

# SYLLABUS

**Cambridge International Level 3  
Pre-U Certificate in  
Economics (Principal)**

**9772**

For examination in 2019, 2020 and 2021

This syllabus is regulated for use in England, Wales and Northern Ireland as a Cambridge International Level 3 Pre-U Certificate. QN: 500/3670/1

## Changes to the syllabus for 2019, 2020 and 2021

The syllabus has been updated. The latest syllabus is version 1, published September 2016.

- Page 10, Paper 3 Investigation: the third current issue in economics has been updated to the sustainable development goals and the post-2015 development agenda
- Page 11, (b) The market mechanism and demand and supply analysis: candidates are no longer required to have knowledge of marginal utility analysis and indifference curve analysis.
- Page 14, (e) Government intervention in the market: candidates are no longer required to analyse and evaluate cost-benefit analysis, nor to have knowledge of discounting and shadow pricing.
- Page 16, (h) Macroeconomic theory, Aggregate demand: candidates are no longer required to understand the shape of the AD curve and rationale behind it.
- Page 17, (h) Macroeconomic theory, Aggregate supply: required knowledge of the short-run and long-run AS curve has been updated, and candidates should now have knowledge of SRAS and LRAS.
- Page 17, (i) Government policy: candidates are no longer expected to understand the 'rules vs discretion' debate, or the concept of 'policy sovereignty'.
- Page 17, Fiscal policy: requirements for understanding terminology have been updated.
- Page 18, Money supply: candidates are no longer required to understand the money multiplier.
- Page 19, (d) The current account and exchange rates: requirements for understanding the components of the current account have been updated.
- Page 19, content on The European Union has been removed and replaced with updated content on economic integration.

### TQT

We have added guidance on Total Qualification Time value (TQT). TQT includes both guided learning hours and independent learning activities. The number of hours required to gain the qualification may vary according to local curricular practice and the learners' prior experience of the subject.

■ Significant changes to the syllabus are indicated by black vertical lines either side of the text. ■

**You are strongly advised to read the whole syllabus before planning your teaching programme.**

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## Introduction

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### Why choose Cambridge Pre-U?

Cambridge Pre-U is designed to equip learners with the skills required to make a success of their studies at university. Schools can choose from a wide range of subjects.

Cambridge Pre-U is built on a core set of educational aims to prepare learners for university admission, and also for success in higher education and beyond:

- to support independent and self-directed learning
- to encourage learners to think laterally, critically and creatively, and to acquire good problem-solving skills
- to promote comprehensive understanding of the subject through depth and rigour.

Cambridge Pre-U Principal Subjects are linear. A candidate must take all the components together at the end of the course in one examination series. Cambridge Pre-U Principal Subjects are assessed at the end of a two-year programme of study.

The Cambridge Pre-U nine-point grade set recognises the full range of learner ability.

### Why choose Cambridge Pre-U Economics?

Cambridge Pre-U Economics offers opportunities to explore concepts and theories which can be used in the workings of a modern economy. Learners can study not only microeconomic issues but also recent trends and development in the UK economy, and important international dimensions of economics relevant to today's globally interdependent world.

Pre-U Economics emphasises breadth as well as depth of teaching and learning. The syllabus content covers a wide range of economic concepts and contexts, and the design of the assessment encourages learners to improve understanding, develop reasoning and quantitative skills, and promotes independent thinking.

The linear assessment structure means that learners are tested at the end of the two-year course. This allows learners to approach the examination in a mature and confident way with time to formulate their viewpoints and develop their knowledge, understanding and skills. By the end of the course, learners will have had time to explore and analyse topics and events across a wide range of economic contexts.

The investigation in Paper 3 enables learners to research a topic which engages their interests and imagination, from a selection of four current issues in economics. Paper 3 is intended to give teachers and learners the chance to structure the course in collaboration, and is based on a model of teaching and learning that promotes open-ended but focused exploration.

## Prior learning

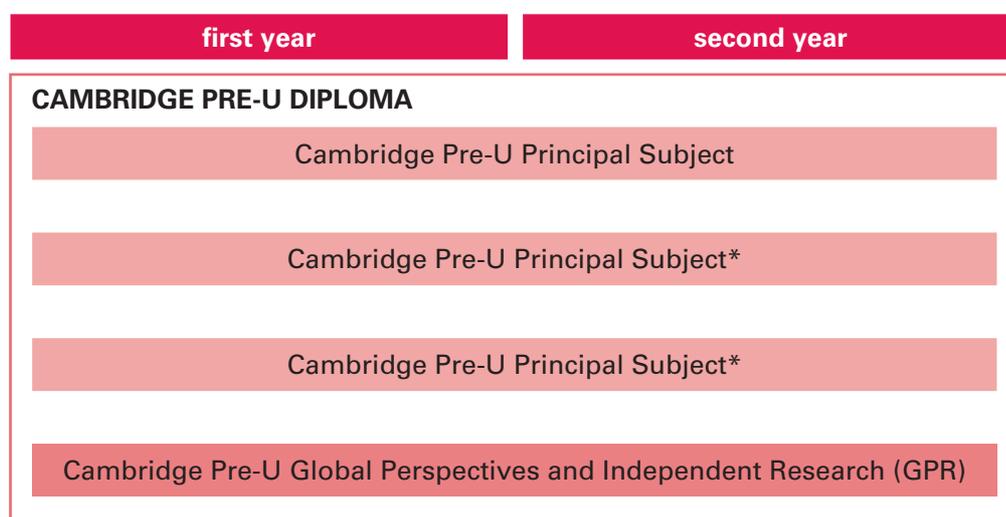
Cambridge Pre-U builds on the knowledge, understanding and skills gained by learners achieving a good pass in Level 1/Level 2 qualifications.

## Progression

The course will provide key knowledge and develop transferable skills that will prepare candidates to study economics or other subjects at university.

## Cambridge Pre-U Diploma

If learners choose, they can combine Cambridge Pre-U qualifications to achieve the Cambridge Pre-U Diploma; this comprises three Cambridge Pre-U Principal Subjects\* together with Global Perspectives and Independent Research (GPR). The Cambridge Pre-U Diploma, therefore, provides the opportunity for interdisciplinary study informed by an international perspective and includes an independent research project.



\* Up to two A Levels, Scottish Advanced Highers or IB Diploma programme courses at higher level can be substituted for Principal Subjects.

Learn more about the Cambridge Pre-U Diploma at [www.cie.org.uk/cambridgepreu](http://www.cie.org.uk/cambridgepreu)

## Support

Cambridge provides a wide range of support for Pre-U syllabuses, which includes recommended resource lists, Teacher Guides and Example Candidate Response booklets. Teachers can access these support materials at Teacher Support <https://teachers.cie.org.uk>

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## Syllabus aims

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The aims of the syllabus, listed below, are the same for all candidates and are to:

- acquire a thorough understanding of economics, including the importance of studying the international dimensions in today's interdependent world
- develop a wider understanding and appreciation of how concepts and theories can be used in the workings of a modern economy
- develop quantitative skills through the appreciation and use of various relevant statistics
- develop the ability to assess the effectiveness of policy decisions that have influenced the UK economy over the past 10 years
- develop skills in critical analysis, reasoning and the ability to communicate conclusions.

## Scheme of assessment

For Cambridge Pre-U Economics, candidates take three components.

Component	Weighting
<p><b>Paper 1</b>  <b>Multiple choice, short answers and data response</b></p> <p>Multiple choice, short answers and data response written paper, externally assessed, 80 marks</p>	<p><b>2 hours 30 minutes</b></p> <p>40%</p>
<p><b>Paper 2 Essays</b></p> <p>Written paper, externally assessed, 75 marks</p>	<p><b>2 hours 15 minutes</b></p> <p>40%</p>
<p><b>Paper 3 Investigation</b></p> <p>Essay, written in examination conditions and externally assessed, 40 marks</p>	<p><b>1 hour 15 minutes</b></p> <p>20%</p>

### Availability

This syllabus is examined in the June examination series.

This syllabus is available to private candidates.

### Combining this with other syllabuses

Candidates can combine this syllabus in a series with any other Cambridge syllabus, except syllabuses with the same title at the same level.

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## Assessment objectives

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<b>A01</b>	Demonstrate knowledge and understanding.
<b>A02</b>	Apply economic theory to real-world situations.
<b>A03</b>	Analyse economic problems using appropriate numerical and non-numerical techniques.
<b>A04</b>	Evaluate and make conclusions; assess the relevance and appropriateness of assumptions made within economic models.

## Relationship between scheme of assessment and assessment objectives

The approximate weightings allocated to each of the assessment objectives (AOs) are summarised below.

### Assessment objectives as a percentage of the qualification

Assessment objective	Weighting in Pre-U %
A01	23
A02	23
A03	27
A04	27

### Assessment objectives as a percentage of each component

Assessment objective	Weighting in components %		
	Paper 1	Paper 2	Paper 3
A01	30	20	15
A02	30	20	15
A03	25	30	25
A04	15	30	45

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## Grading and reporting

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Cambridge International Level 3 Pre-U Certificates (Principal Subjects and Global Perspectives Short Course) are qualifications in their own right. Cambridge Pre-U reports achievement on a scale of nine grades: Distinction 1, Distinction 2, Distinction 3, Merit 1, Merit 2, Merit 3, Pass 1, Pass 2 and Pass 3.

Cambridge Pre-U band	Cambridge Pre-U grade
Distinction	1
	2
	3
Merit	1
	2
	3
Pass	1
	2
	3

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## Grade descriptions

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Grade descriptions are provided to give an indication of the standards of achievement likely to have been shown by candidates awarded particular grades. Weakness in one aspect of the examination may be balanced by a better performance in some other aspect.

The following grade descriptions indicate the level of attainment characteristic of the middle of the given grade band.

### Distinction (D2)

- Candidates demonstrate comprehensive knowledge and critical understanding of a wide range of relevant economic theories and concepts.
- They effectively apply this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, using several numerical and non-numerical techniques accurately.
- They effectively evaluate evidence and arguments, making reasoned judgements to present appropriate and supported conclusions, which demonstrate originality or an ability to think freely and imaginatively.

### Merit (M2)

- Candidates demonstrate good knowledge and understanding of a range of economic theories and concepts.
- They apply this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, using appropriate numerical and non-numerical techniques.
- They evaluate evidence and arguments to present appropriate conclusions.

### Pass (P2)

- Candidates demonstrate either incomplete knowledge and understanding of a range of economic theories and concepts, or a reasonably comprehensive understanding of a limited subset of relevant theories and concepts.
- They show some ability to use this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, making some use of numerical and non-numerical techniques.
- Candidates' evaluation of evidence and arguments only covers some of the relevant areas, or is limited in depth.

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## Description of components

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### Paper 1 Multiple choice, short answers and data response

Written paper, 2 hours 30 minutes, 80 marks

Paper 1 consists of three sections:

- **Section A:** 30 compulsory multiple choice questions on the whole syllabus content
- **Section B:** four compulsory short answer questions
- **Section C:** one compulsory data response question.

If the short answer questions focus predominantly on microeconomics then the data response question will focus predominantly on macroeconomics, and vice versa.

### Paper 2 Essays

Written paper, 2 hours 15 minutes, 75 marks

Paper 2 consists of three essays – one to be chosen from three questions which focus predominantly on microeconomics; one from three questions which focus predominantly on macroeconomics; and one free choice from the remaining questions.

### Paper 3 Investigation

Written paper, 1 hour 15 minutes, 40 marks

Paper 3 requires a single piece of extended writing resulting from independent thinking and learning within a supported environment.

The paper will contain one essay title on each of four current issues in economics, namely:

- transport and the environment
- China and the global economy
- the sustainable development goals and the post-2015 development agenda
- behavioural economics and government policy.

This list will change over time to reflect current economic issues.

Teachers are expected to make the choice of topic, and candidates will be required to write one essay in the examination. The intention is to encourage candidates to apply their knowledge and understanding of economic concepts, combined with detailed individual research into the topic chosen from this list. However, before undertaking their own research into a topic, candidates will need to be given guidance on the economic background to the topic, and help with identifying the main issues, problems and possible research strands. Candidates will then be expected to do much of their own reading and research, but that work should be supported by the opportunity to discuss progress, report findings, ask questions and develop understanding, and contribute to seminars and discussions. Teachers will also want to take the opportunity to monitor and evaluate progress. All of this is to take place in a teaching environment.

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# Syllabus content

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## 1 Microeconomics

Candidates should develop a good understanding of the issues involved within the following areas:

- (a) the basic economic problem of unlimited wants and limited means
- (b) the market mechanism and demand and supply analysis
- (c) costs of production, profit and the theory of the firm
- (d) causes of market failure
- (e) government intervention in the market
- (f) the labour market.

### **(a) The basic economic problem of unlimited wants and limited means**

Candidates should appreciate that much of the rationale behind the study of economics is based on this fundamental issue. They should have a thorough understanding of the following concepts, and be able to use them to explain the issues involved:

- factors of production
- production possibility curves
- opportunity cost
- specialisation and the division of labour
- the three fundamental questions of What? How? and For Whom?
- how different types of economies answer these questions
- different economic agents
- assumed goals of maximising profit, consumer satisfaction and social welfare, and potential conflicts
- questioning of the concept of rational economic behaviour.

### **(b) The market mechanism and demand and supply analysis**

Candidates should understand how prices work within a market mechanism, and have knowledge of the following functions of the mechanism:

- signalling
- incentive
- rationing
- allocating.

Candidates are expected to know the basic shape of demand and supply curves – including an understanding of why the demand curve usually slopes downwards. Candidates are also expected to know how the two curves interact, and the causes and effects of a change in either one. Candidates should appreciate that a demand curve represents average revenue, and hence understand that both marginal revenue and total revenue can be derived from a demand curve.

Candidates should understand the difference between a shift in a curve (i.e. a change in demand or supply) and a movement along an existing curve (i.e. a change in quantity demanded or supplied).

Candidates should understand definitions, determinants and implications – such as the link between average revenue, marginal revenue and total revenue – and be able to use the relevant formula in calculations of the following elasticities:

- own-price elasticity of demand
- cross-price elasticity of demand
- income elasticity of demand
- elasticity of supply.

Candidates should understand the concept of equilibrium within a market.

Candidates should understand that certain markets are interrelated, and be able to analyse the effect that a change in one market has on another market. They should be able to analyse the effect of government-imposed taxes and subsidies as well as maximum and minimum prices.

### **(c) Costs of production, profit and the theory of the firm**

Candidates should understand the reasoning behind, the relationships between, and the relevant curves for the following costs:

- fixed
- variable
- total
- average
- marginal.

A sound understanding of the difference between the short run and the long run is required to explain reasons behind, and differences between, the law of diminishing returns to a fixed factor and economies and diseconomies of scale.

Candidates should understand how firms maximise profits.

Candidates should understand the various market structures that can exist, and should have a sound knowledge of all the following models:

- perfect competition
- monopoly
- monopolistic competition
- oligopoly.

Knowledge of the concepts of normal profit and supernormal profit and loss situations is required in the context of each of these models.

Candidates should understand definitions of all these models, and the assumptions upon which they are based. Knowledge of the associated cost and revenue diagrams for both the short run and the long run is required – including that of short-run shut-down points. Limitations arising from assumptions made should be considered.

The concepts of allocative, productive and dynamic efficiency should be used to consider the relative merits of perfect competition and monopoly. Within this comparison, a study should be made of the concept of contestable markets.

The importance of the separation between ownership and control of a firm must be known, and the reasons behind this split and its implications fully understood. A detailed knowledge is required of all the potential aims that a firm may have, if the assumption of profit maximisation is relaxed. These include growth maximisation, revenue maximisation, volume-of-sales maximisation, not-for-profit businesses, and the concept of satisficing, subject to a minimum profit constraint.

Within the study of oligopoly, the concept of interdependence should be stressed, in terms of both collusive and competitive oligopolies. An understanding of various theories, such as the kinked demand curve, to suggest why outcomes in such markets occur as they do, is required. Knowledge of various pricing policies and of non-price competition should also be demonstrated. The concept of game theory, covering at least the prisoner's dilemma, should be studied.

Candidates should have a good understanding of price discrimination, as opposed to price differentiation, and know the conditions necessary for it to be successfully applied.

#### **(d) Causes of market failure**

Candidates should understand that the market mechanism may not correctly allocate resources, for reasons of both inefficiency and inequity. Where applicable, candidates should understand that the degree of failure perceived may depend upon a value judgement. The areas to be studied are as detailed below.

- **Positive and negative externalities in consumption and production:** The use of the appropriate marginal diagrams is required, including an understanding of the concept of deadweight welfare loss, e.g. applying the concept of externalities to the environment.
- **Public goods:** Candidates should understand that such goods are non-rival and non-excludable, and know why the problems of non-revealed preference and the free-rider arise. Knowledge of quasi-public goods is also required.
- **Merit and demerit goods:** Candidates must appreciate that both the existence of externalities **and** the lack of perfect information can be relevant for such goods, and that these are private goods which will be respectively under- and over-consumed/supplied in a free market.
- **Monopoly:** Candidates should know how monopolies may restrict output and choice, and charge higher prices than might be the case with competitive markets. Understanding of the concept of welfare loss, using terms such as consumer and producer surplus, and appropriate diagrams, is required.
- **Inequitable distribution of income:** Candidates should realise that different societies will have varying views on what ought to be available to particular citizens, e.g. basic housing and healthcare, and appreciate the link between effective demand and the distribution of income.

#### **(e) Government intervention in the market**

##### **Rationale for government intervention**

Candidates should understand the reasons for government intervention in areas such as health, education, transport, energy, agriculture and the environment. Candidates should understand the various methods open to a government to use, including indirect taxation, subsidies, price controls, buffer stocks, tradable permits, extending property rights, state provision and regulation, in order to correct for market failure. They should also appreciate that a government needs to take a long-term view, and the concept of sustainability should be explored. Candidates should have knowledge of UK competition policy and how European Union (EU) legislation in this area affects the UK economy.

### Public ownership vs privatisation, and regulation vs deregulation of markets

Candidates should:

- understand the arguments for and against such policies
- be able to evaluate their impact on economic performance.

While knowledge of government policies to alleviate poverty and to influence the distribution of income and wealth is required, this is covered under fiscal policy.

### Cost-benefit analysis

Candidates should:

- understand the principles, uses and limitations of cost-benefit analysis.

### Government failure

Government failure can include inadequate information, conflicting objectives, excessive administrative costs, and the law of unintended consequences. Candidates should appreciate that government intervention may:

- create rather than remove market distortions
- not necessarily result in an improvement in economic welfare
- result in regulatory capture.

Candidates should be able to analyse and evaluate sources of government failure.

### (f) The labour market

Candidates should appreciate that labour is just one of the inputs available to firms, and should know the various factors determining both the supply of, and demand for, labour, including detailed knowledge of the concept of marginal revenue product. Understanding of the income and substitution effects in the labour market, e.g. the backward-sloping supply curve, is required. Clear understanding that labour is not a homogeneous factor of production is essential.

Candidates should be able to explain how wages are determined in both competitive and monopsonistic labour markets. Causes of discrimination within the labour market should be considered, as should relevant government legislation in both this area and that of minimum wages. The role played by trade unions in labour markets should be understood.

## 2 The national economy

Candidates should develop a good knowledge and understanding of recent trends and developments in the UK economy over the past ten years. (Knowledge over a longer period will help to put more recent events into context.) Candidates will be expected to use this knowledge in answering essay questions.

Candidates should develop a good understanding of:

- (a) standards of living
- (b) economic growth and economic cycle
- (c) employment and unemployment
- (d) inflation and deflation
- (e) distribution of income
- (f) the current account of balance of payments
- (g) productivity and international competitiveness.

For each issue, candidates should study:

- meaning and measurement
- causes and consequences
- evidence and policy responses.

Candidates are also required to have knowledge of relevant:

- (h) macroeconomic theory
- (i) government policy.

Candidates should be able to compare the performance of the UK economy with other national economies in these areas, but specific knowledge of any other economy is not expected.

### (a) Standards of living

Candidates should be able to use Gross Domestic Product (GDP) and similar data to compare the living standards of the residents of different countries. They should be able to evaluate the use of such data, and have some knowledge of alternative measures. Comparisons over time and associated problems should also be understood.

Note: a detailed knowledge of national income accounting is **not** required.

### (b) Economic growth and economic cycle

Candidates should be able to define economic growth, both as an increase in the productive capacity of the economy and also as an increase in real national income. A distinction should be made between short- and long-run growth. A production possibility diagram should also be used to illustrate economic growth.

Candidates should understand the factors determining the rate of economic growth, and that supply-side factors, such as investment, education, training and technological change, are likely to determine the underlying trend rate of economic growth.

Candidates should be able to discuss whether economic growth is sustainable or desirable or both, and be able to evaluate the impact of growth on individuals and the environment.

Candidates should understand the economic or trade cycle, and some of the causes of the cycle, including supply-side shocks.

### **(c) Employment and unemployment**

Knowledge is required in the following areas:

- definitions and measures of unemployment
- types and causes of unemployment
- trends and patterns in employment and unemployment
- consequences of unemployment.

### **(d) Inflation and deflation**

Candidates should understand how index numbers are calculated and used to measure inflation. They should be aware that there are different measures of inflation, and should have specific knowledge of the Consumer Price Index (CPI). Knowledge of the definitions of inflation and deflation is required. Causes and consequences of both inflation and deflation should be understood.

### **(e) Distribution of income**

Candidates should have knowledge of recent trends for the UK in this area. They should also be aware of distinctions between relative and absolute poverty, and know how Lorenz curves and Gini coefficients can be used to demonstrate the distribution of income and wealth.

### **(f) Current account of balance of payments**

Candidates should have a basic understanding of the current account (trade in goods, trade in services, investment income and transfers), and they should understand the meaning of a deficit and a surplus on current account.

Note: a detailed knowledge of the structure of the balance of payments account is **not** required.

### **(g) Productivity and international competitiveness**

Candidates should know the meaning of productivity (both labour productivity and total factor productivity) and how this can be measured. The implications of relative productivity and unit labour costs for international competitiveness should also be understood.

### **(h) Macroeconomic theory**

#### **Circular flow of income**

Candidates should understand the basic rationale behind the model, using households, firms, the government sector and the international economy. They should know the injections into and withdrawals from the circular flow.

#### **Aggregate demand (AD)**

Candidates should be able to explain and analyse the determinants of consumption, investment, government expenditure and net exports. They should also, as a corollary, specifically understand factors affecting the level of savings in an economy.

Knowledge of the multiplier process is required, so that candidates understand why a final change in output can be greater than an initial change in one of the components of AD. They should be able to calculate a

simple multiplier  $k = \frac{1}{1 - mpc}$

### Aggregate supply (AS)

Knowledge of the differences between the short-run and long-run AS curve is required. Candidates should be able to explain and analyse how factors can determine and affect SRAS, such as changes in costs of factors, other production costs, raw materials, exchange rates, government intervention and supply shocks. Candidates should understand the LRAS as productive capacity, linked to the PPC and determined by longer-term factors such as productivity, size of labour force, technology, etc.

Candidates should be able to use the interaction of AD and AS both in the determination of levels of output, prices and employment, and also in explaining macroeconomic problems such as the causes of inflation and demand-deficient unemployment.

#### (i) Government policy

Candidates should study:

- macroeconomic objectives
- macroeconomic policies
- conflicts between objectives.

#### Macroeconomic objectives

Candidates should have a knowledge and understanding of stable and sustainable growth, low and stable inflation, low levels of unemployment, an acceptable balance of payments position, and an acceptable distribution of income and wealth.

#### Macroeconomic policies

Candidates should know the aims and instruments of fiscal policy, monetary policy and supply-side policies, and be able to evaluate the effectiveness of each in achieving the macroeconomic objectives. Candidates should have a broad knowledge and understanding of policies used in recent years, and any changes in emphasis between different policies.

Fiscal policy:

- Candidates should know the major taxes used (or considered for use) in the UK, and be able to assess the relative merits of these.
- They should know and understand the canons (principles) of taxation.
- They should be able to understand and evaluate the significance of changes in the level and distribution of public expenditure.
- They should understand the importance of the balance between government revenue and expenditure and should appreciate that fiscal policy has microeconomic as well as macroeconomic effects.
- They should understand the relevant terminology: government borrowing, government deficit, government surplus, fiscal balance and national debt.

Monetary policy:

- **Interest rate determination in theory and practice:** Candidates should understand the role of the Monetary Policy Committee of the Bank of England in setting the rate of interest. They should understand the relationship between changes in interest rates and the demand for credit created by banks.

Note: a detailed knowledge of UK financial markets is **not** required.

- **Money supply:** Candidates should have a basic understanding of money and liquidity, the monetary transmission mechanism, and the quantity theory of money. They should understand the principles behind quantitative easing, and have knowledge of how it has been used in the UK and elsewhere.
- **Exchange rate policy:** Candidates should understand the relationship between interest rates and the exchange rate, and appreciate the difficulties involved in using the exchange rate as an instrument of policy.

Supply-side policies:

- Candidates should understand the various forms that such policies can take, and that they can be aimed at either the macroeconomic or the microeconomic level.
- The links between supply-side policies, economic growth and, in particular, the trend rate of economic growth should be emphasised.

### Conflicts between objectives

Candidates should be able to apply their knowledge of economic theory to explain potential conflicts between policy objectives, including the historical Phillips Curve relationships, and also to explain more recent experiences.

## 3 International economics

Candidates should develop a good understanding of the issues involved within the following areas:

- (a) the theory of free trade
- (b) the pattern of trade
- (c) protectionism
- (d) the current account and exchange rates
- (e) development economics and globalisation
- (f) economic integration.

### (a) The theory of free trade

Candidates should understand the rationale behind free trade, and use the models of absolute advantage and comparative advantage to explain the theoretical gains from trade.

Candidates should appreciate how the assumptions behind models such as comparative advantage may limit their realism.

An understanding of the terms of trade, its measurement, and its implications is required.

### (b) The pattern of trade

Candidates should have an overview of the typical pattern of trade between the UK and other countries, or groups of countries, such as Europe, the USA and the rest of the world.

Candidates should appreciate the influences on the pattern of trade: the free-trade movement, historical and political factors, and trading blocs.

### (c) Protectionism

Candidates should understand the types of protection that may arise, and appreciate the impact of protectionism on consumers and producers inside and outside protective agreements.

Candidates should understand the arguments in favour of and against protectionism.

**(d) The current account and exchange rates**

Candidates should understand the terms imports and exports, and know what is meant by surplus, balance and deficit on the current account. They should know the different components that make up the current account.

Candidates should understand that floating exchange rates are determined by activity in the FOREX market through trade, speculation and hot money flows.

Candidates should understand why and how a government may intervene in the FOREX market to influence the exchange rate of their currency. An appreciation of the relative merits of fixed and floating exchange rate regimes is required.

Candidates should understand the terms appreciation, depreciation, devaluation and revaluation.

Candidates should appreciate the factors that may lead to a sustained surplus or deficit on the current account and the issues raised by a sustained imbalance for both the domestic and other economies.

Candidates should understand what policies may be used to correct a current account surplus or deficit and the difference between expenditure-increasing/reducing and expenditure-switching policies.

Candidates should understand that a change in the exchange rate will influence the current account, and the importance of time and elasticity of demand on this effect. Candidates should be able to use the J-curve, reverse J-curve and the Marshall-Lerner condition to explain such changes.

**(e) Development economics and globalisation**

Candidates should understand the meaning and definition of economic development and the measurement and limitations of statistics such as the Human Development Index (HDI).

Candidates should appreciate the differences between more economically developed countries (MEDCs), less economically developed countries (LEDCs) and newly industrialised countries (NICs).

Candidates should understand why countries may develop at different rates and be able to use economic theory to explain these differences. While an explicit understanding of economic development models is not required, it is necessary for candidates to appreciate the concept of sustainable development.

Candidates should understand the particular problems faced by LEDCs.

Candidates should understand how national governments can use policies to promote economic development, and the arguments for and against state planning of economic development.

Candidates should understand what is meant by globalisation and appreciate the challenges and opportunities the process offers for MEDCs such as the UK, and for LEDCs and NICs.

Candidates should understand the role of the World Trade Organisation (WTO) and appreciate the arguments for and against WTO influence on the global economy.

**(f) Economic integration**

Candidates should understand various degrees of economic integration: bilateral trade agreements, free-trade areas, customs unions, common markets, economic union and monetary union. Candidates should be familiar with different examples of economic integration, such as the European Union (EU), Association of South East Asian Nations (ASEAN), North American Free Trade Agreement (NAFTA) and Mercosur. They should evaluate the consequences of economic integration for member economies and economies outside of the integration.

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## Additional information

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### Equality and inclusion

This syllabus complies with our *Code of Practice* and *Ofqual General Conditions of Recognition*.

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

The standard assessment arrangements may present unnecessary barriers for candidates with disabilities or learning difficulties. Arrangements can be put in place for these candidates to enable them to access the assessments and receive recognition of their attainment. Access arrangements will not be agreed if they give candidates an unfair advantage over others or if they compromise the standards being assessed. Candidates who are unable to access the assessment of any component may be eligible to receive an award based on the parts of the assessment they have taken. Information on access arrangements is found in the *Cambridge Handbook (UK)*, for the relevant year, which can be downloaded from the website [www.cie.org.uk/examsOfficers](http://www.cie.org.uk/examsOfficers)

### Guided learning hours

Cambridge Pre-U syllabuses are designed on the assumption that learners have around 380 guided learning hours per Principal Subject over the duration of the course, but this is for guidance only. The number of hours may vary according to curricular practice and the learners' prior experience of the subject.

### Total qualification time

This syllabus has been designed assuming that the total qualification time per subject will include both guided learning and independent learning activities. The estimated number of guided learning hours for this syllabus is 380 hours over the duration of the course. The total qualification time for this syllabus has been estimated to be approximately 500 hours per subject over the duration of the course. These values are guidance only. The number of hours required to gain the qualification may vary according to local curricular practice and the learners' prior experience of the subject.

### If you are not yet a Cambridge school

Learn about the benefits of becoming a Cambridge school at [www.cie.org.uk/startcambridge](http://www.cie.org.uk/startcambridge). Email us at [info@cie.org.uk](mailto:info@cie.org.uk) to find out how your organisation can register to become a Cambridge school.

### Language

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

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