

## Learner Guide

# Cambridge International AS & A Level Economics 9708

For examination from 2023



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## About this guide

This guide explains what you need to know about your Cambridge International AS & A Level Economics 9708 course and examinations.

This guide will help you to:

- ✓ understand what skills you should develop by taking this Cambridge International AS & A Level course
- ✓ understand how you will be assessed
- ✓ understand what we are looking for in the answers you write
- ✓ plan your revision programme
- ✓ revise, by providing revision tips and an interactive revision checklist (Section 6).

Following a Cambridge International AS & A Level programme will help you to develop abilities that universities value highly, including a deep understanding of your subject; higher-order thinking skills (analysis, critical thinking, problem solving); presenting ordered and coherent arguments; and independent learning and research.

Studying Cambridge International AS & A Level Economics will help you to develop a set of transferable skills, including the ability to work with numerical information; think logically and independently; consider accuracy; model situations mathematically; analyse results and reflect on findings.

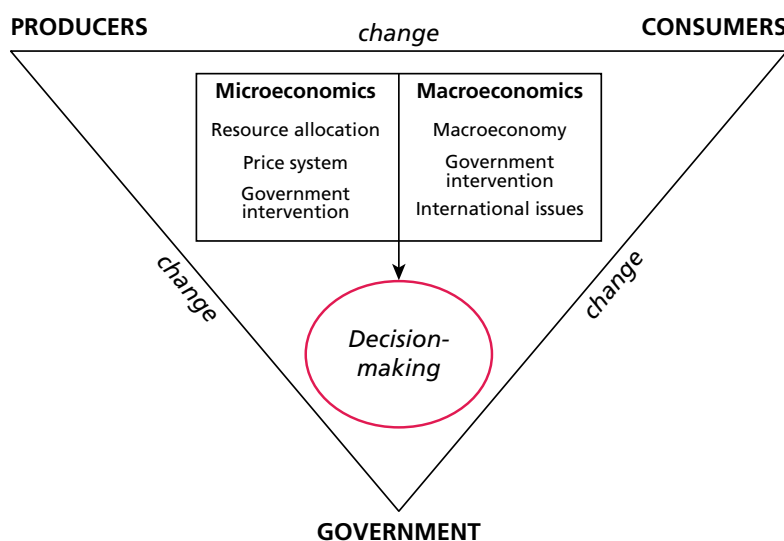
Economics is a social science because decisions made by economists have an impact on all of us in our lives and in our work.

You may have chosen to study Cambridge International AS & A Level Economics because it is something to do with topics that are regularly featured on television and elsewhere in the media. These issues include:

- What can be done to tackle climate change?
- How might economies recover from the damaging effects of COVID-19?
- What more can be done to help the world's poorest economies?
- Why do the prices of some things we buy continue to increase?
- What is the future for globalisation?

The diagram shows the scope of the Cambridge International AS & A Level Economics syllabus. The content is split between: microeconomics, the study of consumers and producers; and macroeconomics, the study of an economy or group of economies. Governments play a role when intervening in individual markets and in the affairs of the economy.

Moreover, a study of Economics is all about explaining and anticipating change in the way markets and economies function to meet their own objectives. Decision-making by consumers, producers and governments is based on a body of theories, concepts and principles that have been put forward and applied by economists.



## 1. Syllabus content – what you need to know

This section gives you an outline of the syllabus content for this course.

Candidates for Cambridge International AS Level study the AS Level topics for Paper 1 and Paper 2.

| Content section                                 | Topics included                                                                                                                                                                                                                              |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Basic economic ideas and resource allocation | 1.1 Scarcity, choice and opportunity cost<br>1.2 Economic methodology<br>1.3 Factors of production<br>1.4 Resource allocation in different economic systems<br>1.5 Production possibility curves<br>1.6 Classification of goods and services |
| 2. The price system and the microeconomy        | 2.1 Demand and supply curves<br>2.2 Price elasticity, income elasticity and cross elasticity of demand<br>2.3 Price elasticity of supply<br>2.4 The interaction of demand and supply<br>2.5 Consumer and producer surplus                    |
| 3. Government microeconomic intervention        | 3.1 Reasons for government intervention in markets<br>3.2 Methods and effects of government intervention in markets<br>3.3 Addressing income and wealth inequality                                                                           |
| 4. The macroeconomy                             | 4.1 National income statistics<br>4.2 Introduction to the circular flow of income<br>4.3 Aggregate Demand and Aggregate Supply analysis<br>4.4 Economic growth<br>4.5 Unemployment<br>4.6 Price stability                                    |
| 5. Government macroeconomic intervention        | 5.1 Government macroeconomic policy objectives<br>5.2 Fiscal policy<br>5.3 Monetary policy<br>5.4 Supply-side policy                                                                                                                         |
| 6. International economic issues                | 6.1 The reasons for international trade<br>6.2 Protectionism<br>6.3 Current account of the balance of payments<br>6.4 Exchange rates<br>6.5 Policies to correct imbalances in the current account of the balance of payments                 |

Candidates for Cambridge International A Level study additional A Level topics for Paper 3 and Paper 4.

| Content section                          | Topics included                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7. The price system and the microeconomy | 7.1 Utility<br>7.2 Indifference curves and budget lines<br>7.3 Efficiency and market failure<br>7.4 Private costs and benefits, externalities and social costs and benefits<br>7.5 Types of cost, revenue and profit, short and long-run production<br>7.6 Different market structures<br>7.7 Growth and survival of firms<br>7.8 Differing objectives and policies of firms |

| Content section                           | Topics included                                                                                                                                                                                                                                                                                |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8. Government microeconomic intervention  | 8.1 Government policies to achieve efficient resource allocation and correct market failure<br>8.2 Equity and redistribution of income and wealth<br>8.3 Labour market forces and government intervention                                                                                      |
| 9. The macroeconomy                       | 9.1 The circular flow of income<br>9.2 Economic growth and sustainability<br>9.3 Employment/unemployment<br>9.4 Money and banking                                                                                                                                                              |
| 10. Government macroeconomic intervention | 10.1 Government macroeconomic policy objectives<br>10.2 Links between macroeconomic problems and their interrelatedness<br>10.3 Effectiveness of policy options to meet all macroeconomic objectives                                                                                           |
| 11. International economic issues         | 11.1 Policies to correct disequilibrium in the balance of payments<br>11.2 Exchange rates<br>11.3 Economic development<br>11.4 Characteristics of countries at different levels of development<br>11.5 Relationship between countries at different levels of development<br>11.6 Globalisation |

Make sure you always check the latest syllabus, which is available from our [public website](#). This will also explain the different combinations of components you can take.

## Important advice

The AS Level content for Paper 1 and Paper 2 is ‘assumed knowledge’ for A Level Paper 3 and Paper 4.

This means that questions on the A Level papers and your answers to these questions may include or refer to terms and topics that you studied in the AS Level part of the course. These AS Level topics will not directly carry any marks towards the A Level nor will you be asked AS Level questions on A Level papers.

It is therefore important that you continue to remember your knowledge and understanding of AS Level topics as you progress through the A Level course.

## Prior knowledge

No prior knowledge of economics is required.

## Key concepts

Key concepts are essential ideas that help you to develop a deep understanding of your subject and make links between different aspects of the course. The key concepts for Cambridge International AS & A Level Economics are:

- **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 and an opportunity cost in making this choice.

- **The margin and decision-making**

In economic theory, decision-making by consumers, firms and governments is based on choices at the margin – for example, firms will produce up to the point where the revenue generated by an extra unit of output is equal to the cost of producing it. However, economic decision-making can be based on facts, theory, effectiveness, priorities/objectives and values/ethical judgements.

- **Equilibrium and disequilibrium**

Individual markets and the economy as a whole are always moving into and out of equilibrium, constantly altering the allocation of resources.

- **Time**

Economic conditions change in different time periods, such as the short run and the long run. Individuals, firms, markets and governments are able to respond to these changes in different ways depending on the time frame. Some economic decisions have a time-frame element – trading off a cost in the present for a benefit in the future, for example.

- **Efficiency and inefficiency**

Individual markets and the economy as a whole can be both efficient and inefficient in different ways when using scarce resources.

- **The role of government and the issues of equality and equity**

There is a trade-off between, on one side, freedom for firms and individuals in unregulated markets and, on the other side, greater social equality and equity through 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 regarding living standards, inclusivity and sustainability.

## 2. How you will be assessed

Cambridge International AS Level Economics makes up the first half of the Cambridge International A Level Economics course and provides a foundation for the study of Economics at Cambridge International A Level.

### About the examinations

There are two papers you must take to obtain an AS Level qualification and an additional two papers to obtain a full A Level in Economics:

- Paper 1 Multiple Choice (AS Level)
- Paper 2 Data Response and Essays (AS Level)
- Paper 3 Multiple Choice (A Level)
- Paper 4 Data Response and Essays (A Level)

The AS Level components must be taken in the same exam series. The A Level can be staged over two years (Year 1 AS Level; Year 2 complete the A Level) or all four components can be taken in the same exam series.

### About the papers

The table gives you further information about the examination papers:

| Component                                  | Time and marks                                     | Questions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Percentage of qualification               |
|--------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| <b>Paper 1</b><br>Multiple Choice          | 1 hour<br>30 marks                                 | You will need to answer 30 multiple-choice questions. Each question has four possible choices.<br><br>Questions are based on the AS Level subject content.                                                                                                                                                                                                                                                                                                                                                                          | 33% of the AS Level<br>17% of the A Level |
| <b>Paper 2</b><br>Data Response and Essays | 2 hours<br>60 marks<br>(20 marks for each section) | <b>Section A:</b> you will need to answer one compulsory data response question, typically with six parts.<br><b>Section B:</b> you will need to write one essay from a choice of two on microeconomics. There are two parts to each essay question.<br><b>Section C:</b> you will need to write one essay from a choice of two on macroeconomics. There are two parts to each essay question.<br><br>Questions are based on the AS Level subject content.                                                                          | 67% of the AS Level<br>33% of the A Level |
| <b>Paper 3</b><br>Multiple Choice          | 1 hour 15 minutes<br>30 marks                      | You will need to answer 30 multiple-choice questions. Each question has four possible choices.<br><br>Questions are based on the A Level subject content; knowledge of material from the AS Level subject content is assumed.                                                                                                                                                                                                                                                                                                       | 17% of the A Level                        |
| <b>Paper 4</b><br>Data Response and Essays | 2 hours<br>60 marks<br>(20 marks for each section) | <b>Section A:</b> you will need to answer one compulsory data response question with four parts.<br><b>Section B:</b> you will need to write one essay from a choice of two on microeconomics. The essay questions are unstructured with no parts.<br><b>Section C:</b> you will need to write one essay from a choice of two on macroeconomics. The essay questions are unstructured with no parts.<br><br>Questions are based on the A Level subject content; knowledge of material from the AS Level subject content is assumed. | 33% of the A Level                        |

### 3. What skills will be assessed

The examiners take account of the following skills areas (**assessment objectives**) in the examinations:

| Assessment objectives (AO)      | What does the AO mean?                                                                                                                                                                                                                            |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AO1 Knowledge and understanding | Demonstrate knowledge and understanding of concepts, key terms and theories in Economics, diagrams and the interpretation of economic information                                                                                                 |
| AO2 Analysis                    | Draw out causes and effects in economic relationships, and explain the likely impact and consequences of changes in economic variables. Both sides of an economic issue should be considered and there may be application to particular examples. |
| AO3 Evaluation                  | Weigh up arguments often coming to a judgement. You may be asked to come to a reasoned conclusion following an assessment of the strengths and weaknesses of these arguments, taking into account the quality of information available.           |

It is important that you know the different weightings (%) of the assessment objectives, as this affects how the examiner will assess your work.

#### Assessment objectives as a percentage of each qualification

| Assessment objective                   | Weighting at AS Level % | Weighting at A Level % |
|----------------------------------------|-------------------------|------------------------|
| <b>AO1</b> Knowledge and understanding | 35                      | 35                     |
| <b>AO2</b> Analysis                    | 40                      | 40                     |
| <b>AO3</b> Evaluation                  | 25                      | 25                     |
| Total                                  | 100                     | 100                    |

#### Assessment objectives as a percentage of each component

| Assessment objective                   | Weighting in components % |         |         |         |
|----------------------------------------|---------------------------|---------|---------|---------|
|                                        | Paper 1                   | Paper 2 | Paper 3 | Paper 4 |
| <b>AO1</b> Knowledge and understanding | 47                        | 33      | 47      | 33      |
| <b>AO2</b> Analysis                    | 40                        | 37      | 40      | 37      |
| <b>AO3</b> Evaluation                  | 13                        | 30      | 13      | 30      |
| Total                                  | 100                       | 100     | 100     | 100     |

## 4. Command words

The table below includes command words used in the assessment for this syllabus. The use of the command word will relate to the subject context.

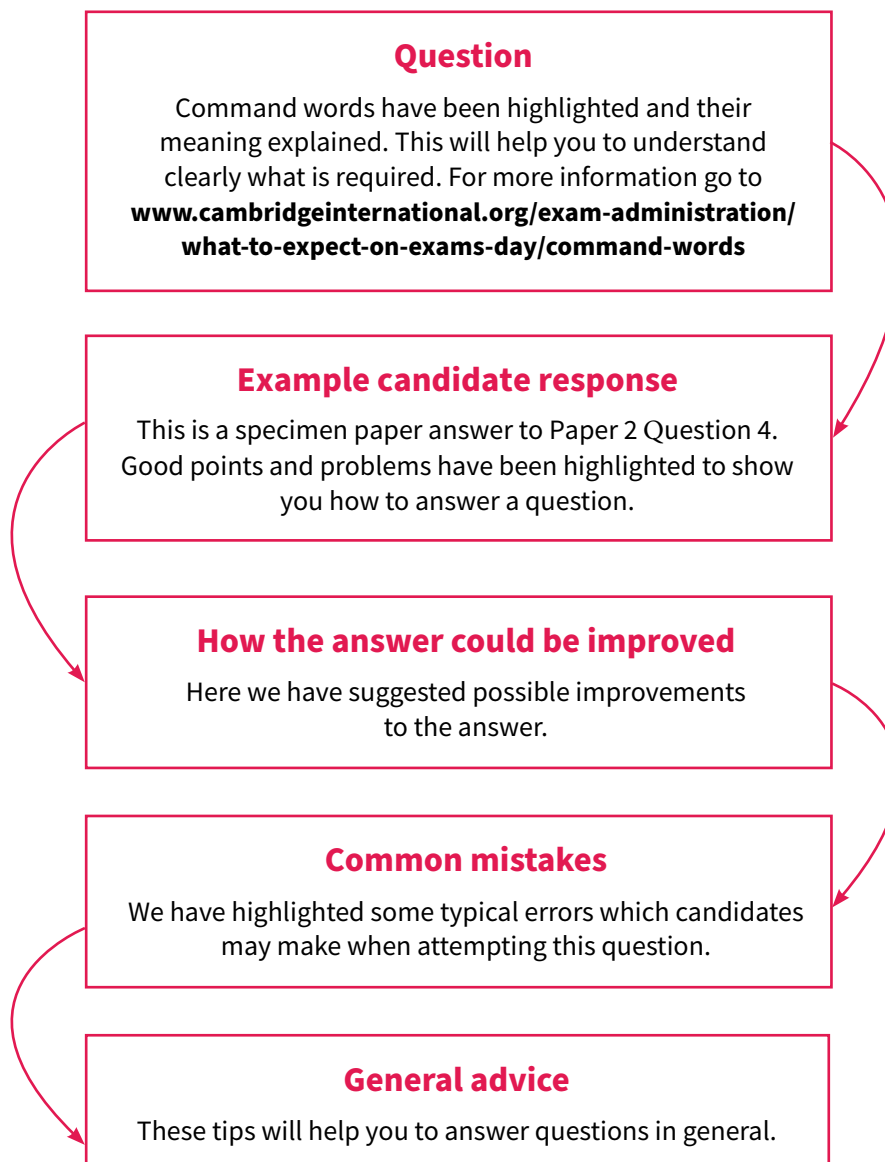
| Command word       | What it means                                                                                                                           |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <b>Analyse</b>     | examine in detail to show meaning, identify elements and the relationship between them                                                  |
| <b>Assess</b>      | make an informed judgement                                                                                                              |
| <b>Calculate</b>   | work out from given facts, figures or information                                                                                       |
| <b>Comment</b>     | give an informed opinion                                                                                                                |
| <b>Compare</b>     | identify/comment on similarities and/or differences                                                                                     |
| <b>Consider</b>    | review and respond to given information                                                                                                 |
| <b>Define</b>      | give precise meaning                                                                                                                    |
| <b>Demonstrate</b> | show how or give an example                                                                                                             |
| <b>Describe</b>    | state the points of a topic / give characteristics and main features                                                                    |
| <b>Discuss</b>     | write about issue(s) or topic(s) in depth in a structured way                                                                           |
| <b>Evaluate</b>    | judge or calculate the quality, importance, amount, or value of something                                                               |
| <b>Explain</b>     | set out purposes or reasons / make the relationships between things evident / provide why and/or how and support with relevant evidence |
| <b>Give</b>        | produce an answer from a given source or recall/memory                                                                                  |
| <b>Identify</b>    | name/select/recognise                                                                                                                   |
| <b>Justify</b>     | support a case with evidence/argument                                                                                                   |
| <b>Outline</b>     | set out main points                                                                                                                     |
| <b>State</b>       | express in clear terms                                                                                                                  |

## 5. Example candidate response

This section takes you through an example question and answer from a Cambridge International AS & A Level Economics specimen examination paper. It will help you to see how to identify the command words within questions and to understand what is required in your response. Understanding the questions will help you to know what you need to do with your knowledge. For example, you might need to state something, calculate something, find something or show something.

All information and advice in this section is specific to the example question and response being demonstrated. It should give you an idea of how your responses might be viewed by an examiner, but it is not a list of what to do in all questions. In your own examination, you will need to pay careful attention to what each question is asking you to do.

This section is structured as follows:



## Question

This is the question for Paper 2 Question 4.

- (a) Compare the causes of structural unemployment and cyclical unemployment **and** consider which of these types of unemployment is likely to be more harmful to an economy. [8]

**Compare** – this command word means that you need to identify similarities and differences between the causes of two types of unemployment, structural and cyclical. Your answer should explicitly focus on an identification and explanation of similarities and differences.

**Consider** – this command word is often used in part (a) questions on Paper 2. Here, it requires you to review and to respond to what you have written about the similarities and differences between the causes of these two types of unemployment. You should consider what you have written and then be clear on the extent to which there are similarities and differences between the respective causes.

- (b) Assess whether expansionary monetary policy is likely to be successful in reducing **all** types of unemployment. [12]

**Assess** – this means you will need to make an informed judgement whether monetary policy is likely to be successful in reducing all types of unemployment.

When you read the question carefully, you should note that it refers to **all** types of unemployment and not just the two types of unemployment referred to in part (a) of the question.

Various approaches to the question are possible. The answer provided is just one such approach.

## Example candidate response

| Example candidate response for Paper 2 Question 4a                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Examiner comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(a) Two important but different causes of unemployment are structural unemployment and cyclical unemployment. Structural unemployment refers to a situation when people lose their jobs in declining industries, for example as a result of a change in the structure of an economy. Cyclical unemployment refers to a situation when people lose their jobs because of a lack of aggregate demand in an economy; it is called cyclical because it is related to a downturn in the trade cycle. It affects the whole economy across a wide range of industries. The key difference between the two causes of unemployment is that structural unemployment is related to particular industries, whereas cyclical unemployment is related to developments in the whole economy.</p> <p>Structural unemployment can arise for a number of different reasons. One reason could be because of the decline of certain industries and workers lacking the appropriate skills to change jobs from declining industries to expanding industries. This will be especially likely when there is a high level of labour immobility in terms of both occupational and geographical mobility of labour. Another reason for structural unemployment is the existence of technological change where capital gradually replaces labour.</p> <p>Cyclical unemployment can also arise for a number of different reasons. One reason is a fall in aggregate demand in an economy; for this reason, cyclical unemployment is sometimes called demand-deficient unemployment. Another reason would be a situation when an economy was experiencing a downturn over two successive quarters, over a period of six months; this is known as a recession and occurs when there is negative growth in real GDP over six months.</p> <p>Although both types of unemployment are likely to be harmful to an economy, it is generally believed that cyclical unemployment is likely to be more harmful because it affects the whole economy and many different industries. It is therefore likely to be responsible for more jobs lost than through structural unemployment.</p> | <p>This is a successful answer to this question. The command word 'compare' is clearly evidenced throughout the answer, particularly in the first and final paragraphs. Each type of unemployment is understood with an excellent last sentence to the first paragraph. So, full three marks for AO1 Knowledge and Understanding.</p> <p>The analysis of each type of unemployment is written in a similar format. This is good and makes clear differences between the two sets of causes. There are two reasons explained as causes for each type of unemployment. Although correct, the reference to labour immobility is an A Level topic and goes beyond the scope of the question. Full three marks for AO2 Analysis irrespective of this content.</p> <p>The answer gained the two marks that are available for A03 Evaluation. These marks were awarded for the two sentences in the last paragraph. There is a clear justification for the conclusion that cyclical unemployment is likely to be more harmful to an economy than structural unemployment.</p> <p><b>Total mark awarded = 8 out of 8</b></p> |

| Example candidate response for Paper 2 Question 4b                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Examiner comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(b) Monetary policy refers to one type of government policy to achieve macroeconomic objectives by intervention in an economy in different ways. Expansionary monetary policy refers to the situation where policies are undertaken to increase the level of aggregate demand in an economy. There are three tools of monetary policy that would be appropriate to an increase in aggregate demand: an increase in the money supply, a reduction in the rate of interest or a loosening of credit regulations.</p> <p>An increase in the money supply will be carried out by the central bank of an economy. The central bank will try to influence bank lending by commercial banks and this will bring about an increase in the money supply. Such an increase in the money supply, through increased bank lending, is likely to reduce unemployment in an economy. A strength of this measure is that its impact is likely to be noticed in a relatively short period of time. However, a potential weakness of such a measure is that it will depend on the relationship between the central bank and the commercial banks in an economy and it may not always be easy for a central bank to force the commercial banks to operate in a certain way.</p> <p>A reduction in the rate of interest is a second possible measure. A strength of this measure is that any change of interest can have an immediate impact as people and institutions are encouraged to borrow more as the cost of borrowing is cheaper. The increase in borrowing is likely to be followed by an increase in spending and this could lead to a reduction in unemployment. However, a potential weakness of such a measure is that it may not always have a significant impact on decisions to borrow money, the interest elasticity of demand being relatively inelastic.</p> | <p>The answer contains clear knowledge and understanding of monetary policy and how it works. All three tools of monetary policy are referred to and systematically explained as to how they can be applied to produce an expansion of aggregate demand. The full 4 marks are awarded for AO1 Knowledge and Understanding.</p> <p>The answer analyses the respective strengths and weaknesses of each of the three measures of monetary policy in turn and their relevance in reducing unemployment in an economy. The application of expansionary monetary policy is made clear for each of the measures. Systematically analysing strengths and weaknesses is a relevant approach to take. Again, full marks. 4 marks for AO2 Analysis.</p> |

| Example candidate response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Examiner comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>A third tool of monetary policy is how central banks can vary credit regulations on lending by commercial banks to their customers. When there is a need to increase aggregate demand to reduce unemployment, an easing of credit regulations should boost spending by consumers and firms, creating more jobs. A criticism of this policy is that it is short term and can lead to periods of 'Stop and Go' that are not conducive to economic growth.</p> <p>Some economists include the exchange rate as a tool of monetary policy. It must be stressed that this is only valid when dealing with a fixed exchange rate system. A devaluation of the exchange rate will usually increase aggregate demand and employment. This is because the devaluation will lead to a fall in export prices and an increase in import prices relative to an economy's competitors. These changes will boost aggregate demand and reduce unemployment.</p> <p>The impact of all three measures is likely to be effective in reducing the level of cyclical unemployment in an economy because expansionary monetary policy should lead to an increase in aggregate demand. However, these measures are likely to be less successful in reducing other types of unemployment. For example, frictional unemployment occurs when people are moving from one job to another and there is always likely to be some form of frictional unemployment in an economy, however successful expansionary monetary policy is in increasing aggregate demand. Structural unemployment may still exist as there are always likely to be some declining industries in an economy whatever the level of aggregate demand. Technological change is a key feature of modern economies and as the impact of technological progress affects an economy, and there is a move from capital to labour, some workers are likely to continue to lose their jobs. Finally, even if expansionary monetary policy has increased the level of aggregate demand in an economy, some seasonal unemployment may continue to exist at certain times of the year, such as in the tourist industry.</p> | <p>The evaluation is contained in the last two paragraphs. There is an attempt to assess whether monetary policy is effective in reducing each of the five types of unemployment with a clear assessment that monetary policy is most effective in combating cyclical unemployment. 3 out of 4 marks were awarded for A03 Evaluation. A final evaluation mark could have been gained by referring to the scope of fiscal policy being applied along with monetary policy to reduce unemployment in an economy.</p> <p><b>Total mark awarded = 11 out of 12</b></p> |

| Example candidate response                                                                                                                                                                                                                                                                                | Examiner comments |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Therefore, in conclusion, expansionary monetary policy is likely to be successful in reducing unemployment, especially cyclical unemployment, but will not necessarily be as successful in reducing other types of unemployment, such as frictional, structural, technological and seasonal unemployment. |                   |

## How the answer could have been improved

### Part (a)

The second and third paragraphs are theoretically correct and just sufficient for three marks. The quality of each paragraph could be improved by giving recent examples of each type of unemployment, possibly from a student's own country. This would give a more applied emphasis to both explanations.

The second reason for structural unemployment is thin and would be more meaningful if it was elaborated, possibly with an actual example.

### Part (b)

An alternative approach would be to use Aggregate Demand / Aggregate Supply analysis, with a diagram, to show how monetary policy could reduce unemployment in an economy. This would mean that only a brief explanation of each of the measures of monetary policy was required.

As with part (a), the answer could be enhanced with some actual examples of monetary policy in context.

## Common mistakes

### Part (a)

The most common mistake is to not appreciate the significance of the 'compare' command word. An answer that describes or even analyses each type of unemployment with no attempt to compare is unlikely to gain more than one mark.

It is also possible for one or both of the types of unemployment to be incorrectly defined. This would make any comparison meaningless.

The wording of the question is that the evaluation requires an explicit justification as to which type of unemployment is more damaging to the economy. In principle, this could be either or both types of unemployment. The key point is to make sure any judgement is consistent with what has been written. An unsupported judgement will get no marks.

### Part (b)

Common mistakes learners make include:

- Confusion over the difference between monetary policy and fiscal policy.
- Confusion over the difference between expansionary and contractionary monetary policy.

Both of these mistakes will be likely to lead to no marks for the answer:

- Including a freely floating exchange rate, as distinct from a fixed exchange rate, within the scope of monetary policy.
- Not ensuring that there is a judgement made that is consistent with the 'Assess' command word. This is worth 4 marks out of the 12 available.

## General advice

### Part (a)

The command word 'explain' is one that is widely used in part (a) questions. This command word requires an answer to contain reasons for a particular issue or to make clear relationships between economic concepts by providing evidence to support the explanation. To do this well requires an answer that avoids unnecessary description whilst linking the points that are being made.

There are two general points that need to be made:

- The answer to part (a) is always worth 8 out of 20 marks. It should take up about 15 minutes writing time. The specimen answer is about the right length. There is no point in writing a long drawn out descriptive answer which is unlikely to be to the point of the question. This takes up valuable writing time.
- It is good practice to read the part (b) question before writing an answer to part (a). Part (b) is worth 12 marks, 50% more than for part (a). Do make sure you can make a reasonable attempt at part (b). It is worth noting that full marks on part (a) are only worth 40% of the total marks available for the question.

### Part (b)

- Allow sufficient writing time for the part (b) answer. Around 25 minutes is recommended.
- Remember that diagrams are an important part of the economist's 'tool kit'.
- Try to write short sentences that are linked. This is a good way of developing an analytical style of writing.
- In part (b) questions there are usually no marks available for definitions of key terms.
- Look at both sides of an issue (strengths and weaknesses) when analysing an issue. This skill is likely to be relevant for most part (b) questions.

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## 6. Revision

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This advice will help you to revise and prepare for the examinations. It is divided into general advice and specific advice for each of the papers.

**Use the tick boxes to keep a record of what you have done, what you plan to do or what you understand.**

### General advice

#### Before the examination

Find out when the examinations are and plan your revision so you have enough time for each topic.  
A revision timetable will help you.

Find out how long each paper is and how many questions you have to answer.

Know the meaning of the command words used in questions and how to apply them to the information given.  
Highlight the command words in past papers and check what they mean.

Make revision notes; try different styles of notes. Discover what works best for you.

Work for short periods then have a break. Revise small sections of the syllabus at a time.

Build your confidence by practising questions on each of the topics.

Make sure that you practise lots of past examination questions so that you are familiar with the format of the examination papers. Ensure that you are clear on how the structure of Papers 2 and 4 has changed from 2023.  
You could time yourself when doing a paper so that you know how quickly you need to work in the real examination.

Look at mark schemes to help you understand how the marks are awarded for each question. Note the relationship between the assessment objectives and marks available for the question.

#### During the examination

Read the instructions carefully and answer all the questions. Be clear on how many questions you should answer when there is a choice of question.

Check the number of marks for each question or part question. This helps you to judge how long you should spend on the response. You don't want to spend too long on some questions and then run out of time at the end.

Do not leave out questions or parts of questions. Remember, no answer means no mark.

You do not have to answer the questions in the order they are printed in the question paper. You may be able to do a later question more easily then come back to an earlier one for another try.

Read all parts of a question before starting your answer. Think carefully about what is needed for each part. You will not need to repeat material.

Read each question very carefully. Misreading a question can cost you marks:

- Identify the command words – you could underline or highlight them.
- Identify the other key words and perhaps underline them too.
- Try to put the question into your own words to understand what it is really asking.

Look very carefully at the information you are given.

- For graphs, read the title, key, axes, etc. to find out exactly what they show.
- Try using coloured pencils or a highlighter pen to pick out anything that the question asks you about.

**Answer the question.** This is very important!

- Use your knowledge and understanding.
- Do not just write everything you know about that topic, only write what is needed to answer the question.

Make sure that you have answered everything that a question asks. Sometimes one sentence asks two things, e.g. 'Show that ... and hence find ...'. It is easy to concentrate on the first request and forget about the second one.

Do not cross out any working until you have replaced it by trying again. Even if you know it is not correct, you may still be able to get method marks. If you have made two or more attempts, make sure that you cross out all except the one you want marked.

Annotated diagrams and graphs can help you, and can be used to support your answer. Use them whenever possible, but do not repeat the information in words.

Make sure that all your numbers are clear, for example make sure your '1' doesn't look like a '7'.

If you need to change a word or a number, or even a sign (+ to – for example), it is better to cross out your work and rewrite it. Don't try to write over the top of your previous work as it will be difficult to read and you may not get the marks.

Allow a few minutes at the end of the examination to go over your work. Check that you have numbered your answers correctly.

### **Advice for all Papers**

Remember to allocate your writing time in line with the number of marks available. Do not fall into the trap of 'running out of time' – you can only get marks for the questions you have attempted.

Use economic terms whenever possible. You may sometimes find it useful to define such terms.

Try to write short sentences that are clear and to the point of the question.

Avoid using 'I' in your answers – write in an impersonal way.

Watch out for command words such as 'Consider', 'Discuss', 'Evaluate' and 'Assess'; these words indicate that your answer must contain evaluation.

Evaluation is often made in the last paragraph(s) of an answer; remember that you can also make comments throughout an answer.

Always think about what you are writing, and ask yourself whether this is to the point of the question.

For essays, you may find it useful to spend a few minutes making a short plan of what you intend to write.

Try to write as legibly as you can. After all, your answers have to be read and marked by a person and not a robot.

### **Advice for Paper 1 – Multiple Choice**

Each question has a stem which states what is required and four possible choices A, B, C and D. You have a chance of 1 in 4 of picking the correct one.

The order of questions broadly follows the same order of content as set out in the syllabus.

It is good practice to reduce the alternatives. Rule out any options that are clearly wrong. There is usually at least one such distractor.

The correct answer is that which is most true. Rule out any of the options which appear to be either false or less true.

Questions involving calculations are likely to test your knowledge of a formula or a relationship in a set of data.

Where a question is written out in a form of words, you may find it useful to draw a diagram to help you get the correct answer.

If you do not know the correct answer then have a guess!

### **Advice for Paper 2 – Data Response question**

The data response question usually includes a table of numerical data or a diagram such as a time-series graph that contains numerical data. Data may also be included in the text of a question.

Spend around five minutes reading the text and looking at the data.

Pick out any key terms you recognise, and make sure that you understand any headings and labels on tables and diagrams.

Read all of the questions. Some of the answers may be embedded in the text and require an explanation.

Simple calculations may sometimes be required. Watch out for such questions that require you to calculate or interpret a rate of change in time-series data. Be careful when explaining changes in percentage data.

Remember to write short answers to the point of the question.

Do not spend more than 40–45 minutes on this question. Any more and this will restrict the time you can spend on the two essay questions.

### **Advice for Paper 2 – Essay questions**

Make sure that you can confidently answer both parts of the question. The second part will be linked to the first part, and will be more challenging.

Be clear that the command words indicate the style of answer that you are expected to write.

You should bear in mind that the second part of the question is worth 12 marks compared to just 8 marks for the first part. The writing time you allocate should reflect this.

Pick out any key terms in the questions and other content words that are telling you how to focus your answer on the point of the question.

Try to write in an analytical style, linking the points you make. Avoid long, drawnout descriptions.

There will always be 2 marks for AO3 Evaluation in part (a) and 4 marks in part (b). A good score here can give you a high mark for the question.

There are more marks for AO2 Analysis in part (b) than in part (a). You may not always need to define key terms in part (b).

### **Advice for Paper 3 – Multiple Choice**

The advice for this paper is the same as Paper 1. In addition:

- You have 15 minutes additional time. Some of the questions are longer, and more questions are likely to contain diagrams or a table of data.

### **Advice for Paper 4 – Data Response question**

The text is likely to be longer than that for Paper 2. Some data may be incorporated in the text although a table or diagram of data may also be used.

Two questions will require answers that require an explanation and application. 1 mark is usually available for each point made.

Command words indicate that two questions have marks for evaluation. Longer answers are required. Make sure your evaluation is clear.

### **Advice for Paper 4 – Essay questions**

All essay questions will have a command word that clearly signals that evaluation is required – 6 marks out of 20 are available for this skill.

Some of the questions may draw upon and link more than one content section of the syllabus.

It is a good idea to think about your answer before beginning to write. Spend a few minutes drafting an outline plan. In this way you ought to be able to see the point of the question.

## Revision checklists

In the next part of this guide we have provided some revision checklists. These include information from the syllabus that you should revise. They do not contain all the detailed knowledge you need to know, just an overview. For more detail see the syllabus and talk to your teacher.

The table headings are explained below:

| Topic                                                            | You should be able to understand                    | R                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | A | G | Comments                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Here is a list of the topics you need to cover and work through. | This is the key content and understanding you need. | <p>You can use the tick boxes to show when you have revised an item and how confident you feel about it.</p> <p>R = <b>RED</b> means you are really unsure and lack confidence; you might want to focus your revision here and possibly talk to your teacher for help.</p> <p>A = <b>AMBER</b> means you are reasonably confident but need some extra practice.</p> <p>G = <b>GREEN</b> means you are very confident.</p> <p>As your revision progresses, you can concentrate on the <b>RED</b> and <b>AMBER</b> items in order to turn them into <b>GREEN</b> items. You might find it helpful to highlight each topic in red, orange or green to help you prioritise.</p> |   |   | <p>You can use the Comments column to:</p> <ul style="list-style-type: none"> <li>• Add further information of your own, such as names of case studies needed</li> <li>• add learning aids, such as rhymes, poems or word play</li> <li>• pinpoint areas of difficulty you need to check further with your teacher or textbooks</li> <li>• include references to useful resources.</li> </ul> |

Note: the tables below cannot contain absolutely everything you need to know, but they do use examples wherever they can.

## 1. Basic economic ideas and resource allocation (AS Level)

| Topic                                                                      | You should be able to understand                                                                                                                                                                                                                                                               | R | A | G | Comments |
|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| <b>1.1 Scarcity, choice and opportunity cost</b>                           |                                                                                                                                                                                                                                                                                                |   |   |   |          |
| 1.1.1 Fundamental economic problem of scarcity                             | <ul style="list-style-type: none"> <li>• why resources are scarce in relation to wants</li> <li>• the difference between wants and needs</li> <li>• why decisions have to be made involving choices</li> </ul>                                                                                 |   |   |   |          |
| 1.1.2 Need to make choices at all levels (individuals, firms, governments) | <ul style="list-style-type: none"> <li>• why wants are not essential for survival</li> <li>• why individual consumers have to make choices</li> <li>• why firms have to make choices</li> <li>• why governments have to make choices</li> </ul>                                                |   |   |   |          |
| 1.1.3 Nature and definition of opportunity cost, arising from choices      | <ul style="list-style-type: none"> <li>• the concept of opportunity cost</li> <li>• opportunity cost and an individual's budget decisions</li> <li>• opportunity cost applied to a firm's production decisions</li> <li>• opportunity cost applied to a government's spending plans</li> </ul> |   |   |   |          |
| 1.1.4 Basic questions of resource allocation                               | <ul style="list-style-type: none"> <li>• why all economies are faced with the fundamental economic problem</li> <li>• what to produce</li> <li>• how to produce</li> <li>• for whom to produce</li> <li>• the scope for redistribution of income</li> </ul>                                    |   |   |   |          |
| <b>1.2 Economic methodology</b>                                            |                                                                                                                                                                                                                                                                                                |   |   |   |          |
| 1.2.1 Economics as a social science                                        | <ul style="list-style-type: none"> <li>• the difference in scope between microeconomics and macroeconomics</li> <li>• why this distinction is not always clear</li> <li>• why economics is a social science</li> <li>• why economics makes use of models</li> </ul>                            |   |   |   |          |
| 1.2.2 Positive and normative statements                                    | <ul style="list-style-type: none"> <li>• the meaning of a positive statement</li> <li>• the meaning of a normative statement</li> <li>• the distinction between facts and value judgements</li> </ul>                                                                                          |   |   |   |          |
| 1.2.3 Meaning of the term <i>ceteris paribus</i>                           | <ul style="list-style-type: none"> <li>• what the term <i>ceteris paribus</i> means</li> <li>• its relevance in modelling the effects of change over time</li> </ul>                                                                                                                           |   |   |   |          |

| Topic                                                                                      | You should be able to understand                                                                                                                                                                                                                                                                               | R | A | G | Comments |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| 1.2.4 Importance of the time period                                                        | <ul style="list-style-type: none"> <li>the use of various time periods to assess how change can influence economic situations</li> <li>the short run period</li> <li>the long run period</li> <li>the very long run period</li> </ul>                                                                          |   |   |   |          |
| <b>1.3 Factors of production</b>                                                           |                                                                                                                                                                                                                                                                                                                |   |   |   |          |
| 1.3.1 Nature and definition of factors of production: land, labour, capital and enterprise | <ul style="list-style-type: none"> <li>the factors of production as resources</li> </ul>                                                                                                                                                                                                                       |   |   |   |          |
| 1.3.2 Difference between human capital and physical capital                                | <ul style="list-style-type: none"> <li>the meaning of human capital</li> <li>the meaning of physical capital</li> <li>the difference between human capital and physical capital</li> </ul>                                                                                                                     |   |   |   |          |
| 1.3.3 Rewards to the factors of production                                                 | <ul style="list-style-type: none"> <li>rent or income as a reward for owning land</li> <li>wages or earnings as a reward for labour's services</li> <li>income or a return as a reward for using capital</li> <li>profit as a reward for enterprise</li> </ul>                                                 |   |   |   |          |
| 1.3.4 Division of labour and specialisation                                                | <ul style="list-style-type: none"> <li>the nature of the division of labour</li> <li>the benefits of the division of labour</li> <li>the drawbacks of the division of labour</li> <li>the nature of specialisation</li> <li>the benefits of specialisation</li> <li>the drawbacks of specialisation</li> </ul> |   |   |   |          |
| 1.3.5 Role of the entrepreneur in contemporary economies                                   | <ul style="list-style-type: none"> <li>the entrepreneur as an organiser</li> <li>the entrepreneur as a risk-taker</li> <li>the skills and qualities for entrepreneurial success</li> </ul>                                                                                                                     |   |   |   |          |

| Topic                                                                        | You should be able to understand                                                                                                                                                                                                                                             | R | A | G | Comments |
|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| <b>1.4 Resource allocation in different economic systems</b>                 |                                                                                                                                                                                                                                                                              |   |   |   |          |
| 1.4.1 Decision-making in market, planned and mixed economies                 | <ul style="list-style-type: none"> <li>the role of the price mechanism in market, planned and mixed economies</li> <li>the role of government in market, planned and mixed economies</li> </ul>                                                                              |   |   |   |          |
| 1.4.2 Resource allocation in these economic systems                          | <ul style="list-style-type: none"> <li>the advantages and disadvantages of resource allocation in market, planned and mixed economic systems</li> </ul>                                                                                                                      |   |   |   |          |
| <b>1.5 Production possibility curves</b>                                     |                                                                                                                                                                                                                                                                              |   |   |   |          |
| 1.5.1 Nature and meaning of a production possibility curve (PPC)             | <ul style="list-style-type: none"> <li>the concept of a PPC</li> <li>straight line and curved PPCs</li> <li>the significance of a point on the PPC in terms of resource allocation</li> <li>the use of a PPC when economies are faced with having to make choices</li> </ul> |   |   |   |          |
| 1.5.2 Shape of the PPC: constant and increasing opportunity costs            | <ul style="list-style-type: none"> <li>the trade-off of products on the PPC</li> </ul>                                                                                                                                                                                       |   |   |   |          |
| 1.5.3 Causes and consequences of shifts in a PPC                             | <ul style="list-style-type: none"> <li>why the PPC shifts outwards or inwards</li> <li>the consequences of these shifts</li> </ul>                                                                                                                                           |   |   |   |          |
| 1.5.4 Significance of a position within a PPC                                | <ul style="list-style-type: none"> <li>the meaning of a point within a PPC</li> <li>why such a point is an inefficient use of resources</li> <li>how to move from a point within a PPC</li> </ul>                                                                            |   |   |   |          |
| <b>1.6 Classification of goods and services</b>                              |                                                                                                                                                                                                                                                                              |   |   |   |          |
| 1.6.1 Nature and definition of free goods and private goods (economic goods) | <ul style="list-style-type: none"> <li>the meaning of free goods</li> <li>the meaning of private goods</li> <li>excludability and rivalry in the provision of free goods and private goods</li> <li>application to examples</li> </ul>                                       |   |   |   |          |

| Topic                                                                                                            | You should be able to understand                                                                                                                                                                                                                                             | R | A | G | Comments |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| 1.6.2 Nature and definition of public goods                                                                      | <ul style="list-style-type: none"> <li>the meaning of public goods</li> <li>why public goods are non-excludable and non-rival</li> <li>the problems of public goods provision, including free riders</li> <li>quasi-public goods</li> <li>application to examples</li> </ul> |   |   |   |          |
| 1.6.3 Nature and definition of merit goods: under-consumption as a result of imperfect information in the market | <ul style="list-style-type: none"> <li>the meaning of merit goods</li> <li>why there is under-consumption due to imperfect information in the market</li> <li>application to examples</li> </ul>                                                                             |   |   |   |          |
| 1.6.4 Nature and definition of demerit goods: overconsumption as a result of imperfect information in the market | <ul style="list-style-type: none"> <li>the meaning of demerit goods</li> <li>why there is over-consumption due to imperfect information in the market</li> <li>application to examples</li> </ul>                                                                            |   |   |   |          |

## 2. The price system and the microeconomy (AS Level)

| Topic                                         | You should be able to understand                                                                                                                                                                                                                                                                                         | R | A | G | Comments |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| <b>2.1 Demand and supply curves</b>           |                                                                                                                                                                                                                                                                                                                          |   |   |   |          |
| 2.1.1 Effective demand                        | <ul style="list-style-type: none"> <li>how the price mechanism works</li> <li>the nature of a market</li> <li>effective demand and notional demand</li> </ul>                                                                                                                                                            |   |   |   |          |
| 2.1.2 Individual and market demand and supply | <ul style="list-style-type: none"> <li>what is shown by a demand curve</li> <li>what is shown by a market demand curve</li> <li>what is shown by a supply curve</li> <li>what is shown by a market supply curve</li> <li>a movement up and down a demand curve</li> <li>a movement up and down a supply curve</li> </ul> |   |   |   |          |

| Topic                                                                                                   | You should be able to understand                                                                                                                                                                                                                                                                                | R | A | G | Comments |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| 2.1.3 Determinants of demand                                                                            | <ul style="list-style-type: none"> <li>income as a determinant of demand</li> <li>price and availability of related products as determinant of demand</li> <li>fashion, taste and attitudes as a determinant of demand</li> <li>normal goods and inferior goods</li> <li>substitutes and complements</li> </ul> |   |   |   |          |
| 2.1.4 Determinants of supply                                                                            | <ul style="list-style-type: none"> <li>costs as a determinant of supply</li> <li>the size and nature of an industry as a determinant of supply</li> <li>change in the price of other products as a determinant of supply</li> <li>government policy as a determinant of supply</li> </ul>                       |   |   |   |          |
| 2.1.5 Causes of a shift in the demand curve (D)                                                         | <ul style="list-style-type: none"> <li>how an increase in demand leads to a shift in the demand curve to the right</li> <li>how a decrease in demand leads to a shift in the demand curve to the left</li> <li>possible causes of shifts in the demand curve</li> </ul>                                         |   |   |   |          |
| 2.1.6 Causes of a shift in the supply curve (S)                                                         | <ul style="list-style-type: none"> <li>how an increase in supply leads to a shift of the supply curve to the right</li> <li>how a decrease in supply leads to a shift of the supply curve to the left</li> <li>possible causes of shifts in the supply curve</li> </ul>                                         |   |   |   |          |
| 2.1.7 Distinction between a shift in the demand and supply curves and the movement along these curves   | <ul style="list-style-type: none"> <li>the causes of a movement along a demand or supply curve</li> <li>an extension of demand or supply</li> <li>a contraction of demand or supply</li> <li>the difference between a change in the quantity demanded or supplied and a change in demand or supply</li> </ul>   |   |   |   |          |
| <b>2.2 Price elasticity, income elasticity and cross elasticity of demand</b>                           |                                                                                                                                                                                                                                                                                                                 |   |   |   |          |
| 2.2.1 Definitions of price elasticity, income elasticity and cross elasticity of demand (PED, YED, XED) | <ul style="list-style-type: none"> <li>the meaning of PED</li> <li>the meaning of YED</li> <li>the meaning of XED</li> </ul>                                                                                                                                                                                    |   |   |   |          |

| Topic                                                                                                                                                                                                                                             | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                      | R | A | G | Comments |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| 2.2.2 Formulae for and calculation of price elasticity, income elasticity and cross elasticity of demand                                                                                                                                          | <ul style="list-style-type: none"> <li>how to calculate PED</li> <li>how to calculate YED</li> <li>how to calculate XED</li> </ul>                                                                                                                                                                                                                                                                                    |   |   |   |          |
| 2.2.3 Significance of relative percentage changes, the size and sign of the coefficient of: <ul style="list-style-type: none"> <li>price elasticity of demand</li> <li>income elasticity of demand</li> <li>cross elasticity of demand</li> </ul> | <ul style="list-style-type: none"> <li>how the relative size of price, quantity and income changes affects the size of elasticity coefficients</li> <li>the significance of the sign in the coefficients of YED and XED</li> </ul>                                                                                                                                                                                    |   |   |   |          |
| 2.2.4 Descriptions of elasticity values: perfectly elastic, (highly) elastic, unitary elasticity, (highly) inelastic, perfectly inelastic                                                                                                         | <ul style="list-style-type: none"> <li>elastic and inelastic</li> <li>perfectly elastic and perfectly inelastic</li> <li>unit elasticity</li> </ul>                                                                                                                                                                                                                                                                   |   |   |   |          |
| 2.2.5 Variation in price elasticity along the length of a straight-line demand curve                                                                                                                                                              | <ul style="list-style-type: none"> <li>how PED varies with a downward movement along the length of a straight-line demand curve</li> </ul>                                                                                                                                                                                                                                                                            |   |   |   |          |
| 2.2.6 Factors affecting: <ul style="list-style-type: none"> <li>price elasticity of demand</li> <li>income elasticity of demand</li> <li>cross elasticity of demand</li> </ul>                                                                    | <ul style="list-style-type: none"> <li>PED: availability and attractiveness of substitutes, relative expense of the product and time period</li> <li>YED: whether the good is a normal good or an inferior good or a necessity</li> <li>XED: the extent to which two goods are substitutes or complements</li> </ul>                                                                                                  |   |   |   |          |
| 2.2.7 Relationship between price elasticity of demand and total expenditure on a product                                                                                                                                                          | <ul style="list-style-type: none"> <li>total expenditure as price <math>\times</math> quantity</li> <li>when demand for the product is price inelastic and price increases</li> <li>when demand for the product is price elastic and price increases</li> <li>when demand for the product is price inelastic and price decreases</li> <li>when demand for the product is price elastic and price decreases</li> </ul> |   |   |   |          |
| 2.2.8 Implications for decision-making of price elasticity, income elasticity and cross elasticity of demand                                                                                                                                      | <ul style="list-style-type: none"> <li>why firms try to make their product more price inelastic</li> <li>why firms produce more inferior goods when incomes are falling</li> <li>why knowledge of XED allows a firm to estimate the impact of a competitor's pricing strategy on demand for their own products</li> </ul>                                                                                             |   |   |   |          |

| Topic                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                        | You should be able to understand | R | A | G | Comments |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---|---|---|----------|
| 2.3 Price elasticity of supply                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                        |                                  |   |   |   |          |
| 2.3.1 Definition of price elasticity of supply (PES)                                                                                                                                                                | <ul style="list-style-type: none"> <li>the meaning of PES</li> </ul>                                                                                                                                                                                                                                                                   |                                  |   |   |   |          |
| 2.3.2 Formula for and calculation of price elasticity of supply                                                                                                                                                     | <ul style="list-style-type: none"> <li>the formula for and how to calculate PES</li> </ul>                                                                                                                                                                                                                                             |                                  |   |   |   |          |
| 2.3.3 Significance of relative percentage changes, the size and sign of the coefficient of price elasticity of supply                                                                                               | <ul style="list-style-type: none"> <li>why PES is always positive</li> <li>how the relative size of price and quantity changes affects the size of the PES</li> <li>price elastic and price inelastic supply</li> </ul>                                                                                                                |                                  |   |   |   |          |
| 2.3.4 Factors affecting price elasticity of supply                                                                                                                                                                  | <ul style="list-style-type: none"> <li>the availability of stocks, time period and productive capacity</li> </ul>                                                                                                                                                                                                                      |                                  |   |   |   |          |
| 2.3.5 Implications for speed and ease with which firms react to changed market conditions                                                                                                                           | <ul style="list-style-type: none"> <li>short run ability to hold stock</li> <li>the problems of supply in agricultural markets</li> </ul>                                                                                                                                                                                              |                                  |   |   |   |          |
| 2.4 The interaction of demand and supply                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                        |                                  |   |   |   |          |
| 2.4.1 Definition of market equilibrium and disequilibrium                                                                                                                                                           | <ul style="list-style-type: none"> <li>the meaning of market equilibrium</li> <li>the meaning of disequilibrium in a market</li> <li>the equilibrium price and equilibrium quantity</li> </ul>                                                                                                                                         |                                  |   |   |   |          |
| 2.4.2 Effects of shifts in demand and supply curves on equilibrium price and quantity                                                                                                                               | <ul style="list-style-type: none"> <li>change in demand and supply for a product</li> <li>the causes of shifts in the demand curve</li> <li>the causes of shifts in the supply curve</li> <li>change in both demand and supply</li> <li>the effects on equilibrium price and quantity of shifts in demand and supply curves</li> </ul> |                                  |   |   |   |          |
| 2.4.3 Relationships between different markets: <ul style="list-style-type: none"> <li>joint demand (complements)</li> <li>alternative demand (substitutes)</li> <li>derived demand</li> <li>joint supply</li> </ul> | <ul style="list-style-type: none"> <li>alternative demand</li> <li>joint demand</li> <li>derived demand</li> <li>joint supply</li> </ul>                                                                                                                                                                                               |                                  |   |   |   |          |

| Topic                                                                                                                  | You should be able to understand                                                                                                                                                                                                             | R | A | G | Comments |
|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| 2.4.4 Functions of price in resource allocation: rationing, signalling (transmission of preferences) and incentivising | <ul style="list-style-type: none"> <li>the role of prices in the allocation of resources</li> </ul>                                                                                                                                          |   |   |   |          |
| <b>2.5 Consumer and producer surplus</b>                                                                               |                                                                                                                                                                                                                                              |   |   |   |          |
| 2.5.1 Meaning and significance of consumer surplus                                                                     | <ul style="list-style-type: none"> <li>the concept of consumer surplus</li> </ul>                                                                                                                                                            |   |   |   |          |
| 2.5.2 Meaning and significance of producer surplus                                                                     | <ul style="list-style-type: none"> <li>the concept of producer surplus</li> </ul>                                                                                                                                                            |   |   |   |          |
| 2.5.3 Causes of changes in consumer and producer surplus                                                               | <ul style="list-style-type: none"> <li>the effects of a price increase or decrease on consumer surplus</li> <li>the effects of a price increase or decrease on producer surplus</li> </ul>                                                   |   |   |   |          |
| 2.5.4 Significance of price elasticity of demand and of supply in determining the extent of these changes              | <ul style="list-style-type: none"> <li>the significance of the extent of the price change</li> <li>the significance of PED for the change in consumer surplus</li> <li>the significance of PES for the change in producer surplus</li> </ul> |   |   |   |          |

### 3. Government microeconomic intervention (AS Level)

| Topic                                                                                          | You should be able to understand                                                                                                                                                              | R | A | G | Comments |
|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| <b>3.1 Reasons for government intervention in markets</b>                                      |                                                                                                                                                                                               |   |   |   |          |
| 3.1.1 Addressing the non-provision of public goods                                             | <ul style="list-style-type: none"> <li>why governments provide public goods</li> </ul>                                                                                                        |   |   |   |          |
| 3.1.2 Addressing the overconsumption of demerit goods and the under-consumption of merit goods | <ul style="list-style-type: none"> <li>why governments intervene to prevent the overconsumption of demerit goods</li> <li>why governments encourage the consumption of merit goods</li> </ul> |   |   |   |          |
| 3.1.3 Controlling prices in markets                                                            | <ul style="list-style-type: none"> <li>why governments may set maximum prices</li> </ul>                                                                                                      |   |   |   |          |

| Topic                                                                                                                                         | You should be able to understand                                                                                                                                                                                                                                                                                                        | R | A | G | Comments |
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| <b>3.2 Methods and effects of government intervention in markets</b>                                                                          |                                                                                                                                                                                                                                                                                                                                         |   |   |   |          |
| 3.2.1 Impact and incidence of specific indirect taxes                                                                                         | <ul style="list-style-type: none"> <li>• The nature of a specific indirect tax</li> <li>• the effects of imposing a specific indirect tax in a market</li> <li>• the incidence of imposing a specific indirect tax in a market</li> <li>• how PED and PES can influence the incidence of a specific indirect tax in a market</li> </ul> |   |   |   |          |
| 3.2.2 Impact and incidence of subsidies                                                                                                       | <ul style="list-style-type: none"> <li>• why governments provide subsidies</li> <li>• the effects of introducing a subsidy in a market</li> <li>• the incidence of a subsidy</li> </ul>                                                                                                                                                 |   |   |   |          |
| 3.2.3 Direct provision of goods and services                                                                                                  | <ul style="list-style-type: none"> <li>• why governments provide certain goods and services free at the point of use</li> </ul>                                                                                                                                                                                                         |   |   |   |          |
| 3.2.4 Maximum and minimum prices                                                                                                              | <ul style="list-style-type: none"> <li>• why governments impose a maximum price in a market</li> <li>• the effects of maximum price control in a market</li> <li>• why governments impose a minimum price in a market</li> <li>• the effects of minimum price control in a market</li> </ul>                                            |   |   |   |          |
| 3.2.5 Buffer stock schemes                                                                                                                    | <ul style="list-style-type: none"> <li>• why a buffer stock scheme is needed</li> <li>• how a buffer stock scheme works</li> </ul>                                                                                                                                                                                                      |   |   |   |          |
| 3.2.6 Provision of information                                                                                                                | <ul style="list-style-type: none"> <li>• how governments provide information</li> </ul>                                                                                                                                                                                                                                                 |   |   |   |          |
| <b>3.3 Addressing income and wealth inequality</b>                                                                                            |                                                                                                                                                                                                                                                                                                                                         |   |   |   |          |
| 3.3.1 Difference between income as a flow concept and wealth as a stock concept                                                               | <ul style="list-style-type: none"> <li>• the meaning of income</li> <li>• the meaning of wealth</li> </ul>                                                                                                                                                                                                                              |   |   |   |          |
| 3.3.2 Measuring income and wealth inequality: <ul style="list-style-type: none"> <li>• Gini coefficient (calculation not required)</li> </ul> | <ul style="list-style-type: none"> <li>• the Gini coefficient</li> </ul>                                                                                                                                                                                                                                                                |   |   |   |          |
| 3.3.3 Economic reasons for inequality of income and wealth                                                                                    | <ul style="list-style-type: none"> <li>• the economic reasons for inequality of income</li> <li>• the economic reasons for inequality of wealth</li> </ul>                                                                                                                                                                              |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                         | You should be able to understand                                                                                                                                                                                                                                                | R | A | G | Comments |
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| 3.3.4 Policies to redistribute income and wealth: <ul style="list-style-type: none"> <li>• minimum wage</li> <li>• transfer payments</li> <li>• progressive income taxes, inheritance and capital taxes</li> <li>• state provision of essential goods and services</li> </ul> | <ul style="list-style-type: none"> <li>• the concept of a minimum wage</li> <li>• how transfer payments work</li> <li>• progressive income taxes</li> <li>• inheritance taxes</li> <li>• taxes on capital</li> <li>• state provision of essential goods and services</li> </ul> |   |   |   |          |

#### 4. The macroeconomy (AS Level)

| Topic                                                                                                                                                                                              | You should be able to understand                                                                                                                                                                                                  | R | A | G | Comments |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| <b>4.1 National income statistics</b>                                                                                                                                                              |                                                                                                                                                                                                                                   |   |   |   |          |
| 4.1.1 Meaning of national income                                                                                                                                                                   | <ul style="list-style-type: none"> <li>• what is meant by national income</li> </ul>                                                                                                                                              |   |   |   |          |
| 4.1.2 Measurement of national income: <ul style="list-style-type: none"> <li>• Gross Domestic Product (GDP)</li> <li>• Gross National Income (GNI)</li> <li>• Net National Income (NNI)</li> </ul> | <ul style="list-style-type: none"> <li>• Gross Domestic Product (GDP) and how it is measured</li> <li>• Gross National Income (GNI) and how it is measured</li> <li>• Net National Income (NNI) and how it is measured</li> </ul> |   |   |   |          |
| 4.1.3 Adjustment of measures from market prices to basic prices                                                                                                                                    | <ul style="list-style-type: none"> <li>• market prices</li> <li>• basic prices (factor cost)</li> <li>• how to get from market prices to basic prices</li> </ul>                                                                  |   |   |   |          |
| 4.1.4 Adjustment of measures from gross values to net values                                                                                                                                       | <ul style="list-style-type: none"> <li>• gross values</li> <li>• net values</li> <li>• how to get from gross values to net values</li> <li>• the difference between GNI and NNI</li> </ul>                                        |   |   |   |          |

| Topic                                                                                                                                                               | You should be able to understand                                                                                                                                                                                                                                                                        | R | A | G | Comments |
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| <b>4.2 Introduction to the circular flow of income</b>                                                                                                              |                                                                                                                                                                                                                                                                                                         |   |   |   |          |
| 4.2.1 Circular flow of income in a closed economy and in an open economy: the flow of income between households, firms and government and the international economy | <ul style="list-style-type: none"> <li>the concept of the circular flow of income</li> <li>the circular flow of income in a closed economy</li> <li>the circular flow of income in an open economy</li> <li>income flows between households, firms, government and the international economy</li> </ul> |   |   |   |          |
| 4.2.2 Injections and leakages (multiplier not required)                                                                                                             | <ul style="list-style-type: none"> <li>the meaning of injections into the circular flow of income</li> <li>the meaning of leakages from the circular flow of income</li> <li>injections and leakages in a closed economy</li> <li>injections and leakages in an open economy</li> </ul>                 |   |   |   |          |
| 4.2.3 Equilibrium and disequilibrium (marginal and average propensities not required)                                                                               | <ul style="list-style-type: none"> <li>equilibrium in the circular flow of income</li> <li>disequilibrium in the circular flow of income</li> </ul>                                                                                                                                                     |   |   |   |          |
| <b>4.3 Aggregate Demand and Aggregate Supply analysis</b>                                                                                                           |                                                                                                                                                                                                                                                                                                         |   |   |   |          |
| 4.3.1 Definition of Aggregate Demand (AD)                                                                                                                           | <ul style="list-style-type: none"> <li>what is meant by Aggregate Demand</li> </ul>                                                                                                                                                                                                                     |   |   |   |          |
| 4.3.2 Components of AD and their meaning:<br>$AD = C + I + G + (X - M)$                                                                                             | <ul style="list-style-type: none"> <li>the components of AD: C, I, G, (X - M)</li> <li>the meaning of components</li> </ul>                                                                                                                                                                             |   |   |   |          |
| 4.3.3 Determinants of AD (detailed knowledge of the components of AD is not required)                                                                               | <ul style="list-style-type: none"> <li>the determinants of C, I, G, (X - M)</li> </ul>                                                                                                                                                                                                                  |   |   |   |          |
| 4.3.4 Shape of the AD curve (downward sloping)                                                                                                                      | <ul style="list-style-type: none"> <li>why the AD curve is downward sloping</li> </ul>                                                                                                                                                                                                                  |   |   |   |          |
| 4.3.5 Causes of a shift in the AD curve                                                                                                                             | <ul style="list-style-type: none"> <li>the causes of an increase in AD</li> <li>the causes of a decrease in AD</li> </ul>                                                                                                                                                                               |   |   |   |          |
| 4.3.6 Definition of Aggregate Supply (AS)                                                                                                                           | <ul style="list-style-type: none"> <li>what is meant by Aggregate Supply</li> </ul>                                                                                                                                                                                                                     |   |   |   |          |
| 4.3.7 Determinants of AS                                                                                                                                            | <ul style="list-style-type: none"> <li>the determinants of short run AS (SRAS)</li> <li>the determinants of long run AS (LRAS)</li> </ul>                                                                                                                                                               |   |   |   |          |

| Topic                                                                                                                                                                                                      | You should be able to understand                                                                                                                                                                                                                                                                                                                                           | R | A | G | Comments |
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| 4.3.8 Shape of the AS curve in the short run (SRAS, upward sloping line or sweeping curve) and the long run (LRAS, either a vertical line or in three sections – highly elastic, upward sloping, vertical) | <ul style="list-style-type: none"> <li>the shape of SRAS curve</li> <li>the shape of LRAS curve</li> </ul>                                                                                                                                                                                                                                                                 |   |   |   |          |
| 4.3.9 Causes of a shift in the AS curve in the short run (SRAS) and in the long run (LRAS)                                                                                                                 | <ul style="list-style-type: none"> <li>the reasons for an increase in AS in the short run</li> <li>the reasons for an increase in AS in the long run</li> </ul>                                                                                                                                                                                                            |   |   |   |          |
| 4.3.10 Distinction between a movement along and a shift in AD and AS                                                                                                                                       | <ul style="list-style-type: none"> <li>what is meant by a movement along an AD or AS curve</li> <li>what is meant by a shift in an AD or AS curve</li> <li>what is meant by shifts in both an AD and an AS curve</li> </ul>                                                                                                                                                |   |   |   |          |
| 4.3.11 Establishment of equilibrium in the AD/AS model and the determination of the level of real output, the price level and employment                                                                   | <ul style="list-style-type: none"> <li>the conditions for equilibrium in the AD/AS model</li> <li>how equilibrium determines the level of output, the price level and employment</li> </ul>                                                                                                                                                                                |   |   |   |          |
| 4.3.12 Effects of shifts in the AD curve and the AS curve on the level of real output, the price level and employment                                                                                      | <ul style="list-style-type: none"> <li>the effects of a shift in the AD curve on the level of output, the price level and employment</li> <li>the effects of a shift in the AS curve on the level of output, the price level and employment</li> <li>the effects of a shift in both the AD and AS curves on the level of output, the price level and employment</li> </ul> |   |   |   |          |
| <b>4.4 Economic growth</b>                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                            |   |   |   |          |
| 4.4.1 Meaning of economic growth                                                                                                                                                                           | <ul style="list-style-type: none"> <li>how economic growth is an increase in an economy's output</li> </ul>                                                                                                                                                                                                                                                                |   |   |   |          |
| 4.4.2 Measurement of economic growth                                                                                                                                                                       | <ul style="list-style-type: none"> <li>how economic growth is measured in terms of changes in real GDP</li> </ul>                                                                                                                                                                                                                                                          |   |   |   |          |
| 4.4.3 Distinction between growth in nominal GDP and real GDP                                                                                                                                               | <ul style="list-style-type: none"> <li>the meaning of nominal (or money) GDP</li> <li>the meaning of real GDP</li> <li>how to calculate real GDP</li> </ul>                                                                                                                                                                                                                |   |   |   |          |

| Topic                                                                                                                                                                       | You should be able to understand                                                                                                                                                                                     | R | A | G | Comments |
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| 4.4.4 Causes of economic growth                                                                                                                                             | <ul style="list-style-type: none"> <li>the reasons for economic growth</li> <li>the increase in quantity of resources</li> <li>the increase in quality of resources</li> </ul>                                       |   |   |   |          |
| 4.4.5 Consequences of economic growth                                                                                                                                       | <ul style="list-style-type: none"> <li>the benefits of economic growth</li> <li>the costs of economic growth</li> </ul>                                                                                              |   |   |   |          |
| <b>4.5 Unemployment</b>                                                                                                                                                     |                                                                                                                                                                                                                      |   |   |   |          |
| 4.5.1 Meaning of unemployment                                                                                                                                               | <ul style="list-style-type: none"> <li>what is meant by unemployment</li> </ul>                                                                                                                                      |   |   |   |          |
| 4.5.2 Measures of unemployment, with reference to possible difficulties in measurement                                                                                      | <ul style="list-style-type: none"> <li>the level of unemployment</li> <li>the rate of unemployment</li> <li>measures of unemployment</li> <li>difficulties in measuring unemployment</li> </ul>                      |   |   |   |          |
| 4.5.3 Causes and types of unemployment: frictional, structural, cyclical, seasonal and technological                                                                        | <ul style="list-style-type: none"> <li>frictional unemployment</li> <li>structural unemployment</li> <li>cyclical unemployment</li> <li>technological unemployment</li> </ul>                                        |   |   |   |          |
| 4.5.4 Consequences of unemployment                                                                                                                                          | <ul style="list-style-type: none"> <li>the consequences of unemployment for individuals, firms and the economy</li> </ul>                                                                                            |   |   |   |          |
| <b>4.6 Price stability</b>                                                                                                                                                  |                                                                                                                                                                                                                      |   |   |   |          |
| 4.6.1 Definition of inflation, deflation, disinflation                                                                                                                      | <ul style="list-style-type: none"> <li>the meaning of price stability</li> <li>the meaning of inflation</li> <li>an inflation rate</li> <li>the meaning of deflation</li> <li>the meaning of disinflation</li> </ul> |   |   |   |          |
| 4.6.2 Measurement of changes in the price level: <ul style="list-style-type: none"> <li>consumer price index (CPI)</li> <li>possible difficulties in measurement</li> </ul> | <ul style="list-style-type: none"> <li>the price level</li> <li>how a consumer price index is calculated</li> <li>the difficulties in measuring changes in the price level</li> </ul>                                |   |   |   |          |

| Topic                                                                | You should be able to understand                                                                                                                                                          | R | A | G | Comments |
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| 4.6.3 Distinction between money values (nominal) and real data       | <ul style="list-style-type: none"> <li>how to adjust money values for inflation</li> </ul>                                                                                                |   |   |   |          |
| 4.6.4 Causes of inflation                                            | <ul style="list-style-type: none"> <li>cost-push inflation</li> <li>demand-pull inflation</li> <li>monetary inflation</li> </ul>                                                          |   |   |   |          |
| 4.6.5 Consequences of inflation: cost-push and demand-pull inflation | <ul style="list-style-type: none"> <li>the costs of inflation for individuals, firms and the economy</li> <li>the benefits of inflation for individuals, firms and the economy</li> </ul> |   |   |   |          |

## 5. Government macroeconomic intervention (AS Level)

| Topic                                                                                                                                                                     | You should be able to understand                                                                                                                                        | R | A | G | Comments |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|----------|
| <b>5.1 Government macroeconomic policy objectives</b>                                                                                                                     |                                                                                                                                                                         |   |   |   |          |
| 5.1.1 Use of government policy to achieve macroeconomic objectives: price stability, low unemployment, economic growth (policy conflicts and trade-offs are not required) | <ul style="list-style-type: none"> <li>the objective of price stability</li> <li>the objective of low unemployment</li> <li>the objective of economic growth</li> </ul> |   |   |   |          |
| <b>5.2 Fiscal policy</b>                                                                                                                                                  |                                                                                                                                                                         |   |   |   |          |
| 5.2.1 Meaning of government budget                                                                                                                                        | <ul style="list-style-type: none"> <li>taxation and government spending</li> <li>the budget as a statement of fiscal policy</li> </ul>                                  |   |   |   |          |
| 5.2.2 Distinction between a government budget deficit and a government budget surplus                                                                                     | <ul style="list-style-type: none"> <li>the meaning of a budget deficit</li> <li>the meaning of a budget surplus</li> </ul>                                              |   |   |   |          |
| 5.2.3 Meaning and significance of national debt                                                                                                                           | <ul style="list-style-type: none"> <li>national debt</li> <li>how national debt is expressed</li> </ul>                                                                 |   |   |   |          |

| Topic                                                                                                                                                                                                                                         | You should be able to understand                                                                                                                                                                                  | R | A | G | Comments |
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| 5.2.4 Taxation: <ul style="list-style-type: none"> <li>types of taxes: direct/indirect, progressive/regressive/proportional</li> <li>rates of tax: marginal and average rates of taxation (mrt, art)</li> <li>reasons for taxation</li> </ul> | <ul style="list-style-type: none"> <li>direct and indirect taxes</li> <li>progressive, regressive and proportional taxes</li> <li>marginal and average rates of taxation</li> <li>reasons for taxation</li> </ul> |   |   |   |          |
| 5.2.5 Government spending: <ul style="list-style-type: none"> <li>types of spending: capital (investment) and current</li> <li>reasons for government spending</li> </ul>                                                                     | <ul style="list-style-type: none"> <li>capital (investment) and current spending</li> <li>the reasons for government spending</li> </ul>                                                                          |   |   |   |          |
| 5.2.6 Distinction between expansionary and contractionary fiscal policy                                                                                                                                                                       | <ul style="list-style-type: none"> <li>expansionary fiscal policy and when it is used</li> <li>contractionary fiscal policy and when it is used</li> <li>automatic stabilisers</li> </ul>                         |   |   |   |          |
| 5.2.7 AD/AS analysis of the impact of expansionary and contractionary fiscal policy on the equilibrium level of national income and the level of real output, the price level and employment                                                  | <ul style="list-style-type: none"> <li>the impact on national income</li> <li>the impact on level of real output</li> <li>the impact on price level</li> <li>the impact on employment</li> </ul>                  |   |   |   |          |

| Topic                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                      | You should be able to understand | R | A | G | Comments |
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| <b>5.3 Monetary policy</b>                                                                                                                                                            |                                                                                                                                                                                                                                                                                      |                                  |   |   |   |          |
| 5.3.1 Definition of monetary policy                                                                                                                                                   | <ul style="list-style-type: none"> <li>price and quantity of money</li> </ul>                                                                                                                                                                                                        |                                  |   |   |   |          |
| 5.3.2 Tools of monetary policy: interest rates, money supply and credit regulations                                                                                                   | <ul style="list-style-type: none"> <li>interest rates</li> <li>money supply</li> <li>credit regulations</li> </ul>                                                                                                                                                                   |                                  |   |   |   |          |
| 5.3.3 Distinction between expansionary and contractionary monetary policy                                                                                                             | <ul style="list-style-type: none"> <li>expansionary monetary policy and when it is used</li> <li>contractionary monetary policy and when it is used</li> </ul>                                                                                                                       |                                  |   |   |   |          |
| 5.3.4 AD/AS analysis of the impact of expansionary and contractionary monetary policy on the equilibrium national income and the level of real output, the price level and employment | <ul style="list-style-type: none"> <li>the impact on national income</li> <li>the impact on the level of real output</li> <li>the impact on price level</li> <li>the impact on employment</li> </ul>                                                                                 |                                  |   |   |   |          |
| <b>5.4 Supply-side policy</b>                                                                                                                                                         |                                                                                                                                                                                                                                                                                      |                                  |   |   |   |          |
| 5.4.1 Meaning of supply-side policy, in terms of its effect on LRAS curves                                                                                                            | <ul style="list-style-type: none"> <li>the purpose of increasing Aggregate Supply</li> <li>the shift to right of LRAS</li> </ul>                                                                                                                                                     |                                  |   |   |   |          |
| 5.4.2 Objectives of supply-side policy: increasing productivity and productive capacity                                                                                               | <ul style="list-style-type: none"> <li>increasing productivity</li> <li>increasing productive capacity</li> <li>the effect on competitiveness</li> </ul>                                                                                                                             |                                  |   |   |   |          |
| 5.4.3 Tools of supply side policy, for example training, infrastructure development, support for technological improvement                                                            | <ul style="list-style-type: none"> <li>education and training</li> <li>infrastructure development</li> <li>the support for technological improvement</li> <li>other measures such as taxation, labour market reforms, privatisation, deregulation and immigration policy.</li> </ul> |                                  |   |   |   |          |
| 5.4.4 AD/AS analysis of the impact of supply-side policy on the equilibrium national income and the level of real output, the price level and employment                              | <ul style="list-style-type: none"> <li>the impact on national income</li> <li>the impact on the level of real output</li> <li>the impact on the price level</li> <li>the impact on employment</li> </ul>                                                                             |                                  |   |   |   |          |

## 6. International economic issues (AS Level)

| Topic                                                                                                                                                                                                                                | You should be able to understand                                                                                                                                                                                       | R | A | G | Comments |
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| <b>6.1 The reasons for international trade</b>                                                                                                                                                                                       |                                                                                                                                                                                                                        |   |   |   |          |
| 6.1.1 Distinction between absolute and comparative advantage                                                                                                                                                                         | <ul style="list-style-type: none"> <li>the principle of absolute advantage</li> <li>the principle of comparative advantage</li> <li>factor endowment</li> <li>the application of opportunity cost</li> </ul>           |   |   |   |          |
| 6.1.2 Benefits of specialisation and free trade (trade liberalisation), including the trading possibility curve                                                                                                                      | <ul style="list-style-type: none"> <li>the meaning of free trade (trade liberalisation)</li> <li>the benefits of free trade for consumers, producers and the economy</li> <li>the trading possibility curve</li> </ul> |   |   |   |          |
| 6.1.3 Exports, imports and the terms of trade: <ul style="list-style-type: none"> <li>measurement of the terms of trade</li> <li>causes of changes in the terms of trade</li> <li>impact of changes in the terms of trade</li> </ul> | <ul style="list-style-type: none"> <li>the measurement of the terms of trade</li> <li>the causes of changes in the terms of trade</li> <li>the impact of changes in the terms of trade</li> </ul>                      |   |   |   |          |
| 6.1.4 Limitations of the theories of absolute and comparative advantage                                                                                                                                                              | <ul style="list-style-type: none"> <li>the assumptions underpinning the theories</li> <li>real world relevance</li> </ul>                                                                                              |   |   |   |          |
| <b>6.2 Protectionism</b>                                                                                                                                                                                                             |                                                                                                                                                                                                                        |   |   |   |          |
| 6.2.1 Meaning of protectionism in the context of international trade                                                                                                                                                                 | <ul style="list-style-type: none"> <li>the protection of domestic industries from foreign competition</li> </ul>                                                                                                       |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                               | You should be able to understand                                                                                                                                                                                                                                                                                                                          | R | A | G | Comments |
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| 6.2.2 Different tools of protection and their impact: <ul style="list-style-type: none"> <li>tariffs</li> <li>import quotas</li> <li>export subsidies</li> <li>embargoes</li> <li>excessive administrative burdens ('red tape')</li> </ul>                                                                                          | <ul style="list-style-type: none"> <li>tariffs and their impact</li> <li>import quotas and their impact</li> <li>export subsidies and their impact</li> <li>embargoes and their impact</li> <li>excessive administrative burdens ('red tape') and their impact</li> </ul>                                                                                 |   |   |   |          |
| 6.2.3 Arguments for and against protection                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>the reasons for protection including: infant industries and sunset industries, strategic industries, preventing dumping, improving terms of trade and balance of trade</li> <li>the reasons against protection including: anti-specialisation, increased prices, lower quality, less choice, trade wars</li> </ul> |   |   |   |          |
| <b>6.3 Current account of the balance of payments</b>                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                           |   |   |   |          |
| 6.3.1 Components of the current account of the balance of payments: <ul style="list-style-type: none"> <li>current account: trade in goods, trade in services, primary income and secondary income</li> <li>definition of balance and imbalances (deficit and surplus) in the current account of the balance of payments</li> </ul> | <ul style="list-style-type: none"> <li>the purpose of the balance of payments</li> <li>the components of the current account: trade in goods, trade in services, primary income, secondary income</li> </ul>                                                                                                                                              |   |   |   |          |
| 6.3.2 Calculation of: <ul style="list-style-type: none"> <li>balance of trade in goods</li> <li>balance of trade in services</li> <li>balance of trade in goods and services</li> <li>current account balance (CAB)</li> </ul>                                                                                                      | <ul style="list-style-type: none"> <li>the balance of trade in goods</li> <li>the balance of trade in services</li> <li>the balance of trade in goods and services</li> <li>the current account balance</li> </ul>                                                                                                                                        |   |   |   |          |

| Topic                                                                                                                                                                          | You should be able to understand                                                                                                                                                                                 | R | A | G | Comments |
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| 6.3.3 Causes of imbalances in the current account of the balance of payments                                                                                                   | <ul style="list-style-type: none"> <li>the causes of a current account deficit</li> <li>the causes of a current account surplus</li> </ul>                                                                       |   |   |   |          |
| 6.3.4 Consequences of imbalances in the current account of the balance of payments for the domestic and external economy                                                       | <ul style="list-style-type: none"> <li>the consequences of a current account deficit</li> <li>the consequences of a current account surplus</li> </ul>                                                           |   |   |   |          |
| <b>6.4 Exchange rates</b>                                                                                                                                                      |                                                                                                                                                                                                                  |   |   |   |          |
| 6.4.1 Definition of exchange rate                                                                                                                                              | <ul style="list-style-type: none"> <li>what is meant by a (foreign) exchange rate</li> </ul>                                                                                                                     |   |   |   |          |
| 6.4.2 Determination of a floating foreign exchange rate                                                                                                                        | <ul style="list-style-type: none"> <li>the role of demand and supply in the determination of a foreign exchange rate</li> </ul>                                                                                  |   |   |   |          |
| 6.4.3 Distinction between depreciation and appreciation of a floating exchange rate                                                                                            | <ul style="list-style-type: none"> <li>the meaning of depreciation of a floating exchange rate</li> <li>the meaning of appreciation of a floating exchange rate</li> </ul>                                       |   |   |   |          |
| 6.4.4 Causes of changes in a floating exchange rate: demand and supply of the currency                                                                                         | <ul style="list-style-type: none"> <li>changes in the demand for a currency</li> <li>changes in the supply of a currency</li> <li>'hot money' flows</li> </ul>                                                   |   |   |   |          |
| 6.4.5 AD/AS analysis of the impact of exchange rate changes on the domestic economy's equilibrium national income and the level of real output, the price level and employment | <ul style="list-style-type: none"> <li>the impact on equilibrium national income</li> <li>the impact on level of real output</li> <li>the impact on the price level</li> <li>the impact on employment</li> </ul> |   |   |   |          |
| <b>6.5 Policies to correct imbalances in the current account of the balance of payments</b>                                                                                    |                                                                                                                                                                                                                  |   |   |   |          |
| 6.5.1 Government policy objective of stability of the current account                                                                                                          | <ul style="list-style-type: none"> <li>the meaning of stability in the current account of the balance of payments</li> </ul>                                                                                     |   |   |   |          |

| Topic                                                                                           | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                           | R | A | G | Comments |
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| 6.5.2 Effect of fiscal, monetary, supply-side and protectionist policies on the current account | <ul style="list-style-type: none"> <li>the effect of fiscal policies on the current account of the balance of payments</li> <li>the effect of monetary policies on the current account of the balance of payments</li> <li>the effect of supply-side policies on the current account of the balance of payments</li> <li>the effect of protectionist policies on the current account of the balance of payments</li> </ul> |   |   |   |          |

## 7. The price system and the microeconomy (A Level)

| Topic                                                                           | You should be able to understand                                                                                                                                                                                                                                            | R | A | G | Comments |
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| <b>7.1 Utility</b>                                                              |                                                                                                                                                                                                                                                                             |   |   |   |          |
| 7.1.1. Definition and calculation of total utility and marginal utility         | <ul style="list-style-type: none"> <li>the meaning of total utility and marginal utility</li> <li>how to calculate total utility and marginal utility</li> </ul>                                                                                                            |   |   |   |          |
| 7.1.2 Diminishing marginal utility                                              | <ul style="list-style-type: none"> <li>the law of diminishing marginal utility</li> </ul>                                                                                                                                                                                   |   |   |   |          |
| 7.1.3 The equi-marginal principle                                               | <ul style="list-style-type: none"> <li>the equi-marginal principle</li> <li>how to apply the equi-marginal principle to explain consumer equilibrium</li> </ul>                                                                                                             |   |   |   |          |
| 7.1.4 Derivation of an individual demand curve                                  | <ul style="list-style-type: none"> <li>how marginal utility and the equi-marginal principle can be used to derive an individual demand curve</li> </ul>                                                                                                                     |   |   |   |          |
| 7.1.5 Limitations of marginal utility and its assumptions of rational behaviour | <ul style="list-style-type: none"> <li>why consumers may not be capable of putting their wants in rank order</li> <li>why consumers may not be capable of assigning a value for their satisfaction</li> <li>why consumers do not always behave in a rational way</li> </ul> |   |   |   |          |

| Topic                                                                              | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                      | R | A | G | Comments |
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| <b>7.2 Indifference curves and budget lines</b>                                    |                                                                                                                                                                                                                                                                                                                                                                                                                       |   |   |   |          |
| 7.2.1 Meaning of an indifference curve and a budget line                           | <ul style="list-style-type: none"> <li>what is shown in an indifference curve</li> <li>what is shown by a budget line</li> </ul>                                                                                                                                                                                                                                                                                      |   |   |   |          |
| 7.2.2 Causes of a shift in the budget line                                         | <ul style="list-style-type: none"> <li>how an increase in consumer's income causes a shift in the budget line in the case of normal goods</li> <li>how an increase in consumer's income causes a shift in the budget line in the case of inferior goods</li> </ul>                                                                                                                                                    |   |   |   |          |
| 7.2.3 Income, substitution and price effects for normal, inferior and Giffen goods | <ul style="list-style-type: none"> <li>the substitution effect of a price change</li> <li>the income effect of a price change</li> <li>the combined income and substitution effects of a price change for normal goods</li> <li>the combined income and substitution effects of a price change for inferior goods</li> <li>the combined income and substitution effects of a price change for Giffen goods</li> </ul> |   |   |   |          |
| 7.2.4 Limitations of the model of indifference curves                              | <ul style="list-style-type: none"> <li>why consumers are not always rational in their choices</li> <li>that choices are made between just two goods and not all goods purchased by consumers</li> <li>that an indifference curve is a theoretical concept that is impossible to model in practice</li> </ul>                                                                                                          |   |   |   |          |
| <b>7.3 Efficiency and market failure</b>                                           |                                                                                                                                                                                                                                                                                                                                                                                                                       |   |   |   |          |
| 7.3.1 Definitions of productive efficiency and allocative efficiency               | <ul style="list-style-type: none"> <li>the meaning of productive efficiency</li> <li>the meaning of allocative efficiency</li> <li>economic efficiency</li> </ul>                                                                                                                                                                                                                                                     |   |   |   |          |
| 7.3.2 Conditions for productive efficiency and allocative efficiency               | <ul style="list-style-type: none"> <li>productive efficiency for a firm</li> <li>productive efficiency for an economy</li> <li>allocative efficiency for consumers</li> </ul>                                                                                                                                                                                                                                         |   |   |   |          |
| 7.3.3 Pareto optimality                                                            | <ul style="list-style-type: none"> <li>the concept of Pareto optimality</li> </ul>                                                                                                                                                                                                                                                                                                                                    |   |   |   |          |

| Topic                                                                                                                                                                                                                                   | You should be able to understand                                                                                                                                                                                                                                                                                                                               | R | A | G | Comments |
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| 7.3.4 Definition of dynamic efficiency                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>the meaning of dynamic efficiency</li> </ul>                                                                                                                                                                                                                                                                            |   |   |   |          |
| 7.3.5 Definition of market failure                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>the meaning of market failure</li> </ul>                                                                                                                                                                                                                                                                                |   |   |   |          |
| 7.3.6 Reasons for market failure                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>that market failure occurs when there are externalities in a market, when merit goods and demerit goods are provided, when public goods and quasi-public goods are provided, when there is information failure, when adverse selection and moral hazard are present or when there is abuse of monopoly power</li> </ul> |   |   |   |          |
| <b>7.4 Private costs and benefits, externalities and social costs and benefits</b>                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                |   |   |   |          |
| 7.4.1 Definition and calculation of social costs (SC) as the sum of private costs (PC) and external costs (EC), including marginal social costs (MSC), marginal private costs (MPC) and marginal external costs (MEC)                   | <ul style="list-style-type: none"> <li>the meaning of social costs: the sum of private costs and external costs</li> <li>the meaning of marginal social costs: the sum of marginal private costs and marginal external costs</li> </ul>                                                                                                                        |   |   |   |          |
| 7.4.2 Definition and calculation of social benefits (SB) as the sum of private benefits (PB) and external benefits (EB), including marginal social benefits (MSB), marginal private benefits (MPB) and marginal external benefits (MEB) | <ul style="list-style-type: none"> <li>the meaning of social benefits: the sum of private benefits and external benefits</li> <li>the meaning of marginal social benefits: the sum of marginal private benefits and marginal external benefits</li> </ul>                                                                                                      |   |   |   |          |
| 7.4.3 Definition of positive externality and negative externality                                                                                                                                                                       | <ul style="list-style-type: none"> <li>the meaning of an externality</li> <li>the nature of a positive externality</li> <li>the nature of a negative externality</li> </ul>                                                                                                                                                                                    |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                        | You should be able to understand                                                                                                                                                                                                                                                            | R | A | G | Comments |
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| 7.4.4 Positive and negative externalities of both consumption and production                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>consumption externalities</li> <li>production externalities</li> <li>positive consumption externalities</li> <li>negative consumption externalities</li> <li>positive production externalities</li> <li>negative production externalities</li> </ul> |   |   |   |          |
| 7.4.5 Deadweight welfare losses arising from positive and negative externalities                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>the concept of a deadweight welfare loss</li> <li>how deadweight losses arise from positive externalities</li> <li>how deadweight losses arise from negative externalities</li> </ul>                                                                |   |   |   |          |
| 7.4.6 Asymmetric information and moral hazard                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>the concept of asymmetric information</li> <li>moral hazard as a consequence of information failure</li> </ul>                                                                                                                                       |   |   |   |          |
| 7.4.7 Use of costs and benefits in analysing decisions (knowledge of net present value is not required)                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>the nature and scope of cost-benefit analysis</li> <li>the use of cost-benefit analysis to analyse decision-making</li> <li>the benefit: cost ratio</li> </ul>                                                                                       |   |   |   |          |
| <b>7.5 Types of cost, revenue and profit, short-run and long-run production</b>                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                             |   |   |   |          |
| 7.5.1 Short-run production function: <ul style="list-style-type: none"> <li>fixed and variable factors of production</li> <li>definition and calculation of total product, average product and marginal product</li> <li>law of diminishing returns (law of variable proportions)</li> </ul> | <ul style="list-style-type: none"> <li>the difference between fixed and variable factors of production</li> <li>a production function</li> <li>total product, average product, marginal product and how each is calculated</li> <li>the law of diminishing returns</li> </ul>               |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                                                                                                                                               | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | R | A | G | Comments |
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| <b>7.5.2 Short-run cost function:</b> <ul style="list-style-type: none"> <li>definition and calculation of fixed costs (FC) and variable costs (VC)</li> <li>definition and calculation of total, average and marginal costs (TC, AC, MC), including average total cost (ATC), total and average fixed costs (TFC, AFC) and total and average variable costs (TVC, AVC)</li> <li>explanation of shape of short-run average cost and marginal cost curves</li> </ul> | <ul style="list-style-type: none"> <li>the difference between fixed costs and variable costs, and how each is calculated</li> <li>the meaning of total costs, average costs and marginal costs, and how each is calculated</li> <li>the meaning of average total costs, average total fixed costs, average fixed costs, total variable costs and average variable costs, and how each is calculated</li> <li>the shape of the short-run average cost curve</li> <li>the shape of marginal cost curves</li> </ul> |   |   |   |          |
| <b>7.5.3 Long-run production function:</b> <ul style="list-style-type: none"> <li>no fixed factors of production</li> <li>returns to scale</li> </ul>                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>why all factors of production are variable</li> <li>increasing and decreasing returns to scale</li> </ul>                                                                                                                                                                                                                                                                                                                                                                 |   |   |   |          |
| <b>7.5.4 Long-run cost function:</b> <ul style="list-style-type: none"> <li>explanation of shape of long-run</li> <li>average cost curve</li> <li>concept of minimum efficient scale</li> </ul>                                                                                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>the shape of the long run average cost curve</li> <li>the concept of minimum efficient scale</li> </ul>                                                                                                                                                                                                                                                                                                                                                                   |   |   |   |          |
| <b>7.5.5 Relationship between economies of scale and decreasing average costs</b>                                                                                                                                                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"> <li>short-run cost curves with different levels of fixed-factor input</li> <li>the long-run average cost curve as an 'envelope' of short-run average total cost curves</li> </ul>                                                                                                                                                                                                                                                                                             |   |   |   |          |

| Topic                                                                                                                                                               | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                     | R | A | G | Comments |
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| 7.5.6 Internal and external economies of scale                                                                                                                      | <ul style="list-style-type: none"> <li>the meaning of internal economies of scale</li> <li>the benefits of internal economies of scale</li> <li>the technical, purchasing, marketing, managerial and financial economies of scale</li> <li>the meaning of external economies of scale</li> <li>the benefits of external economies of scale</li> <li>the economies of concentration, technology and skills</li> </ul> |   |   |   |          |
| 7.5.7 Internal and external diseconomies of scale                                                                                                                   | <ul style="list-style-type: none"> <li>the meaning of internal diseconomies of scale</li> <li>examples and effects of internal diseconomies of scale</li> <li>the meaning of external diseconomies of scale</li> <li>examples and effects of external diseconomies of scale</li> </ul>                                                                                                                               |   |   |   |          |
| 7.5.8 Definition and calculation of revenue: total, average and marginal revenue (TR, AR, MR)                                                                       | <ul style="list-style-type: none"> <li>the meaning of total revenue, average revenue and marginal revenue, and how each is calculated</li> </ul>                                                                                                                                                                                                                                                                     |   |   |   |          |
| 7.5.9 Definition of normal, supernormal and subnormal profit                                                                                                        | <ul style="list-style-type: none"> <li>the meaning of normal profit</li> <li>the meaning of supernormal profit</li> <li>the meaning of subnormal profit</li> </ul>                                                                                                                                                                                                                                                   |   |   |   |          |
| 7.5.10 Calculation of supernormal and subnormal profit                                                                                                              | <ul style="list-style-type: none"> <li>how supernormal and subnormal profit are calculated</li> </ul>                                                                                                                                                                                                                                                                                                                |   |   |   |          |
| <b>7.6 Different market structures</b>                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                      |   |   |   |          |
| 7.6.1 Perfect competition and imperfect competition: monopoly, monopolistic competition, oligopoly and natural monopoly                                             | <ul style="list-style-type: none"> <li>the meaning of market structure</li> <li>the essential features of perfect competition</li> <li>why other markets are referred to as imperfect competition</li> </ul>                                                                                                                                                                                                         |   |   |   |          |
| 7.6.2 Structure of listed markets as explained by number of buyers and sellers, product differentiation, degree of freedom of entry and availability of information | <ul style="list-style-type: none"> <li>the characteristics of perfect competition, monopoly, monopolistic competition, oligopoly and natural monopoly in terms of the number of firms, product differentiation, barriers to entry, control over prices, and availability of information</li> </ul>                                                                                                                   |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | R | A | G | Comments |
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| 7.6.3 Barriers to entry and exit: <ul style="list-style-type: none"> <li>• legal barriers</li> <li>• market barriers</li> <li>• cost barriers</li> <li>• physical barriers</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>• the meaning of barriers to entry and barriers to exit</li> <li>• the legal, market, cost, and physical barriers to entry</li> <li>• sunk costs as a barrier to exit</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |   |   |   |          |
| 7.6.4 Performance of firms in different market structures: <ul style="list-style-type: none"> <li>• revenues and revenue curves</li> <li>• output in the short run and the long run</li> <li>• profits in the short run and the long run</li> <li>• shutdown price in the short run and the long run</li> <li>• derivation of a firm's supply curve in a perfectly competitive market</li> <li>• efficiency and X-inefficiency in the short run and the long run</li> <li>• contestable markets: features and implications</li> <li>• price competition and non-price competition</li> <li>• collusion and the Prisoner's Dilemma in oligopolistic markets, including a two-player pay-off matrix</li> </ul> | <ul style="list-style-type: none"> <li>• the performance of firms in perfect competition, monopoly, monopolistic competition, oligopoly and natural monopoly with respect to revenue, output and profits in the short run and in the long run</li> <li>• the shutdown price in the short run and in the long run</li> <li>• how a firm's supply curve is derived in a perfectly competitive market</li> <li>• efficiency in perfect competition and other market structures in the short run and in the long run</li> <li>• X-inefficiency</li> <li>• the concept of contestability in a market</li> <li>• the conditions for a perfectly contestable market</li> <li>• price competition and non-price competition in different market structures</li> <li>• collusion in oligopolistic markets</li> <li>• the kinked demand curve model and its relevance in oligopolistic markets</li> <li>• the Prisoner's Dilemma and its relevance to oligopolistic behaviour</li> </ul> |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                                             | You should be able to understand                                                                                                                                                                                                                                        | R | A | G | Comments |
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| 7.6.5 Definition and calculation of the concentration ratio                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>the meaning of a concentration ratio</li> <li>the calculation of a concentration ratio in terms of the biggest three, four or five firms in a market</li> <li>concentration ratios and market structures</li> </ul>              |   |   |   |          |
| <b>7.7 Growth and survival of firms</b>                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                         |   |   |   |          |
| 7.7.1 Reasons for different sizes of firms                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>why most firms remain small</li> <li>why some firms experience growth in size and profits</li> </ul>                                                                                                                             |   |   |   |          |
| 7.7.2 Internal growth of firms: organic growth and diversification                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>the reasons for organic growth</li> <li>the reasons for diversification including economies of scope</li> </ul>                                                                                                                  |   |   |   |          |
| 7.7.3 External growth of firms – integration, mergers and takeovers: <ul style="list-style-type: none"> <li>methods of integration:               <ul style="list-style-type: none"> <li>horizontal</li> <li>vertical (forwards and backwards)</li> <li>conglomerate</li> </ul> </li> <li>reasons for integration</li> <li>consequences of integration</li> </ul> | <ul style="list-style-type: none"> <li>the process of horizontal integration</li> <li>the process of vertical integration, forwards and backwards</li> <li>conglomerate growth</li> <li>the reasons for integration</li> <li>the consequences of integration</li> </ul> |   |   |   |          |
| 7.7.4 Cartels: <ul style="list-style-type: none"> <li>conditions for an effective cartel</li> <li>consequences of a cartel</li> </ul>                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>the conditions that make a cartel effective</li> <li>the positive and negative consequences of a cartel</li> </ul>                                                                                                               |   |   |   |          |
| 7.7.5 Principal-agent problem arising from differing objectives of shareholders/owners and managers                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>why there is a principal-agent problem</li> <li>the link to asymmetric information</li> </ul>                                                                                                                                    |   |   |   |          |

| Topic                                                                                                                                                                                                      | You should be able to understand                                                                                                                                                                                                                                                            | R | A | G | Comments |
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| <b>7.8 Differing objectives and policies of firms</b>                                                                                                                                                      |                                                                                                                                                                                                                                                                                             |   |   |   |          |
| 7.8.1 Traditional profit maximisation objective of firms                                                                                                                                                   | <ul style="list-style-type: none"> <li>the conditions for profit maximisation as an objective of firms</li> <li>why firms do not operate at the profit maximisation level of output</li> </ul>                                                                                              |   |   |   |          |
| 7.8.2 An understanding of other objectives of firms: <ul style="list-style-type: none"> <li>survival</li> <li>profit satisficing</li> <li>sales maximisation</li> <li>revenue maximisation</li> </ul>      | <ul style="list-style-type: none"> <li>behavioural objectives</li> <li>survival</li> <li>profit satisficing</li> <li>sales maximisation</li> <li>revenue maximisation</li> </ul>                                                                                                            |   |   |   |          |
| 7.8.3 Price discrimination – first, second and third degree: <ul style="list-style-type: none"> <li>conditions for effective price discrimination</li> <li>consequences of price discrimination</li> </ul> | <ul style="list-style-type: none"> <li>the meaning of price discrimination</li> <li>first, second and third degree price discrimination</li> <li>the conditions for effective price discrimination</li> <li>the consequences of price discrimination for consumers and producers</li> </ul> |   |   |   |          |
| 7.8.4 Other pricing policies: <ul style="list-style-type: none"> <li>limit pricing</li> <li>predatory pricing</li> <li>price leadership</li> </ul>                                                         | <ul style="list-style-type: none"> <li>limit pricing</li> <li>predatory pricing</li> <li>price leadership</li> </ul>                                                                                                                                                                        |   |   |   |          |
| 7.8.5 Relationship between price elasticity of demand and a firm's revenue: <ul style="list-style-type: none"> <li>in a normal downward sloping demand curve</li> <li>in a kinked demand curve</li> </ul>  | <ul style="list-style-type: none"> <li>the relationship between price elasticity of demand, marginal revenue and total revenue</li> <li>the special case of the kinked demand curve model</li> </ul>                                                                                        |   |   |   |          |

## 8. Government microeconomic intervention (A Level)

| Topic                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | R | A | G | Comments |
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| <b>8.1 Government policies to achieve efficient resource allocation to tackle different forms of market failure</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |   |   |   |          |
| 8.1.1 Application and effectiveness of measures to tackle different forms of market failure: <ul style="list-style-type: none"> <li>• specific and <i>ad valorem</i> indirect taxes</li> <li>• subsidies</li> <li>• price controls</li> <li>• production quotas</li> <li>• prohibitions and licences</li> <li>• regulation and deregulation</li> <li>• direct provision</li> <li>• pollution permits</li> <li>• property rights</li> <li>• nationalisation and privatisation</li> <li>• provision of information</li> <li>• behavioural insights and ‘nudge’ theory</li> </ul> | market failure due to negative production externalities: <ul style="list-style-type: none"> <li>• specific and <i>ad valorem</i> indirect taxes (green taxes), regulations, property rights, pollution permits, licensing</li> <li>• market failure due to negative consumption externalities: specific indirect taxes, minimum price controls, provision of information, production quotas</li> <li>• market failure due to positive production externalities: subsidies, provision of information</li> <li>• market failure due to positive consumption externalities: direct provision, subsidies</li> <li>• other measures to correct market failure: nationalisation, privatisation and deregulation</li> <li>• ‘Nudge’ theory as a means of providing information to tackle market failure</li> </ul> |   |   |   |          |
| 8.1.2 Government failure in microeconomic intervention: <ul style="list-style-type: none"> <li>• definition of government failure</li> <li>• causes of government failure</li> <li>• consequences of government failure</li> </ul>                                                                                                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• the meaning of government failure</li> <li>• the causes of government failure, including lack of information</li> <li>• the consequences of government failure</li> <li>• the unintended consequences and policy conflict</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |   |   |   |          |

| Topic                                                                                                                                                                                                               | You should be able to understand                                                                                                                                                                          | R | A | G | Comments |
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| <b>8.2 Equity and redistribution of income and wealth</b>                                                                                                                                                           |                                                                                                                                                                                                           |   |   |   |          |
| 8.2.1 Difference between equity and equality                                                                                                                                                                        | <ul style="list-style-type: none"> <li>equity</li> <li>equality</li> <li>the difference between equity and equality</li> </ul>                                                                            |   |   |   |          |
| 8.2.2 Difference between equity and efficiency                                                                                                                                                                      | <ul style="list-style-type: none"> <li>the difference between equity and efficiency</li> </ul>                                                                                                            |   |   |   |          |
| 8.2.3 Distinction between absolute poverty and relative poverty                                                                                                                                                     | <ul style="list-style-type: none"> <li>extreme poverty</li> <li>the international poverty line</li> <li>the meaning of absolute poverty</li> <li>the meaning of relative poverty</li> </ul>               |   |   |   |          |
| 8.2.4 The poverty trap                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>the meaning of the poverty trap</li> <li>the significance in terms of benefit payments</li> </ul>                                                                  |   |   |   |          |
| 8.2.5 Policies towards equity and equality for example: <ul style="list-style-type: none"> <li>negative income tax</li> <li>universal benefits and means-tested benefits</li> <li>universal basic income</li> </ul> | <ul style="list-style-type: none"> <li>universal benefits, means-tested benefits, negative income tax, universal basic income</li> <li>the balance between progressive and regressive taxation</li> </ul> |   |   |   |          |
| <b>8.3 Labour market forces and government intervention</b>                                                                                                                                                         |                                                                                                                                                                                                           |   |   |   |          |
| 8.3.1 Demand for labour as a derived demand                                                                                                                                                                         | <ul style="list-style-type: none"> <li>why the demand for labour is a derived demand</li> </ul>                                                                                                           |   |   |   |          |
| 8.3.2 Factors affecting the demand for labour in a firm or an occupation                                                                                                                                            | <ul style="list-style-type: none"> <li>factors such as the wage rate, productivity of labour and the demand for the product</li> </ul>                                                                    |   |   |   |          |
| 8.3.3. Causes of shifts and movements along the demand curve for labour in a firm or occupation                                                                                                                     | <ul style="list-style-type: none"> <li>the causes of a shift in the demand curve for labour</li> <li>how a change in the wage rate causes a movement along the demand curve for labour</li> </ul>         |   |   |   |          |

| Topic                                                                                                                                                                                                                                              | You should be able to understand                                                                                                                                                                                                                                            | R | A | G | Comments |
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| 8.3.4 Marginal revenue product (MRP) theory: <ul style="list-style-type: none"> <li>definition and calculation of marginal revenue product</li> <li>derivation of an individual firm's demand for labour using marginal revenue product</li> </ul> | <ul style="list-style-type: none"> <li>the meaning of MRP and its calculation</li> <li>how MRP can be used to derive a firm's demand curve for labour</li> </ul>                                                                                                            |   |   |   |          |
| 8.3.5 Factors affecting the supply of labour to a firm or to an occupation: <ul style="list-style-type: none"> <li>wage and non-wage factors</li> </ul>                                                                                            | <ul style="list-style-type: none"> <li>wage rates in other occupations</li> <li>skills and qualifications</li> <li>non-pecuniary benefits</li> </ul>                                                                                                                        |   |   |   |          |
| 8.3.6 Causes of shifts in and movements along the supply curve of labour in a firm or occupation                                                                                                                                                   | <ul style="list-style-type: none"> <li>the causes of a shift in the supply curve</li> <li>how a change in the wage rate causes a movement along the supply curve for labour</li> </ul>                                                                                      |   |   |   |          |
| 8.3.7 Wage determination in perfect markets: <ul style="list-style-type: none"> <li>equilibrium wage rate and employment in a labour market</li> </ul>                                                                                             | <ul style="list-style-type: none"> <li>equilibrium in the labour market</li> <li>the effects of an increase in the demand for labour on the wage rate and employment</li> <li>the effects of an increase in the supply of labour on the wage rate and employment</li> </ul> |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                                                                                       | You should be able to understand                                                                                                                                                                                                                                                                                                                                     | R | A | G | Comments |
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| 8.3.8 Wage determination in imperfect markets: <ul style="list-style-type: none"> <li>influence of trade unions on wage determination and employment in a labour market</li> <li>influence of government on wage determination and employment in a labour market using a national minimum wage</li> <li>influence of monopsony employers on wage determination and employment in a labour market</li> </ul> | <ul style="list-style-type: none"> <li>the influence and effects of trade unions on wage determination and employment</li> <li>the significance of the elasticity of demand for labour</li> <li>the influence of government and the effects of a national minimum wage</li> <li>the influence of monopsony employers on wage determination and employment</li> </ul> |   |   |   |          |
| 8.3.9 Determination of wage differentials by labour market forces                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>the meaning of wage differentials</li> <li>the causes of wage differentials: demand and supply factors</li> </ul>                                                                                                                                                                                                             |   |   |   |          |
| 8.3.10 Transfer earnings and economic rent: <ul style="list-style-type: none"> <li>definition of transfer earnings</li> <li>definition of economic rent</li> <li>factors affecting transfer earnings and economic rent in an occupation</li> </ul>                                                                                                                                                          | <ul style="list-style-type: none"> <li>the meaning of transfer earnings</li> <li>the meaning of economic rent</li> <li>the use of transfer earnings and economic rent to explain differences in earnings</li> <li>the importance of price elasticity of supply</li> </ul>                                                                                            |   |   |   |          |

## 9. The macroeconomy (A Level)

| Topic                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | R | A | G | Comments |
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| <b>9.1 The circular flow of income</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |   |   |   |          |
| 9.1.1 The multiplier process: <ul style="list-style-type: none"> <li>definition of the multiplier</li> <li>formulae for and calculation of multiplier in a closed and open economy, with and without a government sector</li> <li>calculation of:               <ul style="list-style-type: none"> <li>average and marginal propensities to save (aps and mps)</li> <li>average and marginal propensities to consume (apc and mpc)</li> <li>average and marginal propensities to import (apm and mpm)</li> <li>average and marginal rates of tax (art and mrt)</li> </ul> </li> <li>national income determination using AD and income approach with the multiplier process</li> <li>calculation of effect of changing AD on national income using the multiplier</li> </ul> | <ul style="list-style-type: none"> <li>the meaning of the multiplier</li> <li>the formula and how to calculate the multiplier in a closed and open economy, with and without a government sector</li> <li>how to calculate average and marginal propensities to save (aps and mps), average and marginal propensities to consume (apc and mpc), average and marginal propensities to import (apm and mpm) and average and marginal propensities to tax (apt and mpt)</li> <li>national income determination</li> <li>the Keynesian 45° diagram</li> <li>how to calculate the effect of changing Aggregate Demand on national income using the multiplier</li> <li>the reasons for variations in the size of the multiplier</li> </ul> |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                                                            | You should be able to understand                                                                                                                                                                                                                                                                                                       | R | A | G | Comments |
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| 9.1.2 Components of Aggregate Demand and their determinants: <ul style="list-style-type: none"> <li>consumption function: autonomous and induced consumer expenditure</li> <li>savings function: autonomous and induced savings</li> <li>autonomous and induced investment; the accelerator</li> <li>government spending</li> <li>net exports (exports minus imports)</li> </ul> | <ul style="list-style-type: none"> <li>consumption function-autonomous and induced consumer expenditure</li> <li>savings function-autonomous and induced savings</li> <li>investment-autonomous and induced investment as explained through the accelerator process</li> <li>government spending</li> <li>net exports (X-M)</li> </ul> |   |   |   |          |
| 9.1.3 Full employment level of national income and equilibrium level of national income: <ul style="list-style-type: none"> <li>inflationary and deflationary gaps</li> </ul>                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>the meaning of full employment level of national income</li> <li>the meaning of equilibrium level of national income</li> <li>why an inflationary gap occurs</li> <li>why a deflationary gap occurs</li> </ul>                                                                                  |   |   |   |          |
| <b>9.2 Economic growth and sustainability</b>                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                        |   |   |   |          |
| 9.2.1 Actual growth versus potential growth in national output                                                                                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"> <li>actual economic growth</li> <li>potential economic growth</li> </ul>                                                                                                                                                                                                                            |   |   |   |          |
| 9.2.2 Positive and negative output gaps                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>the conditions for a positive output gap</li> <li>the conditions for a negative output gap</li> </ul>                                                                                                                                                                                           |   |   |   |          |
| 9.2.3 Business (trade) cycle: <ul style="list-style-type: none"> <li>phases of the cycle</li> <li>causes of the cycle</li> <li>role of automatic stabilisers</li> </ul>                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>the meaning of the business cycle</li> <li>the phases of the cycle</li> <li>the causes of the cycle</li> <li>the role of automatic stabilisers and their effects on real GDP, employment and the price level</li> </ul>                                                                         |   |   |   |          |
| 9.2.4 Policies to promote economic growth and their effectiveness                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>how to increase the quantity of factor inputs to promote economic growth</li> <li>supply-side policies to increase productive capacity in the economy</li> </ul>                                                                                                                                |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                             | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                  | R | A | G | Comments |
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| 9.2.5 Inclusive economic growth: <ul style="list-style-type: none"> <li>definition of inclusive economic growth</li> <li>impact of economic growth on equity and equality</li> <li>policies to promote inclusive growth</li> </ul>                                                                                                                | <ul style="list-style-type: none"> <li>the meaning of inclusive economic growth</li> <li>the impact of inclusive economic growth on equity and equality</li> <li>the policies to promote inclusive economic growth by sharing the benefits of growth more widely</li> </ul>                                                                                                                                                       |   |   |   |          |
| 9.2.6 Sustainable economic growth: <ul style="list-style-type: none"> <li>definition of sustainable economic growth</li> <li>using and conserving resources</li> <li>impact of economic growth on the environment and climate change</li> <li>policies to mitigate the impact of economic growth on the environment and climate change</li> </ul> | <ul style="list-style-type: none"> <li>the meaning of sustainable economic growth</li> <li>how to use and conserve resources as a means of making growth more sustainable</li> <li>the impact of economic growth on the environment and climate change</li> <li>the policies to mitigate the impact of economic growth on the environment and climate change</li> <li>the economic policies to reduce carbon emissions</li> </ul> |   |   |   |          |
| <b>9.3 Employment/unemployment</b>                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                   |   |   |   |          |
| 9.3.1 Definition of full employment                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>the meaning of full employment</li> <li>the problem of specifying a particular percentage</li> </ul>                                                                                                                                                                                                                                                                                       |   |   |   |          |
| 9.3.2 Equilibrium and disequilibrium unemployment (including hysteresis)                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>the meaning of equilibrium unemployment</li> <li>the meaning of disequilibrium unemployment</li> <li>the meaning of hysteresis: unemployment caused by a fall in AD which persists when jobs become available</li> </ul>                                                                                                                                                                   |   |   |   |          |
| 9.3.3 Voluntary and involuntary unemployment                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>voluntary unemployment</li> <li>involuntary unemployment</li> <li>the differences in terms of types of unemployment</li> </ul>                                                                                                                                                                                                                                                             |   |   |   |          |

| Topic                                                                                                                                                                             | You should be able to understand                                                                                                                                                                                                                                                                 | R | A | G | Comments |
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| 9.3.4 Natural rate of unemployment:<br><ul style="list-style-type: none"> <li>definition</li> <li>determinants</li> <li>policy implications</li> </ul>                            | <ul style="list-style-type: none"> <li>the meaning of natural rate of unemployment</li> <li>the supply-side factors underpinning the determinants of the natural rate of unemployment</li> <li>policy approaches for reducing the natural rate of unemployment</li> </ul>                        |   |   |   |          |
| 9.3.5 Patterns and trends in (un)employment                                                                                                                                       | <ul style="list-style-type: none"> <li>the similarities and differences in the patterns and trends of employment between countries</li> <li>the similarities and differences in the patterns and trends of unemployment between countries</li> <li>the problems of making comparisons</li> </ul> |   |   |   |          |
| 9.3.6 Mobility of labour:<br><ul style="list-style-type: none"> <li>forms of labour mobility: geographical and occupational</li> <li>factors affecting labour mobility</li> </ul> | <ul style="list-style-type: none"> <li>geographical mobility of labour</li> <li>occupational mobility of labour</li> <li>the factors affecting geographical mobility of labour</li> <li>the factors affecting the occupational mobility of labour</li> </ul>                                     |   |   |   |          |
| 9.3.7 Policies to reduce unemployment of labour and their effectiveness                                                                                                           | <ul style="list-style-type: none"> <li>the expansionary fiscal and monetary policies to reduce cyclical unemployment</li> <li>the supply-side-policies to reduce frictional and structural unemployment</li> <li>the criteria for measuring the effectiveness of policy responses</li> </ul>     |   |   |   |          |
| <b>9.4 Money and banking</b>                                                                                                                                                      |                                                                                                                                                                                                                                                                                                  |   |   |   |          |
| 9.4.1 Definition, functions and characteristics of money                                                                                                                          | <ul style="list-style-type: none"> <li>what is meant by money</li> <li>the functions of money</li> <li>the characteristics of money</li> </ul>                                                                                                                                                   |   |   |   |          |
| 9.4.2 Definition of money supply                                                                                                                                                  | <ul style="list-style-type: none"> <li>money supply as the total amount of money in an economy</li> <li>narrow money</li> <li>broad money</li> </ul>                                                                                                                                             |   |   |   |          |
| 9.4.3 Quantity theory of money (MV = PT)                                                                                                                                          | <ul style="list-style-type: none"> <li>the statement of the Fisher equation, <math>MV = PT</math></li> <li>the link between inflation and changes in the money supply</li> </ul>                                                                                                                 |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                                                                               | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | R | A | G | Comments |
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| 9.4.4 Functions of commercial banks: <ul style="list-style-type: none"> <li>providing deposit accounts (demand deposit account, savings account)</li> <li>lending money (overdrafts, loans)</li> <li>holding or providing cash, securities, loans, deposits, equity</li> <li>reserve ratio and capital ratio</li> <li>objectives of commercial banks: liquidity, security, profitability</li> </ul> | <ul style="list-style-type: none"> <li>the provision of demand deposit accounts, savings accounts</li> <li>the lending of money as overdrafts and loans</li> <li>the holding or provision of cash, securities, loans, deposits, equity</li> <li>the significance of the reserve ratio and capital ratio</li> <li>the objectives of commercial banks in terms of liquidity, security and profitability</li> </ul>                                                                                                                                                   |   |   |   |          |
| 9.4.5 Cause and changes in the money supply in an open economy: <ul style="list-style-type: none"> <li>commercial banks as sources of credit creation and the bank credit multiplier</li> <li>role of a central bank</li> <li>government deficit financing</li> <li>quantitative easing</li> <li>changes in the balance of payments</li> </ul>                                                      | <ul style="list-style-type: none"> <li>commercial banks as a source of credit creation</li> <li>the workings of the bank credit multiplier</li> <li>the role of the central bank in issuing currency and as banker to the government and commercial banks</li> <li>the meaning of government deficit financing through issuing bonds</li> <li>the meaning of quantitative easing and its use in encouraging commercial banks to lend money</li> <li>the relationship between the domestic money supply and changes to a floating or fixed exchange rate</li> </ul> |   |   |   |          |
| 9.4.6 Policies to reduce inflation and their effectiveness                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>the use of monetary policies to influence aggregate demand and hence inflation-interest rate changes and credit creation</li> <li>how the effectiveness depends on many factors such as correct identification of the type of inflation and the responses of consumers and firms to changes in interest rates and credit controls</li> </ul>                                                                                                                                                                                |   |   |   |          |

| Topic                                                                         | You should be able to understand                                                                                                                                                                                                                                                                               | R | A | G | Comments |
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| 9.4.7 Demand for money: liquidity preference theory                           | <ul style="list-style-type: none"> <li>the motives for holding money: transactions, precautionary and speculative motives</li> <li>the shape of the liquidity preference curve</li> </ul>                                                                                                                      |   |   |   |          |
| 9.4.8 Interest rate determination: loanable funds theory and Keynesian theory | <ul style="list-style-type: none"> <li>the loanable funds theory of interest rate determination through the demand and supply of loanable funds</li> <li>the Keynesian theory of interest rate determination through the demand and supply of money</li> <li>the significance of the liquidity trap</li> </ul> |   |   |   |          |

## 10. Government macroeconomic intervention (A Level)

| Topic                                                                                                                                                   | You should be able to understand                                                                                                                                                                                                                                                                                                                                                            | R | A | G | Comments |
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| <b>10.1 Government macroeconomic policy objectives</b>                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                             |   |   |   |          |
| 10.1.1 Objectives in terms of inflation, balance of payments, unemployment, growth, development, sustainability and redistribution of income and wealth | <ul style="list-style-type: none"> <li>a stable price level</li> <li>how to avoid large changes in the current account of the balance of payments</li> <li>low unemployment</li> <li>economic growth</li> <li>a rise in the quality of life</li> <li>sustainable development that does not harm the needs of future generations</li> <li>the redistribution of income and wealth</li> </ul> |   |   |   |          |
| <b>10.2 Links between macroeconomic problems and their interrelatedness</b>                                                                             |                                                                                                                                                                                                                                                                                                                                                                                             |   |   |   |          |
| 10.2.1 Relationship between the internal value of money and the external value of money                                                                 | <ul style="list-style-type: none"> <li>how a fall in the internal value of money affects exports and the exchange rate</li> <li>how a fall in the exchange rate affects the internal value of money</li> </ul>                                                                                                                                                                              |   |   |   |          |
| 10.2.2 Relationship between the balance of payments and inflation                                                                                       | <ul style="list-style-type: none"> <li>how domestic inflation is likely to lead to a current account deficit</li> <li>how a current account surplus may cause inflation</li> </ul>                                                                                                                                                                                                          |   |   |   |          |
| 10.2.3 Relationship between growth and inflation                                                                                                        | <ul style="list-style-type: none"> <li>how a high rate of inflation could reduce the rate of economic growth</li> <li>how a rise in the growth rate could increase inflation</li> </ul>                                                                                                                                                                                                     |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                                                    | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | R | A | G | Comments |
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| 10.2.4 Relationship between growth and the balance of payments                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>how changes in the unemployment rate can affect the rate of inflation</li> <li>how export-led growth can lead to an improvement in the balance of trade</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |   |   |   |          |
| 10.2.5 Relationship between inflation and unemployment: <ul style="list-style-type: none"> <li>traditional Phillips curve</li> <li>expectations-augmented Phillips curve (short- and long-run Phillips curve)</li> </ul>                                                                                                                                                 | <ul style="list-style-type: none"> <li>how changes in the unemployment rate can affect the rate of inflation</li> <li>the traditional Phillips curve and trade-offs between inflation and unemployment over time</li> <li>the expectations-augmented Phillips curve as a means of showing a short run trade-off between inflation and unemployment</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |   |   |   |          |
| <b>10.3 Effectiveness of policy options to meet all macroeconomic objectives</b>                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |   |   |   |          |
| 10.3.1 Effectiveness of different policies in relation to different macroeconomic objectives: <ul style="list-style-type: none"> <li>fiscal policy including Laffer curve analysis</li> <li>monetary policy</li> <li>supply-side policy including market-based and interventionist policies</li> <li>exchange rate policy</li> <li>international trade policy</li> </ul> | <ul style="list-style-type: none"> <li>fiscal policy: crowding out and crowding in, time lags and unexpected responses from firms and consumers</li> <li>the Laffer curve</li> <li>the effectiveness of fiscal policy in increasing economic growth and stabilising prices and the balance of payments</li> <li>monetary policy: time lags, the liquidity trap and unexpected responses</li> <li>the effectiveness of monetary policy in promoting economic growth and reducing unemployment</li> <li>the issues of demand-pull inflation and increasing deficit on the current account of the balance of payments</li> <li>supply-side policy: market-based and interventionist possibilities</li> <li>the effectiveness of supply-side policy in increasing economic growth and reducing inflation</li> <li>the issues with respect to lower unemployment and the redistribution of income and wealth</li> <li>the effectiveness of exchange rate policy in improving the current account of the balance of payments, increasing economic growth and reducing unemployment</li> <li>the issue of cost-push inflation</li> <li>the effectiveness of international trade policy for increasing economic growth</li> <li>sustainability issues arising from increasing international trade</li> </ul> |   |   |   |          |

| Topic                                                                    | You should be able to understand                                                                                                                                                                                                                                 | R | A | G | Comments |
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| 10.3.2 Problems and conflicts arising from the outcome of these policies | <ul style="list-style-type: none"> <li>low unemployment and price stability</li> <li>economic growth and balance of payments changes</li> <li>economic growth and sustainability</li> <li>economic growth and the redistribution of income and wealth</li> </ul> |   |   |   |          |
| 10.3.3 Existence of government failure in macroeconomic policies         | <ul style="list-style-type: none"> <li>time lags</li> <li>the lack of adequate information</li> <li>political pressures</li> </ul>                                                                                                                               |   |   |   |          |

## 11. International economic issues (A Level)

| Topic                                                                                                               | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                                                | R | A | G | Comments |
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| <b>11.1 Policies to correct disequilibrium in the balance of payments</b>                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |   |   |   |          |
| 11.1.1 Components of the balance of payments accounts: current account, financial account and capital account       | <ul style="list-style-type: none"> <li>the meaning of current account, financial account, capital account, net errors and omissions</li> <li>the meaning of disequilibrium in the balance of payments</li> </ul>                                                                                                                                                                                                                                                |   |   |   |          |
| 11.1.2 Effect of fiscal, monetary, supply-side, protectionist and exchange rate policies on the balance of payments | <ul style="list-style-type: none"> <li>the scope for using fiscal and monetary policies to reduce a current account deficit or surplus</li> <li>the scope for using supply-side policies to improve international competitiveness</li> <li>the scope for using protectionist policies to reduce spending on imports and increase spending on domestic goods</li> <li>the scope for using exchange rate policies to reduce a balance of trade deficit</li> </ul> |   |   |   |          |
| 11.1.3 Difference between expenditure-switching and expenditure-reducing policies                                   | <ul style="list-style-type: none"> <li>the causes of a deficit on the current account of the balance of payments</li> <li>the meaning and use of expenditure-switching policies</li> <li>the meaning and use of expenditure-reducing policies</li> </ul>                                                                                                                                                                                                        |   |   |   |          |

| Topic                                                                                                                                                                                 | You should be able to understand                                                                                                                                                                                                                                                | R | A | G | Comments |
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| <b>11.2 Exchange rates</b>                                                                                                                                                            |                                                                                                                                                                                                                                                                                 |   |   |   |          |
| 11.2.1 Measurement of exchange rates:<br><ul style="list-style-type: none"> <li>distinction between nominal and real exchange rates</li> <li>trade-weighted exchange rates</li> </ul> | <ul style="list-style-type: none"> <li>nominal and real exchange rates</li> <li>how to calculate a real exchange rate</li> <li>trade-weighted exchange rates</li> </ul>                                                                                                         |   |   |   |          |
| 11.2.2 Determination of exchange rates under fixed and managed systems                                                                                                                | <ul style="list-style-type: none"> <li>the nature of a fixed exchange rate system</li> <li>the nature of a managed exchange rate system</li> <li>the role of government and market forces</li> </ul>                                                                            |   |   |   |          |
| 11.2.3 Distinction between revaluation and devaluation of a fixed exchange rate                                                                                                       | <ul style="list-style-type: none"> <li>the meaning of persistent disequilibrium in the current account of the balance of payments</li> <li>revaluation as a way of raising the price of a currency</li> <li>devaluation as a way of reducing the price of a currency</li> </ul> |   |   |   |          |
| 11.2.4 Changes in the exchange rate in different exchange rate systems                                                                                                                | <ul style="list-style-type: none"> <li>the changes in the demand and supply of a currency in a floating exchange rate system</li> <li>the role of government and the central bank in managing change in a fixed exchange rate system</li> </ul>                                 |   |   |   |          |
| 11.2.5 The effects of changing exchange rates on the external economy using Marshall-Lerner and J curve analysis                                                                      | <ul style="list-style-type: none"> <li>the J-curve effect of a fall in the exchange rate on the current account of the balance of payments</li> <li>the Marshall-Lerner condition</li> </ul>                                                                                    |   |   |   |          |
| <b>11.3 Economic development</b>                                                                                                                                                      |                                                                                                                                                                                                                                                                                 |   |   |   |          |
| 11.3.1 Classification of economies in terms of their level of development                                                                                                             | <ul style="list-style-type: none"> <li>the meaning of development</li> <li>developed, developing and emerging economies</li> <li>the problems of classification</li> </ul>                                                                                                      |   |   |   |          |
| 11.3.2 Classification of economies in terms of their level of national income                                                                                                         | <ul style="list-style-type: none"> <li>the use of GDP per head</li> <li>the use of GNI per head</li> <li>World Bank country classification</li> </ul>                                                                                                                           |   |   |   |          |

| Topic                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                       | R | A | G | Comments |
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| <p>11.3.3 Indicators of living standards and economic development:</p> <ul style="list-style-type: none"> <li>monetary indicators including real per capita national income statistics (GDP, GNI, NNI) and purchasing power parity</li> <li>issues of comparison using monetary indicators</li> <li>non-monetary indicators</li> <li>composite indicators: <ul style="list-style-type: none"> <li>Human Development Index (HDI)</li> <li>Measure of Economic Welfare (MEW)</li> <li>Multidimensional Poverty Index (MPI)</li> </ul> </li> <li>the Kuznets curve</li> </ul> | <ul style="list-style-type: none"> <li>monetary indicators (GDP, GNI and NNI)</li> <li>the problems of comparison such as informal economy, data accuracy and exchange rate changes</li> <li>purchasing power parity</li> <li>non-monetary indicators</li> <li>composite indicators such as the Human Development Index, Measure of Economic Welfare and the Multidimensional Poverty Index</li> </ul> |   |   |   |          |
| <p>11.3.4 Comparison of economic growth rates and living standards:</p> <ul style="list-style-type: none"> <li>over time</li> <li>between countries</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>comparisons over time and associated problems</li> <li>comparisons between countries and associated problems</li> </ul>                                                                                                                                                                                                                                         |   |   |   |          |
| <b>11.4 Characteristics of countries at different levels of development</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                        |   |   |   |          |
| <p>11.4.1 Population growth and structure:</p> <ul style="list-style-type: none"> <li>measurement and causes of changes in birth rate, death rate, infant mortality and net migration</li> <li>optimum population</li> <li>level of urbanisation</li> </ul>                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>the demographic factors such as birth rate, death rate, infant mortality and net migration</li> <li>interpretation of population pyramids</li> <li>dependency rates</li> <li>the concept of an optimum population</li> <li>population change and urbanisation</li> </ul>                                                                                        |   |   |   |          |

| Topic                                                                                                                                                                                                        | You should be able to understand                                                                                                                                                                                                                                                                                        | R | A | G | Comments |
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| 11.4.2 Income distribution:<br><ul style="list-style-type: none"> <li>calculation of Gini coefficient and Lorenz curve analysis</li> </ul>                                                                   | <ul style="list-style-type: none"> <li>the calculation of a Gini coefficient</li> <li>what is shown on a Lorenz curve</li> </ul>                                                                                                                                                                                        |   |   |   |          |
| 11.4.3 Economic structure:<br><ul style="list-style-type: none"> <li>employment composition: primary, secondary and tertiary sectors</li> <li>pattern of trade at different levels of development</li> </ul> | <ul style="list-style-type: none"> <li>employment in different sectors of an economy</li> <li>employment characteristics of countries at different levels of development</li> <li>trade patterns of countries at different levels of development</li> </ul>                                                             |   |   |   |          |
| <b>11.5 Relationship between countries at different levels of development</b>                                                                                                                                |                                                                                                                                                                                                                                                                                                                         |   |   |   |          |
| 11.5.1 International aid:<br><ul style="list-style-type: none"> <li>forms of aid</li> <li>reasons for giving aid</li> <li>effects of aid</li> <li>importance of aid</li> </ul>                               | <ul style="list-style-type: none"> <li>forms of aid such as tied aid, untied aid, bilateral aid, multilateral aid and voluntary aid</li> <li>Official Development Assistance</li> <li>the reasons for giving aid</li> <li>the effects of aid on recipient countries</li> </ul>                                          |   |   |   |          |
| 11.5.2 Trade and investment                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>the benefits of trade for low- and middle-income countries</li> <li>the problems of specialisation, especially in agricultural goods</li> <li>investment flows between countries</li> <li>the relative merits of trade and aid strategies</li> <li>fair trade schemes</li> </ul> |   |   |   |          |
| 11.5.3 Role of multinational companies (MNCs):<br><ul style="list-style-type: none"> <li>definition of MNC</li> <li>activities of MNCs</li> <li>consequences of MNCs</li> </ul>                              | <ul style="list-style-type: none"> <li>the meaning of an MNC</li> <li>the activities of MNCs</li> <li>the consequences of MNC's for recipient countries and home country of MNC</li> </ul>                                                                                                                              |   |   |   |          |
| 11.5.4 Foreign direct investment (FDI):<br><ul style="list-style-type: none"> <li>definition of FDI</li> <li>consequences of FDI</li> </ul>                                                                  | <ul style="list-style-type: none"> <li>the meaning of FDI</li> <li>the motivation for FDI flows from a developing economy standpoint</li> <li>the consequences of FDI for recipient economy and elsewhere</li> </ul>                                                                                                    |   |   |   |          |

| Topic                                                                                                                   | You should be able to understand                                                                                                                                                                                                                                                                                                                                                                                                                                         | R | A | G | Comments |
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| 11.5.5 External debt:<br><ul style="list-style-type: none"> <li>causes of debt</li> <li>consequences of debt</li> </ul> | <ul style="list-style-type: none"> <li>the causes of external debt</li> <li>the consequences of external debt</li> <li>the debt crisis</li> </ul>                                                                                                                                                                                                                                                                                                                        |   |   |   |          |
| 11.5.6 Role of International Monetary Fund (IMF)                                                                        | <ul style="list-style-type: none"> <li>the provision of short-term assistance for countries experiencing balance of payments problems</li> </ul>                                                                                                                                                                                                                                                                                                                         |   |   |   |          |
| 11.5.7 Role of World Bank                                                                                               | <ul style="list-style-type: none"> <li>the provision of longer-term funding for projects to promote development</li> </ul>                                                                                                                                                                                                                                                                                                                                               |   |   |   |          |
| <b>11.6 Globalisation</b>                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |   |   |   |          |
| 11.6.1 Meaning of globalisation and its causes and consequences                                                         | <ul style="list-style-type: none"> <li>what is meant by globalisation</li> <li>the causes of globalisation such as reduction in trade barriers, improved telecommunications, reduced supply chain costs, deregulation of financial markets, technological change</li> <li>the consequences of globalisation such as improved living standards, FDI, interdependence of economies, greater variety of products</li> <li>the threats to increased globalisation</li> </ul> |   |   |   |          |
| 11.6.2 Distinction between a free trade area, a customs union, a monetary union and a full economic union               | <ul style="list-style-type: none"> <li>the meaning of economic integration</li> <li>the notion of a free trade area and specialisation</li> <li>a customs union and the function of a common external tariff</li> <li>the features of a monetary union with a common currency and exchange rate</li> <li>the features of a full economic and monetary union</li> </ul>                                                                                                   |   |   |   |          |
| 11.6.3 Trade creation and trade diversion                                                                               | <ul style="list-style-type: none"> <li>the meaning of trade creation and its effects on producers and consumers</li> <li>the meaning of trade diversion and its effects on producers and consumers</li> </ul>                                                                                                                                                                                                                                                            |   |   |   |          |

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