation in international trade;
- calculate gains from trade using comparative advantage.

6.2 The advantages and disadvantages of international trade

Candidates should be able to:

- identify the reasons for international trade;
- understand the methods of protection, including non tariff barriers.

6.3 The factors influencing exchange rates and the impact of exchange rates on economic activity

Candidates should be able to:

- identify and give reasons for an appreciation or depreciation of a currency;
- analyse the effects of these on the economy e.g. balance of payments, employment, inflation.

6.4 Balance of payments

Candidates should be able to:

- distinguish between visible and invisible trade;
- calculate the balance of trade and balance on current account;
- understand ways of correcting a deficit/surplus.

6.5 The role of major international institutions

Candidates should be able to:

- explain and give examples of the role of the International Monetary Fund (I.M.F.) and World Trade Organisation (W.T.O.);
- understand the problem of international debt.

7. Financial Institutions and Monetary Policy

7.1 The nature, functions and importance of money

Candidates should be able to:

- understand what is meant by barter;
- distinguish between the characteristics and functions of money.

7.2 The main forms of finance available to business enterprise

Candidates should be able to:

- identify the main forms of finance;
- consider the advantages and disadvantages of each form.

7.3 The main functions of the major financial institutions in an economy

Candidates should be able to:

- discuss the role of a central bank, a commercial bank and a stock exchange.
- understand what is meant by credit creation.

7.4 Monetary policy

Candidates should be able to:

- identify the main instruments of monetary policy;
- identify the main effects of monetary policy, especially interest rates, on the economy.

8. The Government and Fiscal Policy

8.1 Government income

Candidates should be able to:

- identify the main sources of government income;
- identify the differences between direct and indirect taxes and consider the relative merits of each;
- understand the differences, and give examples, of progressive, regressive and proportional taxation and consider the relative merits of each.

8.2 Government expenditure

Candidates should be able to:

- identify the main items of government expenditure;
- distinguish between private and public goods;
- identify and give reasons for changes in the pattern of government expenditure;
- explain the effects of changes in the pattern of government expenditure.

8.3 Fiscal policy

Candidates should be able to:

- understand the reasons for a budget deficit or surplus;
- explain what is meant by the national debt;
- evaluate changes of government expenditure and income on the economy.

9. National Income, Growth and the Standard of Living

9.1 The main components of national income

Candidates should be able to:

- use the circular flow of income model to explain the main ways of measuring national income;
- distinguish between consumption, savings and investment;
- interpret basic economic statistics.

9.2 Standard of living

Candidates should be able to:

- understand the limitations of national income statistics as a guide to standards of living;
- understand the meaning of Gross Domestic Product (GDP) per head in relation to standard of living;
- understand the difference between money and real national income.

9.3 Employment/unemployment

Candidates should be able to:

- describe the main economic factors which influence the level of employment/unemployment in a country;
- identify the types and causes of unemployment (including voluntary and involuntary unemployment);
- identify the government policies used to combat unemployment.

9.4 Inflation

Candidates should be able to:

- understand what is meant by inflation;
- describe and explain the causes of inflation;
- describe the effects of inflation on an economy;
- identify the government policies used to combat inflation.

9.5 Economic growth

Candidates should be able to:

- understand what is meant by economic growth;
- identify the factors that influence economic growth;
- describe the advantages and disadvantages of economic growth.

Reading List

The following books may be of use to candidates studying the Ordinary Level Economics syllabus. Several of the editions listed have been written for the GCSE examination but are of equal value to the GCE examination. It is not intended to suggest that a candidate should attempt to consult all of the books but rather select a few of them for study.

Author	Title/edition/ISBN	Publisher
A Anderton	Economics for GCSE 2 nd ed. (ISBN: 0 00 327429 2)	Collins
Harrison & Nutter	GCSE study guide: Economics (updated 1997) (ISBN: 0 582 31539 5)	Longman
*J Harvey	Mastering Economics 5 th ed. (ISBN: 0 333 77924 X)	Macmillan Press
A Lyons	Essential Economics (ISBN: 0 340 68344 9)	Hodder & Stoughton
Paisley & Quillfeldt	GCSE Economics (ISBN: 0 582 00520 5)	Longman
Pratten	GCSE Economics 2 nd ed. (ISBN: 1 872 80773 9)	Tudor
Stanlake	Starting Economics (ISBN: 0 582 02189 8)	Longman

* simple A Level text suitable for good candidates at GCE O Level.

There are a variety of subject specific dictionaries available. Students who wish to understand economic concepts used in the subject should use them for reference.

Author	Title/edition/ISBN	Publisher
J Black	A Dictionary of Economics (ISBN: 0 19280018 3)	Oxford paperbacks
G Bannock	The Penguin Dictionary of Economics (ISBN: 0 14051376 0)	Penguin Books
C Pass	Collins Dictionary of Economics (ISBN: 0 00470372 3)	Harper-Collins
N Wall	Complete A–Z Economics & Business Studies (ISBN: 0 34066985 3)	Hodder & Stoughton

Resources for teachers

Chief Examiner's comments

The mark scheme with examiners' report including the Chief Examiner's comments, is issued to centres after each examination session and can also be found on the Edexcel International website www.edexcel-international.org. It is also available from Edexcel International Publications.

Edexcel publications

Copies of the mark scheme with examiners' reports and copies of past examination papers can be obtained from:

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Website Teachers are encouraged to check our website www.edexcel-international.org on a regular basis for updated information and advice.