



## Syllabus

# Cambridge O Level Economics 2281

Use this syllabus for exams in 2027, 2028 and 2029. Exams are available in the June and November series.

This syllabus is **not** available in all administrative zones.

Please check the syllabus page at [www.cambridgeinternational.org/2281](http://www.cambridgeinternational.org/2281) to see if this syllabus is available in your administrative zone.



### Version I

For the purposes of screen readers, any mention in this document of Cambridge IGCSE refers to Cambridge International General Certificate of Secondary Education.

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# Why choose Cambridge?

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We work with schools worldwide to build an education that shapes knowledge, understanding and skills. Together, we give learners the confidence they need to thrive and make a positive impact in a changing world.

As part of the University of Cambridge, we offer a globally trusted and flexible framework for education from age 3 to 19, informed by research, experience, and listening to educators.

With recognised qualifications, high-quality resources, comprehensive support and valuable insights, we help schools prepare every student for the opportunities and challenges ahead.

## Qualifications that are recognised and valued worldwide

From the world's top-ranked universities to local higher education institutions, Cambridge qualifications open doors to a world of opportunities.

## Setting a global standard

With over 160 years of experience in delivering fair, valid and reliable assessments to students worldwide, we offer a global, recognised performance standard for international education.

## Your path, your way

Schools can adapt our curriculum, high-quality teaching and learning resources and flexible assessments to their local context. Our aligned offer helps Cambridge schools support every learner to reach their potential and thrive.

## Learning with lasting impact

Cambridge learners build subject knowledge and conceptual understanding, and develop a broad range of skills, learning habits and attributes to help make them ready for the world.

## Improving learning outcomes through data-led insight and action

Our trusted baseline and diagnostic assessments, together with our insights and evaluation service, help schools turn data into knowledge and actionable insights, to inform teaching decisions and improve learner outcomes.

## Bringing together a community of experts

We bring together the collective knowledge of experts and our diverse community of educators worldwide, supporting them to learn from one another and share ideas and information.

## Tackling the climate crisis together

We believe that education is key to tackling the climate crisis. Together with Cambridge schools, we can empower young people with the skills and knowledge to take action on climate change, helping them be ready for the world.

## **School feedback:** 'We think the Cambridge curriculum is superb preparation for university.'

**Feedback from:** Christoph Guttentag, Dean of Undergraduate Admissions, Duke University, USA

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## **Important: Changes to this syllabus**

**For information about changes to this syllabus for 2027, 2028 and 2029, go to page 34.**



# 1 Why choose this syllabus?

## Key benefits

Cambridge O Level is typically for 14 to 16 year olds and is an internationally recognised qualification. It has been designed especially for an international market and is sensitive to the needs of different countries. Cambridge O Level is designed for learners whose first language may not be English, and this is acknowledged throughout the examination process.

Our programmes promote a thorough knowledge and understanding of a subject and help to develop the skills learners need for their next steps in education or employment.

**Cambridge O Level Economics** focuses on how scarce resources are organised in a world that faces many challenging economic and environmental issues. Studying this subject provides learners with the opportunity to learn about the basic economic concepts; how to explain, analyse and evaluate economic issues and organise, present and communicate ideas clearly.

Our approach in Cambridge O Level Economics encourages learners to be:

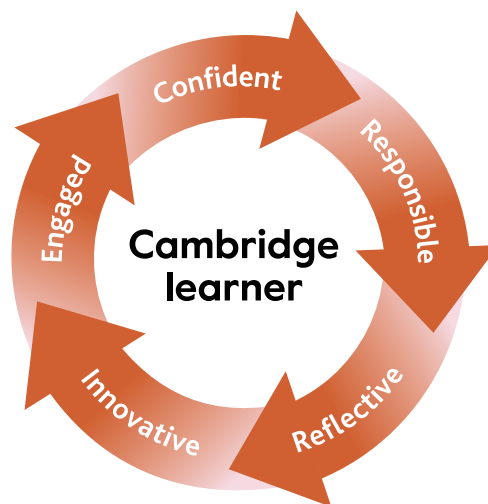
**confident**, in using the terminology, concepts, theories and principles of economics, creating a good foundation in the subject

**responsible**, by being able to consider the consequences of economic decisions, including the impacts of those decisions on people and the environment

**reflective**, by considering different sides of an economic argument and being aware of the possible uncertainties of alternative decisions and outcomes

**innovative**, through the application of economic knowledge and understanding to current and future economic challenges

**engaged**, through the development of economic awareness and by being able to participate constructively in society and the economy.



**School feedback:** ‘Cambridge O Level has helped me develop thinking and analytical skills which will go a long way in helping me with advanced studies.’

**Feedback from:** Kamal Khan Virk, former student at Beaconhouse Garden Town Secondary School, Pakistan, who went on to study Actuarial Science at the London School of Economics

## Qualifications that are recognised and valued worldwide

Cambridge qualifications prepare and equip learners with the skills they need to thrive at university and beyond. The world's best higher education institutions recognise our qualifications and value the critical thinking skills, independent research abilities and deep subject knowledge that Cambridge learners bring.

We continually work with universities and colleges in every part of the world to ensure that they understand and accept our qualifications. Cambridge O Level provides a springboard to the Cambridge Advanced stage, as well as other post-16 routes. The combination of knowledge and skills in Cambridge O Level Economics gives learners a solid foundation for further study. Candidates who achieve grades A\* to C are well prepared to follow a wide range of courses including Cambridge International AS & A Level Economics.

Many universities require a combination of Cambridge International AS & A Levels and Cambridge O Levels or equivalent to meet their entry requirements.

Learn more at [www.cambridgeinternational.org/recognition](http://www.cambridgeinternational.org/recognition)

## Supporting teachers

We believe education works best when teaching and learning are closely aligned to the curriculum, resources and assessment. Our high-quality teaching support helps to maximise teaching time and enables teachers to engage learners of all backgrounds and abilities.

We aim to provide the following support for each Cambridge qualification:

- Syllabus
- Specimen question papers and mark schemes
- Specimen paper answers
- Schemes of Work
- Example candidate responses
- Past papers and mark schemes
- Principal examiner reports for teachers

Sign up for email notifications about changes to syllabuses, including new and revised products and services, at [www.cambridgeinternational.org/syllabusupdates](http://www.cambridgeinternational.org/syllabusupdates)

These resources are available on the School Support Hub at [www.cambridgeinternational.org/support](http://www.cambridgeinternational.org/support), our secure online site for Cambridge teachers. Your exams officer can provide you with a login.

Additional teaching & learning resources are also available for many syllabuses and vary according to the nature of the subject and the structure of the assessment of each syllabus. These can include ready-built lesson materials, digital resources and multimedia for the classroom and homework, guidance on assessment and much more. Beyond the resources available on the Schools Support Hub, a wide range of endorsed textbooks and associated teaching and learning support are available from Cambridge at [www.cambridge.org/education](http://www.cambridge.org/education) and from other publishers. Resources vary according to the nature of the subject and the structure of the assessment of each syllabus.

You can also contact our global Cambridge community or talk to a senior examiner on our discussion forums.

## Professional development

Find the next step on your professional development journey.

- **Introduction courses** – An introduction to Cambridge programmes and qualifications. For teachers who are new to Cambridge programmes or new to a specific syllabus.
- **Focus on Teaching courses** – These are for teachers who want to explore a specific area of teaching and learning within a syllabus or programme.
- **Focus on Assessment courses** – These are for teachers who want to understand the assessment of a syllabus in greater depth.
- **Marking workshops** – These workshops help you become more familiar with what examiners are looking for, and provide an opportunity to raise questions and share your experiences of the syllabus.
- **Enrichment Professional Development** – Transform your approach to teaching with our Enrichment workshops. Each workshop focuses on a specific area of teaching and learning practice.
- **Cambridge Professional Development Qualifications (PDQs)** – Practice-based programmes that transform professional learning for practicing teachers. Available at Certificate and Diploma level.

For more information visit [www.cambridgeinternational.org/support-for-teachers](http://www.cambridgeinternational.org/support-for-teachers)

### Supporting exams officers

We provide comprehensive support and guidance for all Cambridge exams officers. Find out more at: [www.cambridgeinternational.org/eoguide](http://www.cambridgeinternational.org/eoguide)



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## 2 Syllabus overview


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### Aims

The aims describe the purposes of a course based on this syllabus.

The aims are to enable students to:

- explore the purpose and role of economists in investigating economic issues and problems
- build a confident working knowledge of key economic terms, concepts and theories
- use the tools of economic analysis to interpret different types of data and information
- analyse possible outcomes for economic problems and express ideas logically
- consider how issues such as population change, globalisation and environmental sustainability can impact economic policy-making
- discover the impact and importance of economics, inspiring an interest that could lead to further study or employment.



We are an education organisation and politically neutral. The contents of this syllabus, examination papers and associated materials do not endorse any political view. We endeavour to treat all aspects of the exam process neutrally.

## Content overview

- 1 The basic economic problem
  - 1.1 The nature of the basic economic problem
  - 1.2 Factors of production
  - 1.3 Opportunity cost
  - 1.4 Production possibility curve (PPC) diagrams
  
- 2 The allocation of resources
  - 2.1 The role of markets in allocating resources
  - 2.2 Demand
  - 2.3 Supply
  - 2.4 Price determination
  - 2.5 Price changes
  - 2.6 Price elasticity of demand (PED)
  - 2.7 Price elasticity of supply (PES)
  - 2.8 Market economic system
  - 2.9 Market failure
  - 2.10 Mixed economic system
  
- 3 Microeconomic decision-makers
  - 3.1 Money and banking
  - 3.2 Households
  - 3.3 Workers
  - 3.4 Firms
  - 3.5 Firms and production
  - 3.6 Firms' costs, revenue and objectives
  - 3.7 Types of markets
  
- 4 Government and the macroeconomy
  - 4.1 Government macroeconomic intervention
  - 4.2 Fiscal policy
  - 4.3 Monetary policy
  - 4.4 Supply-side policy
  - 4.5 Economic growth
  - 4.6 Employment and unemployment
  - 4.7 Inflation
  
- 5 Economic development
  - 5.1 Living standards
  - 5.2 Poverty
  - 5.3 Population
  - 5.4 Differences in economic development between countries
  
- 6 International trade and globalisation
  - 6.1 Specialisation and free trade
  - 6.2 Globalisation and trade restrictions
  - 6.3 Foreign exchange rates
  - 6.4 Current account of the balance of payments



## Assessment overview

All candidates take two papers. Candidates will be eligible for grades A\* to E.

All candidates take:		and:	
<b>Paper 1</b>	1 hour	<b>Paper 2</b>	2 hours
Multiple Choice	30%	Structured Questions	70%
40 marks		80 marks	
Candidates answer 40 multiple-choice questions.		Candidates answer one compulsory question with six parts in Section A and three questions from a choice of four in Section B.	
Externally assessed		Externally assessed	

Information on availability is in the **Before you start** section.



This O Level syllabus shares content with other economics syllabuses. For further support see the School Support Hub for IGCSE Economics. Textbooks endorsed to support IGCSE Economics are suitable for use with this syllabus.

## Assessment objectives

The assessment objectives (AOs) are:

### AO1 Knowledge and understanding

- Demonstrate knowledge and understanding of economic definitions, formulas, concepts and theories.
- Use economic terminology.

### AO2 Analysis

- Select, organise and interpret economics data and information.
- Apply economic analysis to written, numerical, diagrammatic and graphical data.
- Analyse economic issues, identifying and developing links and relationships.

### AO3 Evaluation

- Evaluate economic information, data and arguments, and recognise that economic decisions have uncertain outcomes.

## Weighting for 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 O Level %
AO1 Knowledge and understanding	43
AO2 Analysis	47
AO3 Evaluation	10
Total	100

### Assessment objectives as a percentage of each component

Assessment objective	Weighting in components %	
	Paper 1	Paper 2
AO1 Knowledge and understanding	50	40
AO2 Analysis	50	45
AO3 Evaluation	0	15
Total	100	100

## 3 Subject content

This syllabus gives you the flexibility to design a course that will interest, challenge and engage your learners. Where appropriate you are responsible for selecting resources and examples, topics and subject contexts to support your learners' study. These should be appropriate for the learners' age, cultural background and learning context as well as complying with your school policies and local legal requirements.

### 1 The basic economic problem

This topic introduces the fundamental ideas and concepts that underpin the study of economics, including the basic economic problem, factors of production, opportunity cost and production possibility curves.

#### 1.1 The nature of the basic economic problem

##### 1.1.1 Finite resources and infinite wants

- definition of the basic economic problem
- the concept of scarcity
- examples of the basic economic problem in the context of:
  - consumers
  - workers
  - producers/firms
  - governments

##### 1.1.2 Resource allocation decisions

The three basic economic questions which determine resource allocation:

- what to produce
- how to produce
- who to produce for

##### 1.1.3 Economic goods and free goods

- the difference between economic goods and free goods

#### 1.2 Factors of production

##### 1.2.1 Factors of production and their rewards

- definitions of factors of production: land, labour, capital and enterprise
- rewards to factors of production: rent, wages, interest and profit

##### 1.2.2 Quantity and quality of factors of production

- causes of changes in the quantity and quality of factors of production

### 1.3 Opportunity cost

#### 1.3.1 Opportunity cost

- definition of opportunity cost
- examples of opportunity cost in different contexts

#### 1.3.2 The influence of opportunity cost on decision-making

- decisions made by consumers, workers, producers/firms and governments when allocating their resources

### 1.4 Production possibility curve (PPC) diagrams

#### 1.4.1 Production possibility curves (PPC)

- definition
- drawing and interpretation of the PPC diagram

#### 1.4.2 Points under, on and beyond a PPC

- the significance of the location of different production points

#### 1.4.3 Movements along a PPC

- the significance of movements along a PPC and opportunity cost

#### 1.4.4 Shifts of a PPC

- causes and consequences of shifts of a PPC in terms of an economy's growth

## 2 The allocation of resources

This topic considers the fundamental principles of resource allocation through the price mechanism in a market economy. The market forces of demand and supply, market equilibrium and disequilibrium, and elasticity, form the core of this topic.

### 2.1 The role of markets in allocating resources

#### 2.1.1 How markets work

- definition of a market
- examples of markets
- roles of buyers and sellers

### 2.2 Demand

#### 2.2.1 Individual and market demand

- definition of demand
- link between individual demand and market demand
- drawing and interpretation of the demand diagram

continued

## 2.2 Demand continued

### 2.2.2 Movements along a demand curve

- causes of extensions and contractions in demand
- diagrams that illustrate movements along a demand curve

### 2.2.3 Shifts of a demand curve

- causes of decreases and increases in demand
- diagrams that illustrate shifts of a demand curve

## 2.3 Supply

### 2.3.1 Individual and market supply

- definition of supply
- link between individual supply and market supply
- drawing and interpretation of the supply diagram

### 2.3.2 Movements along a supply curve

- causes of extensions and contractions in supply
- diagrams that illustrate movements along a supply curve

### 2.3.3 Shifts of a supply curve

- causes of decreases and increases in supply
- diagrams that illustrate shifts of a supply curve

## 2.4 Price determination

### 2.4.1 Price mechanism

- how the price mechanism provides answers to the basic resource allocation decisions of what, how and for whom to produce

### 2.4.2 Market equilibrium

- equilibrium price and equilibrium quantity in a market:
  - definition of market equilibrium
  - interpretation of equilibrium using demand and supply schedules
  - drawing and interpretation of equilibrium using demand and supply curves

### 2.4.3 Market disequilibrium

- disequilibrium prices and quantities:
  - definition of market disequilibrium
  - interpretation of disequilibrium using demand and supply schedules
  - drawing and interpretation of disequilibrium using demand and supply curves
- shortages (demand exceeding supply) and surpluses (supply exceeding demand)

## 2.5 Price changes

### 2.5.1 Causes of price changes

- how price changes are caused by changes in demand and supply

### 2.5.2 Consequences of price changes

- effect of price changes on sales
- use of demand and supply diagrams to illustrate the impact of changes in market conditions

## 2.6 Price elasticity of demand (PED)

### 2.6.1 Definition of PED

### 2.6.2 Calculation of PED

- calculation of PED using the formula
- interpretation of the significance of the PED value: perfectly inelastic, inelastic, unitary, elastic, perfectly elastic
- drawing and interpretation of demand curve diagrams to show different PED

### 2.6.3 Determinants of PED

- main influences on whether demand is elastic or inelastic

### 2.6.4 PED, consumer expenditure and firms' revenue

- effect of price changes on the amount spent by consumers and revenue raised by firms, shown both in a diagram and as a calculation
- relationship between PED and the amount spent by consumers and revenue raised by firms

### 2.6.5 Significance of PED

- implications of PED for decision-making by consumers, workers, producers/firms and government

## 2.7 Price elasticity of supply (PES)

### 2.7.1 Definition of PES

### 2.7.2 Calculation of PES

- calculation of PES using the formula
- interpretation of the significance of the PES value: perfectly inelastic, inelastic, unitary, elastic, perfectly elastic
- drawing and interpretation of supply curve diagrams to show different PES

### 2.7.3 Determinants of PES

- main influences on whether supply is elastic or inelastic

## 2.8 Market economic system

### 2.8.1 Definition of the market economic system

### 2.8.2 Arguments for and against the market economic system

- advantages of the market economic system
- disadvantages of the market economic system

## 2.9 Market failure

### 2.9.1 Definition of market failure

### 2.9.2 Definitions of terms associated with market failure:

- public goods, merit goods, demerit goods, private benefits, external benefits, social benefits, private costs, external costs, social costs, monopoly

### 2.9.3 Causes of market failure

- causes relating to public goods, merit goods, demerit goods, external costs and external benefits, abuse of monopoly power

### 2.9.4 Consequences of market failure

- implications of misallocation of resources in relation to:
  - the over-consumption of demerit goods and goods with external costs
  - the under-consumption of merit goods and goods with external benefits
  - the non-provision of public goods
  - restricted supply causing higher prices under a monopoly

**Note:** demand and supply diagrams relating to market failure are not required.

## 2.10 Mixed economic system

### 2.10.1 Definition of the mixed economic system

### 2.10.2 Arguments for and against the mixed economic system

- advantages of the mixed economic system
- disadvantages of the mixed economic system

### 2.10.3 Government intervention to address market failure

- definitions, drawing and interpretation of diagrams, advantages and disadvantages of:
  - maximum and minimum prices in product markets
  - indirect taxation
  - subsidies
- definitions, advantages and disadvantages of:
  - regulation
  - privatisation
  - nationalisation
  - direct provision of goods and services
  - quotas, e.g. for the extraction of natural resources

### 3 Microeconomic decision-makers

The approach to learning about the microeconomy taken in this topic is through the role of the major decision-makers: banks, households, workers and producers/firms.

#### 3.1 Money and banking

##### 3.1.1 Money

- forms, functions and characteristics of money

##### 3.1.2 Banking

- role and importance of central banks
- role and importance of commercial banks

#### 3.2 Households

##### 3.2.1 Influences on households' spending, saving and borrowing

- income
- rate of interest
- confidence
- age
- culture

#### 3.3 Workers

##### 3.3.1 Factors affecting an individual's choice of occupation

- wage and non-wage factors

##### 3.3.2 Wage determination

- influences of the demand for labour and the supply of labour
- trade unions and their relative bargaining power
- government policy, including national minimum wage (NMW)
- drawing and interpretation of diagrams that illustrate the effects of:
  - changes in demand and supply in the labour market
  - national minimum wages

continued



### 3.3 Workers continued

#### 3.3.3 Reasons for differences in wages

- reasons for differences:
  - demand for and supply of labour
  - relative bargaining strengths
  - discrimination, e.g. male/female
  - government policy
- how these reasons influence the wages of workers, depending on:
  - level of skills of workers
  - economic sector workers operate in: primary/secondary/tertiary
  - discrimination between workers, e.g. male/female
  - whether the worker is working in the private sector or public sector

#### 3.3.4 Mobility of labour

- causes of changes in the occupational and geographical mobility of labour
- consequences of changes in the occupational and geographical mobility of labour

#### 3.3.5 Division of labour

- definition of division of labour (worker specialisation)
- advantages and disadvantages of division of labour

### 3.4 Firms

#### 3.4.1 Different types of firms

- primary/secondary/tertiary sector firms
- private sector/public sector firms
- advantages and disadvantages of small and large firms

#### 3.4.2 Mergers

- definitions, examples, advantages and disadvantages of different types of mergers: horizontal, vertical and conglomerate

#### 3.4.3 Economies and diseconomies of scale

- how internal and external economies and diseconomies of scale can affect a firm/industry as the scale of production changes
- drawing and interpretation of average total cost (ATC) diagrams to illustrate economies and diseconomies of scale

### 3.5 Firms and production

#### 3.5.1 Demand for factors of production

- influences to include demand for the product, the price of different factors of production, their availability and their productivity

#### 3.5.2 Labour-intensive and capital-intensive production

- reasons for adopting the different forms of production
- advantages and disadvantages of the different forms of production

#### 3.5.3 Production and productivity

- the difference between production and productivity
- influences on production and productivity
- effects of changes in investment on productivity

### 3.6 Firms' costs, revenue and objectives

#### 3.6.1 Definitions of costs of production

- total cost (TC), average total cost (ATC), fixed cost (FC), average fixed cost (AFC), variable cost (VC), average variable cost (AVC)

#### 3.6.2 Calculation of costs of production

- calculation of TC, ATC, FC, AFC, VC and AVC
- drawing and interpretation of diagrams that show how changes in output affect costs of production

#### 3.6.3 Definition of revenue

- definitions of total revenue (TR) and average revenue (AR)

#### 3.6.4 Calculation of revenue

- calculation of TR and AR
- the influence of sales on revenue

#### 3.6.5 Objectives of firms

- survival, social welfare, profit maximisation and growth

### 3.7 Types of markets

#### 3.7.1 Competitive markets

- characteristics, advantages and disadvantages of competitive markets
- effect of having a high number of firms on price, quality, choice, profit

**Note:** diagrams / perfect or imperfect competition theory are not required.

continued

### 3.7 Types of markets continued

#### 3.7.2 Monopoly markets

- characteristics, advantages and disadvantages of monopoly markets
- effect of having only one firm on price, quality, choice, profit

**Note:** diagrams are not required.

## 4 Government and the macroeconomy

This topic considers fiscal, monetary and supply-side policy measures used by governments, and examines the measurement, as well as the causes and consequences, of economic growth, unemployment and inflation.

### 4.1 Government macroeconomic intervention

#### 4.1.1 Macroeconomic aims

- the macroeconomic aims of government:
  - economic growth
  - full employment/low unemployment
  - stable prices/low inflation
  - balance of payments stability
  - redistribution of income
  - environmental sustainability
- reasons behind the choice of aims and the criteria that governments may set for meeting each aim
- possible conflicts between macroeconomic aims:
  - full employment and stable prices
  - economic growth and environmental sustainability
  - full employment and balance of payments stability

### 4.2 Fiscal policy

#### 4.2.1 Government budget

- definitions of:
  - government budget
  - government budget deficit
  - government budget surplus
- calculations of the size of a government budget deficit/surplus

#### 4.2.2 Reasons for government spending

- main areas of government spending and the reasons for and effects of spending in these areas

continued

## 4.2 Fiscal policy continued

### 4.2.3 Taxation

- reasons for taxation: raising revenue, discouraging consumption of demerit goods, reducing imports, redistributing income, influencing total demand, encouraging environmental sustainability
- examples of the different classifications of tax: progressive, regressive, proportional; direct, indirect
- impact of taxation on consumers, workers, producers/firms, the government and the economy

### 4.2.4 Definition of fiscal policy

### 4.2.5 Fiscal policy measures

- changes in:
  - taxes
  - government spending

### 4.2.6 Effects of fiscal policy on government macroeconomic aims

- how fiscal policy measures may enable a government to achieve its macroeconomic aims

## 4.3 Monetary policy

### 4.3.1 Definitions of money supply and monetary policy

### 4.3.2 Monetary policy measures

- changes in:
  - interest rate
  - money supply
  - foreign exchange rate

### 4.3.3 Effect of monetary policy on government macroeconomic aims

- how monetary policy measures may enable a government to achieve its macroeconomic aims

## 4.4 Supply-side policy

### 4.4.1 Definition of supply-side policy

### 4.4.2 Supply-side policy measures

- education and training
- infrastructure spending
- labour market reforms
- lower direct taxes
- deregulation
- improving incentives to work and invest
- privatisation

### 4.4.3 Effects of supply-side policy measures on government macroeconomic aims

- how supply-side policy measures may enable a government to achieve its macroeconomic aims

## 4.5 Economic growth

### 4.5.1 Definition of economic growth

### 4.5.2 Measurement of economic growth

- real Gross Domestic Product (GDP)

### 4.5.3 Causes and consequences of economic growth

- how economic growth may be caused by an increase in total demand, an increase in the quantity of resources or an increase in the quality of resources
- advantages and disadvantages of economic growth

### 4.5.4 Causes and consequences of recession

- definition of recession
- how a recession may be caused by a decrease in total demand, a decrease in the quantity of resources or a decrease in the quality of resources
- consequences of recession for consumers, workers, producers/firms and the government

### 4.5.5 Policies to promote economic growth

- the range of policies available to promote economic growth and their effectiveness

## 4.6 Employment and unemployment

### 4.6.1 Definitions of employment, unemployment and full employment

### 4.6.2 Measurement of unemployment

- how unemployment is measured (labour force survey)
- formula for the unemployment rate

### 4.6.3 Causes/types of unemployment

- frictional unemployment
- structural unemployment
- cyclical unemployment
- seasonal unemployment

### 4.6.4 Consequences of unemployment

- consequences of unemployment for the individual, producers/firms, the government and the economy

### 4.6.5 Policies to reduce unemployment

- the range of policies available to reduce unemployment and their effectiveness

## 4.7 Inflation

### 4.7.1 Definitions of inflation and deflation

### 4.7.2 Measurement of inflation

- measurement of inflation using the Consumer Prices Index (CPI)

### 4.7.3 Causes of inflation

- demand-pull
- cost-push

### 4.7.4 Consequences of inflation

- how inflation affects savers, lenders and borrowers
- consequences of inflation for consumers, workers, producers/firms and the economy

### 4.7.5 Policies to control inflation

- the range of policies available to control inflation and their effectiveness

## 5 Economic development

This topic explores the effects of changes in the size and structure of population, and other influences on development, in a variety of countries.

### 5.1 Living standards

#### 5.1.1 Indicators of living standards

- real Gross Domestic Product (GDP) per head
- Human Development Index (HDI) and its components
- advantages and disadvantages of real GDP per head and HDI as indicators

#### 5.1.2 Comparing living standards and income distribution

- reasons for differences in living standards and income distribution within and between countries

### 5.2 Poverty

#### 5.2.1 Definitions of absolute and relative poverty

- difference between absolute poverty and relative poverty

#### 5.2.2 Causes of poverty

- unemployment
- low wages
- illness
- age
- environmental factors

continued

## 5.2 Poverty continued

### 5.2.3 Policies to alleviate poverty and redistribute income

- promoting economic growth
- improved education
- improved healthcare provision
- more generous state benefits
- progressive taxation
- national minimum wage (NMW)

## 5.3 Population

### 5.3.1 Factors that affect population growth

- definitions of:
  - birth rate
  - death rate
  - net migration, immigration and emigration
- how birth rates, death rates and net migration can vary between countries
- reasons why birth rates, death rates and net migration rates can vary between countries

### 5.3.2 The effects of changes in the size and structure of populations

- the concept of an optimum population
- the effects of increases and decreases in population size and changes in the age and gender distribution of population

## 5.4 Differences in economic development between countries

### 5.4.1 Causes and consequences of international differences

- differences in:
  - income
  - productivity
  - population growth
  - size of primary, secondary and tertiary sectors
  - saving and investment
  - education
  - healthcare
  - natural resources

## 6 International trade and globalisation

This topic considers the importance of trade between countries and the causes and consequences of globalisation. It covers a range of international trade principles such as specialisation, the role of free trade, the role of multinational companies, foreign exchange rates and balance of payments stability.

### 6.1 Specialisation and free trade

#### 6.1.1 Specialisation by country

- definition of specialisation by country
- the basis for specialisation by country in terms of the best resource allocation and/or low-cost production
- advantages and disadvantages of specialisation

#### 6.1.2 Free trade

- definition of free trade
- advantages and disadvantages of free trade

### 6.2 Globalisation and trade restrictions

#### 6.2.1 Definition of globalisation

#### 6.2.2 Causes and consequences of changes in globalisation

- causes of changes in globalisation:
  - changes in trade restrictions
  - changes in transport costs
  - changes in communication costs
  - movement of multinational companies (MNCs)
- effects of changes in globalisation on:
  - international trade
  - competition
  - the environment
  - migration
  - income distribution
  - economic development

#### 6.2.3 Role of multinational companies (MNCs)

- MNCs and their advantages and disadvantages to host countries and home countries

#### 6.2.4 Types of trade restrictions / methods of protection

- tariffs
- import quotas
- subsidies
- embargoes

continued



## 6.2 Globalisation and trade restrictions continued

### 6.2.5 Reasons for trade restrictions

- protect infant (sunrise) industries
- protect declining (sunset) industries
- protect strategic industries
- avoid dumping
- reduce a deficit on the current account of the balance of payments
- raise tax revenue
- restrict the import of demerit goods
- promote environmental sustainability

### 6.2.6 Consequences of trade restrictions

- impact of trade restrictions on the home country and its trading partners
- advantages and disadvantages of restricting free trade

## 6.3 Foreign exchange rates

### 6.3.1 Definition of foreign exchange rate

### 6.3.2 Reasons for buying and selling foreign currencies

- trade in goods and services
- speculation
- government intervention in currency markets
- payment of profit, interest and dividends between countries
- workers' remittances
- investment in capital goods between countries

### 6.3.3 Determination of foreign exchange rate in foreign exchange market

- definitions of floating exchange rate, appreciation and depreciation
- the demand for and supply of a currency
- the determination of the equilibrium foreign exchange rate
- causes of foreign exchange rate fluctuations
  - changes in demand for exports and imports
  - changes in the interest rate
  - speculation

### 6.3.4 Consequences of changes in foreign exchange rates

- effects of changes in foreign exchange rates on prices and demand for exports and imports

## 6.4 Current account of the balance of payments

### 6.4.1 Structure of the current account of the balance of payments

- components of the current account of the balance of payments:
  - trade in goods
  - trade in services
  - primary income
  - secondary income
- calculation of deficits and surpluses on the current account of the balance of payments and its component sections

### 6.4.2 Causes of current account deficit and surplus

- reasons for current account deficits and surpluses

### 6.4.3 Consequences of current account deficit and surplus

- impact on GDP, employment, inflation and foreign exchange rate

### 6.4.4 Policies to achieve balance of payments stability

- the range of policies available to achieve balance of payments stability and their effectiveness

**Faculty feedback:** ‘Understanding how and why our climate is changing and providing the knowledge and skills to explore the challenges plays a key role in every student’s education.’

**Feedback from:** Dr Amy Munro-Faure, Head of Education and Student Engagement of Cambridge Zero

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## 4 Details of the assessment

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All candidates take two components. Candidates will be eligible for grades A\* to E.

For information on the assessment objectives (AOs), see section 2.

### Paper 1 – Multiple Choice

Multiple-choice paper, 1 hour, 40 marks

This is a compulsory paper consisting of 40 multiple-choice questions.

Questions are based on all the subject content.

Candidates answer all questions. The questions may require candidates to make calculations and analyse diagrams.

Calculators may be used in the examination.

The paper assesses the following assessment objectives:

AO1 Knowledge and understanding

AO2 Analysis

### Paper 2 – Structured Questions

Written paper, 2 hours, 80 marks

This is a compulsory structured paper.

Questions are based on all the subject content.

Candidates answer **one** compulsory question in Section A. In Section B, candidates answer **three** questions from a choice of four.

Candidates should use the marks for each question as a guide to the amount of detail and length of response expected for a question, and to help them manage their time effectively.

Calculators may be used in both sections of the examination.

#### Section A

Question 1 (20 marks) is the only question in Section A and it is compulsory. Candidates respond to previously unseen information about a real economic situation.

Candidates must answer all parts of Question 1, from (a) to (f). The questions require a range of answer lengths, from short answers to longer responses.

Answers to Question 1 should be based on the information provided, which contains written text and data, and may contain diagrams and tables. Candidates **must** make use of this information in their answers in Section A.

## Section B

Candidates answer three questions in Section B from a choice of four: Questions 2, 3, 4, 5. Each question is worth 20 marks and has four parts: (a), (b), (c) and (d). The questions require a range of answer lengths from short answer to longer responses and some optional questions may include drawing diagrams.

Each Section B question is introduced by a short paragraph of information which gives the question context. Candidates may refer to this information in their answers to Section B, and/or refer to other examples that they have studied.

For part (d) questions in Section B, candidates need to show they have used clear and logical analysis to evaluate economic issues and developed reasoned discussions that consider two sides of economic arguments. Part (d) questions are marked using levels of response descriptions – see Table A in the specimen mark scheme for Paper 2, available on the syllabus page at [www.cambridgeinternational.org/2281](http://www.cambridgeinternational.org/2281) and on our School Support Hub.

The paper assesses the following assessment objectives:

AO1 Knowledge and understanding

AO2 Analysis

AO3 Evaluation

## Command words

Command words and their meanings help candidates know what is expected from them in the exams. 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>Calculate</b>	work out from given facts, figures or information
<b>Define</b>	give precise meaning
<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>Explain</b>	set out purposes or reasons / make the relationships between things clear / say 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>State</b>	express in clear terms

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## 5 What else you need to know

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This section is an overview of other information you need to know about this syllabus. It will help to share the administrative information with your exams officer so they know when you will need their support. Find more information about our administrative processes at [www.cambridgeinternational.org/eoguide](http://www.cambridgeinternational.org/eoguide)

### Before you start

#### Previous study

We recommend that learners starting this course should have studied a broad curriculum such as the Cambridge Lower Secondary programme or equivalent national educational framework.

We do not expect learners starting this course to have previously studied economics.

#### Guided learning hours

We design Cambridge O Level syllabuses to require about 130 guided learning hours for each subject. This is for guidance only. The number of hours a learner needs to achieve the qualification may vary according to each school and the learners' previous experience of the subject.

#### Availability and timetables

All Cambridge schools are allocated to one of six administrative zones. Each zone has a specific timetable. Find your administrative zone at [www.cambridgeinternational.org/adminzone](http://www.cambridgeinternational.org/adminzone). This syllabus is **not** available in all administrative zones.

Cambridge O Levels are available to centres in administrative zones 3, 4 and 5.

You can enter candidates in the June and November exam series. You can view the timetable for your administrative zone at [www.cambridgeinternational.org/timetables](http://www.cambridgeinternational.org/timetables)

Check you are using the syllabus for the year the candidate is taking the exam.

Private candidates can enter for this syllabus. For more information, please refer to the *Cambridge Guide to Making Entries*.

## Combining with other syllabuses

Candidates can take this syllabus alongside other Cambridge International syllabuses in a single exam series. The only exceptions are:

- Cambridge IGCSE Economics (0455)
- Cambridge IGCSE (9–1) Economics (0987)
- syllabuses with the same title at the same level.

Cambridge O Level, Cambridge IGCSE and Cambridge IGCSE (9–1) syllabuses are at the same level.

## Making entries

Exams officers are responsible for submitting entries. We encourage them to work closely with you to make sure they enter the right number of candidates for the right combination of syllabus components. Entry option codes and instructions for submitting entries are in the *Cambridge Guide to Making Entries*. Your exams officer has access to this guide.

## Exam administration

To keep our exams secure, we produce question papers for different areas of the world, known as administrative zones. We allocate all Cambridge schools to an administrative zone determined by their location. Each zone has a specific timetable.

Some of our syllabuses offer candidates different assessment options. An entry option code is used to identify the components the candidate will take relevant to the administrative zone and the available assessment options.

## Support for exams officers

We know how important exams officers are to the successful running of exams. We provide them with the support they need to make entries on time. Your exams officer will find this support, and guidance for all other phases of the Cambridge Exams Cycle, at [www.cambridgeinternational.org/eoguide](http://www.cambridgeinternational.org/eoguide)

## Retakes

Candidates can retake the whole qualification as many times as they want to. Information on retake entries is at [www.cambridgeinternational.org/retakes](http://www.cambridgeinternational.org/retakes)

## Language

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

## Accessibility and equality

### Syllabus and assessment design

At Cambridge we recognise that our candidates have highly diverse socio-economic, cultural and linguistic backgrounds, and may also have a variety of protected characteristics. Protected characteristics include special educational needs and disability (SEND), religion and belief, and characteristics related to gender and identity.

We follow accessible design principles to make our syllabuses and assessment materials as accessible and inclusive as possible. We review language accessibility, visual resources, question layout and the contexts used in questions. Using this approach means that we give all candidates the fairest possible opportunity to demonstrate their knowledge, skills and understanding.

### Access arrangements

Our design principles aim to make sure our assessment materials are accessible for all candidates. To further minimise barriers faced by candidates with SEND, illness or injury, we offer a range of access arrangements and modified papers. This is the principal way in which we comply with our duty to make 'reasonable adjustments', as guided by the UK Equality Act 2010.

#### Important:

Requested access arrangements should be based on evidence of the candidate's barrier to taking an assessment and should also reflect their normal way of working. This is explained in section 1.3 of the *Cambridge Handbook* [www.cambridgeinternational.org/eoguide](http://www.cambridgeinternational.org/eoguide)

- For Cambridge to approve an access arrangement, we need to agree that it constitutes a reasonable adjustment and does not affect the security or integrity of the assessment.
- Details of our standard access arrangements and modified question papers are available in section 1.3 of the *Cambridge Handbook* [www.cambridgeinternational.org/eoguide](http://www.cambridgeinternational.org/eoguide)
- Centres are expected to check the availability of access arrangements and modified question papers at the start of the course. All applications should be made by the deadlines published in section 1.3 of the *Cambridge Handbook* [www.cambridgeinternational.org/eoguide](http://www.cambridgeinternational.org/eoguide)
- Contact us at the start of the course to find out if we can approve an access arrangement that is not included in the list of standard access arrangements.
- Candidates who cannot access parts of the assessment may be able to receive an award based on the parts they have completed.



## After the exam

### Grading and reporting

Grades A\*, A, B, C, D or E indicate the standard a candidate achieved at Cambridge O Level.

A\* is the highest and E is the lowest. 'Ungraded' means that the candidate's performance did not meet the standard required for grade E. 'Ungraded' is reported on the statement of results but not on the certificate.

In specific circumstances your candidates may see one of the following letters on their statement of results:

- Q (PENDING)
- X (NO RESULT).

These letters do not appear on the certificate.

On the statement of results, Cambridge O Level is shown as GENERAL CERTIFICATE OF EDUCATION ORDINARY LEVEL.

On certificates, Cambridge O Level is shown as General Certificate of Education.

## How students and teachers can use the grades

Assessment at Cambridge O Level has two purposes:

- 1 to measure learning and achievement  
The assessment confirms achievement and performance in relation to the knowledge, understanding and skills specified in the syllabus.
- 2 to show likely future success  
The outcomes help predict which students are well prepared for or likely to be successful in a particular course or career.  
The outcomes help students choose the most suitable course or career.

## Changes to this syllabus for 2027, 2028 and 2029

The syllabus has been reviewed and revised for first examination in 2027.

**You must read the whole syllabus before planning your teaching programme.**

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### Changes to syllabus content

- The syllabus aims have been updated.
- We have included a description of how the syllabus can support students to develop as Cambridge Learners.

### Subject content

- The subject content has been revised and updated. Here is a summary of the changes. Read the whole syllabus to understand all the changes.
- Some content has been removed or significantly reduced:
  - old topic 3.4 Trade unions (but referenced still in 3.3.2)
  - old topic 3.5.3 causes and forms of the growth of firms
  - old topic 4.1 The role of government
  - old topic 4.3.5 principles of taxation
  - old topic 4.7.2 changing patterns and level of employment
  - old topic 4.8 content about deflation
  - old topic 5.3.3 interpretation of population pyramid diagrams
  - old topic 6.3.5 fixed foreign exchange rates
  - under 'Factors of production', removed mobility of capital, enterprise and land (but mobility of labour is retained in 3.3.4)
  - under 'influences on households' spending, saving and borrowing', removed reference to 'between different households and over time'
  - under 'Causes and consequences of recession', removed references to PPC
  - under 'Causes of economic growth', removed references to PPC and omitted 'changes in investment and technology'
  - under Measurement of unemployment', removed references to 'claimant count'
  - under 'foreign exchange rates', removed 'The difference between, and the advantages and disadvantages of, a floating foreign exchange rate and a fixed foreign exchange rate system'.
- Some content has been added for assessment:
  - explicit references to the environment/sustainability, integrated throughout the content
  - added 'the concept of scarcity'
  - the terms 'perfectly inelastic', 'unitary elastic' and 'perfectly elastic' are included
  - 'monopoly' added as a term associated with market failure

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continued

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**Changes to syllabus content**

continued

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- ‘the non-provision of public goods’ and ‘restricted supply causing higher prices under monopoly’ added to list of implications of misallocation of resources
  - added ‘arguments for and against the mixed economic system’
  - ‘age and culture’ added to influences on household finances
  - added ‘Drawing and interpretation of diagrams illustrating national minimum wages’
  - added ‘definitions of different types of mergers’
  - added ‘Drawing & interpreting average total cost (ATC) diagrams to illustrate economies and diseconomies of scale’
  - added ‘effects of changes in investment on productivity’
  - added ‘Characteristics, advantages and disadvantages of competitive markets’
  - added ‘Effect of having only one firm on price, quality, choice profit’
  - ‘reasons for taxation’ covered more explicitly
  - ‘infrastructure spending’ added to list of supply-side policy measures
  - added ‘causes and consequences of recession’
  - ‘seasonal unemployment’ explicitly covered
  - under ‘Policies to alleviate poverty and redistribute income’, added ‘improved healthcare provision’
  - included a new topic on ‘causes and consequences of changes in globalisation’
  - added definition of specialisation by country and definition of free trade
  - added ‘reasons for trade restrictions’ and ‘advantages and disadvantages of restricting free trade’
  - added ‘Reasons for buying and selling foreign currencies’
  - added ‘definitions of floating exchange rate, appreciation and depreciation’.
- The order of some content has changed and wording has been updated to improve clarity.
  - Some topics have been reorganised and reduced in size.
  - An introductory explanation for each of the topics has been added.
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### Changes to assessment (including changes to specimen papers)

#### Assessment objectives

- The wording of the assessment objectives has been updated. The newly worded assessment objectives test most of the same knowledge and skills as in the previous syllabus.
- The weightings of the assessment objectives have changed. The weighting of AO3 Evaluation has decreased. The weightings of AO1 Knowledge and understanding and AO2 Analysis have increased.

#### Paper 1

- The total number of questions/marks has increased from 30 to 40.
- The duration has increased from 45 minutes to 1 hour.

#### Paper 2

- The total number of marks has decreased from 90 to 80.
- The duration has decreased from 2 hours 15 minutes to 2 hours.
- Question 1 in Section A has reduced in marks.
- The layout and wording of the Paper 2 Mark Scheme has changed. Overall, the marking criteria stay largely the same.

In addition to reading the syllabus, you should refer to the updated specimen assessment materials. The specimen papers will help your students become familiar with exam requirements and command words in questions. The specimen mark schemes show how students should answer questions to meet the assessment objectives.

Any textbooks endorsed to support the syllabus for examination from 2027 are suitable for use with this syllabus.



Syllabuses and specimen materials represent the final authority on the content and structure of all of our assessments.

With a Customer Services team available 24 hours a day, 6 days a week, and dedicated regional teams supporting schools in 160 countries, we understand your local context and are here to guide you so you can provide your learners with everything they need to prepare for Cambridge O Level.

### Quality management

We are committed to providing exceptional quality. In line with this commitment, our quality management system for the provision of international education programmes and qualifications for students aged 5 to 19 is independently certified as meeting the internationally recognised standard, ISO 9001:2015. Learn more at [www.cambridgeinternational.org/about-us/our-standards/](http://www.cambridgeinternational.org/about-us/our-standards/)



We are committed to making our documents accessible in accordance with the WCAG 2.1 Standard. We are always looking to improve the accessibility of our documents. If you find any problems or you think we are not meeting accessibility requirements, contact us at **info@cambridgeinternational.org** with the subject heading: Digital accessibility. If you need this document in a different format, contact us and supply your name, email address and requirements and we will respond within 15 working days.

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