

Scheme of Work

Cambridge IGCSE™ / Cambridge IGCSE (9–1)

Economics 0455 / 0987

Cambridge O Level

Economics 2281

For examination from 2020



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Introduction

This scheme of work has been designed to support you in your teaching and lesson planning. Making full use of this scheme of work will help you to improve both your teaching and your learners' potential. It is important to have a scheme of work in place in order for you to guarantee that the syllabus is covered fully. You can choose what approach to take and you know the nature of your institution and the levels of ability of your learners. What follows is just one possible approach you could take and you should always check the syllabus for the content of your course.

Suggestions for independent study (**I**) and formative assessment (**F**) are also included. Opportunities for differentiation are indicated as **Extension activities**; there is the potential for differentiation by resource, grouping, expected level of outcome, and degree of support by teacher, throughout the scheme of work. Timings for activities and feedback are left to the judgment of the teacher, according to the level of the learners and size of the class. Length of time allocated to a task is another possible area for differentiation.

Guided learning hours

Guided learning hours give an indication of the amount of contact time you need to have with your learners to deliver a course. Our syllabuses are designed around 130 hours for Cambridge IGCSE courses. The number of hours may vary depending on local practice and your learners' previous experience of the subject. The table below give some guidance about how many hours we recommend you spend on each topic area.

Topic	Suggested teaching time (% of the course)
1. The basic economic problem	It is recommended that this unit should take about 10% of the course.
2. The allocation of resources	It is recommended that this unit should take about 20% of the course.
3. Microeconomic decision makers	It is recommended that this unit should take about 20% of the course.
4. Government and the macroeconomy	It is recommended that this unit should take about 25% of the course.
5. Economic development	It is recommended that this unit should take about 10% of the course.
6. International trade and globalisation	It is recommended that this unit should take about 15% of the course.

Teaching order

The units may be taught in the order indicated above, although it would be useful to be aware of the links between different parts of the syllabus. However the units, do not necessarily have to be taught in this order. Each of the units in the scheme of work corresponds to the six sections of the syllabus, but the teaching order and the order in the syllabus could be quite different. For example, the teaching order might be strongly influenced by whether the learners had any prior knowledge of Economics or by whether they had studied other particular subjects, such as Business Studies or Geography. The teaching order might also be influenced by certain events or issues that were receiving a lot of publicity and which could help learners to understand the relevance of particular parts of the course. There might also be various cross-curricular initiatives in certain centres at particular times, such as population growth, and in such cases it would be appropriate to adjust the teaching order to take account of such initiatives.

The time allocation is an approximate guide only, but will help to give some indication of the time that will be needed to be allocated to each of the units.

Resources

The up-to-date resource list for this syllabus, including textbooks endorsed by Cambridge International, is listed at www.cambridgeinternational.org. Endorsed textbooks have been written to be closely aligned to the syllabus they support, and have been through a detailed quality assurance process. As such, all textbooks endorsed by Cambridge International for this syllabus are the ideal resource to be used alongside this scheme of work as they cover each learning objective.

Throughout this scheme of work we have referred to our Cambridge IGCSE Economics 0455 past papers. The [code] syllabus runs parallel to the 0987 syllabus content and assessment criteria. Cambridge IGCSE and Cambridge IGCSE (9–1) syllabuses are at the same level. In addition to reading the syllabus, teachers should refer to the updated specimen assessment materials.

School Support Hub

The School Support Hub www.cambridgeinternational.org/support is a secure online resource bank and community forum for Cambridge teachers, where you can download specimen and past question papers, mark schemes and other resources. We also offer online and face-to-face training; details of forthcoming training opportunities are posted online. This scheme of work is available as PDF and an editable version in Microsoft Word format; both are available on the School Support Hub at www.cambridgeinternational.org/support. If you are unable to use Microsoft Word you can download Open Office free of charge from www.openoffice.org

Websites

This scheme of work includes website links providing direct access to internet resources. Cambridge Assessment International Education is not responsible for the accuracy or content of information contained in these sites. The inclusion of a link to an external website should not be understood to be an endorsement of that website or the site's owners (or their products/services).

The website pages referenced in this scheme of work were selected when the scheme of work was produced. Other aspects of the sites were not checked and only the particular resources are recommended.

1. The basic economic problem

Syllabus ref.	Learning objectives	Suggested teaching activities
1.1 The nature of the economic problem	<p>1.1.1 finite resources and unlimited wants</p> <p>1.1.2 economic and free goods</p>	<p>Ask learners to explore the basic economic problem using a game simulating the need to survive on a desert island. For example at www.hfcsd.org/webpages/tnassivera/news.cfm browse to <i>Scarcity - Basic Concepts of Economics</i> and download the Deserted Island Simulation Game.</p> <p>In groups ask them to discuss what is likely to happen to the quantity of goods and services, such as cars, computers and computer accessories, food, clothing and financial services, that people will want in the future and whether it will be possible to meet these wants.</p> <p>In pairs ask learners to consider the similarities and differences in alternate methods of energy provision e.g. wood/coal burning versus wind or solar power; petrol cars versus electric cars. Which method(s) will provide energy furthest into the future and why?</p> <p>Provide learners with different examples of definitions of Economics, examples can be found at: www.economicdiscussion.net/economics-2/definitions/top-4-definitions-of-economics-with-conclusion/14134 and en.wikipedia.org (search for 'Definitions of Economics'. Ask them to write out the definitions in their own words or practice explaining them to a friend who has not studied Economics (I).</p> <p>Extension Activity: Ask learners to explore recent newspapers, cutting out examples of Economics news stories that reflect the different definitions of Economics. The display is titled 'Economics in the News'.</p> <p>Use the above activities to discuss with them the meaning of the terms 'finite resources' and 'unlimited wants'.</p> <p>Provide learners with a list of products they can both afford and not afford to buy. The list should also include items such as 'air' and 'sea water'. Learners in groups can then decide whether each item is an economic good or a free good.</p> <p>Ask learners to define the terms 'finite resources', 'unlimited wants', economic goods' and 'free goods'. Then ask them to explain the basic economic problem.</p>
1.2 The factors of production	<p>1.2.1 definitions of the factors of production and their rewards</p> <p>1.2.2 mobility of the factors of production</p>	<p>In groups ask learners to consider what resources would be used in the production of certain items, e.g. houses and rice. Each group focusses on a different product. All lists are shared, e.g. on flip-chart paper.</p> <p>Introduce the names of the four factors of production. Provide names and definitions on cards. In pairs ask learners to sort each factor of production card to match its definition then define and describe each factor of production in their own words.</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
	1.2.3 quantity and quality of the factors of production	<p>Give to learners the lists of resources from the previous activity and ask them to classify each item as being either land, labour, capital or enterprise. If necessary, add new items to ensure all four factors have resources identified.</p> <p>Ask them to explain in their own words the difference between land and capital and the difference between labour and enterprise (l).</p> <p>Introduce the terms rent, interest, wages, profit. In pairs ask learners to suggest definitions of these terms and match them to the four factors of production. Review their solutions, correcting any errors.</p> <p>In groups ask learners to research ways in which a country can increase the size and quality of its factors of production. Examples include: How has Qatar increased its land and labour? How has China increased its capital? How can a country encourage more people to become entrepreneurs? How can people be persuaded to move from one part of the USA to another?</p> <p>Extension activity: Learners write a job description and person specification (you may need to explain these terms that are not part of the syllabus) for the role of entrepreneur.</p>
1.3 Opportunity cost	1.3.1 definition of opportunity cost 1.3.2 the influence of opportunity cost on decision making	<p>Give learners a list of situations where they must choose between competing items, e.g. between two types of sweet, between studying Economics or Medicine, between taking the bus home or walking. For each situation, they must decide which item they would choose and why. Ask them to give reasons for their choices. Then ask learners to describe what they have chosen and what they have rejected, using the terms 'choice' and 'opportunity cost' in their responses (l).</p> <p>Provide learners with a list of products of identical price (e.g. books or mobile phone apps) and ask them which item they would successively buy as their income increases (e.g. which item would you buy if you could only afford one, etc), so revealing their rank order of preferences. Give to learners a formal definition of opportunity cost ensuring that they understand that it represents the 'next best alternative' given up when making a choice. Ask them to explain opportunity cost using the 'revealed preferences' activity above (l).</p> <p>In groups ask learners to identify and explain the factors of production and opportunity cost involved if the government were to build a new infrastructure project (e.g. the building of a new airport or a country hosting a major sporting event).</p> <p>Extension activity: Ask learners to produce a newspaper article exploring how opportunity cost affects government spending decisions e.g. in education or health care (see www.healthknowledge.org.uk/public-health-textbook/medical-sociology-policy-economics/4d-health-economics/principles-he Section 1.1 only)</p>

<p>1.4 Production possibility curve diagrams (PPC)</p>	<p>1.4.1 definition of PPC</p> <p>1.4.2 points under, on and beyond a PPC</p> <p>1.4.3 movements along a PPC</p> <p>1.4.4 shifts in a PPC</p>	<p>In groups ask learners to discuss the following questions:</p> <ol style="list-style-type: none"> 1. What would have to happen for an economy to produce the maximum possible quantity of economic goods? 2. What would happen to the quantity produced if some resources became unemployed? 3. What would happen if new resources were discovered? What would happen if there was a natural disaster (e.g. earthquake?) 4. If an economy decided to produce only capital goods for a six-month period – what would happen now and in twelve months' time to the quantity of consumer goods produced? <p>Introduce the concept of a PPC by asking learners to consider an economy producing two types of good: capital and consumer goods. Give learners, working in pairs, a blank PPC diagram with just the axes labelled and ask them to plot where the economy would be if just capital goods or consumer goods were produced. Use this to derive a straight-line PPC. Ask them to identify where on the diagram corresponds to scenarios 1 and 2 above.</p> <p>Ask learners to explain in their own words what a PPC shows and why it is called a Production Possibilities Curve (I).</p> <p>Explore with learners how a PPC can illustrate opportunity cost. Use scenario 3 to illustrate the short-term trade-off between producing more capital goods and fewer consumer goods. See www.huffingtonpost.com/john_ross-/china-india-growth_b_11655472.html and english.gov.cn/news/top_news/2017/02/16/content_281475569232643.htm. Use an adapted diagram with numerical axes to obtain numerical examples of opportunity cost.</p> <p>Discuss with learners what would happen to the potential output of both capital and consumer goods as a result of scenario 4. Use this to show and explain how a PPC can shift outwards.</p> <p>Ask learners to update their PPC diagram to explain the situations in scenario 3 as well as the result of a short-term investment in capital goods (I).</p> <p>Extension activity: Learners to explore how opportunity cost changes on a curved PPC and explain reasons why the PPC is curved (I).</p>
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Past and specimen papers

Past/specimen papers and mark schemes are available to download at www.cambridgeinternational.org/support (F)

1.1 The nature of the economic problem

Nov 2017 Paper 21 Q4b

1.2 The factors of production

Mar 2017 Paper 22 Q3a, Q3b

Jun 2017 Paper 22 Q2a

Nov 2017 Paper 22 Q4a

1.3 Opportunity cost

Mar 2016 Paper 22 Q5a

Mar 2017 Paper 22 Q7c

Jun 2017 Paper 23 Q6b

Nov 2017 Paper 22 Q3a

1.4 Production possibility curve diagrams (PPC)

Jun 2016 Paper 23 Q7c

Nov 2016 Paper 22 Q5c

Mar 2017 Paper 22 Q3c

Jun 2017 Paper 21 Q4b, Q4d

Jun 2017 Paper 22 Q2b

Nov 2017 Paper 22 Q3c

2. The allocation of resources

Syllabus ref.	Learning objectives	Suggested teaching activities
2.1 Microeconomics and macroeconomics	2.1.1 microeconomics 2.1.2 macroeconomics	<p>Provide learners with definitions of microeconomics and macroeconomics and a list of economics topics or issues. In pairs ask them to classify each topic as being either macroeconomics or microeconomics. Alternatively ask them to review their 'Economics in the News' posters from topic 1.1.</p> <p>Ask each learner in a group to investigate a different topic from list given to them in the previous activity. Ask each learner to explain to the other members of the group whether their topic is a macroeconomic or microeconomic issue.</p> <p>Extension activity: Learners identify which aspects of their topic are examples of microeconomics and which are macroeconomic.</p> <p>Once learners understand the terms macroeconomics and microeconomics they should consider the following groups: firms, employees, consumers, government, trade unions, and identify issues that they would be involved in that are either macro- or micro-economics (I).</p>
2.2 The role of markets in allocating resources	2.2.1 the market system 2.2.2 key resources allocation decisions 2.2.3 introduction to the price mechanism	<p>Show learners a photograph of a street market that shows many sellers of similar products as well as buyers (e.g. an image of a flower or fruit and vegetable street market – an image search on the internet should supply a suitable image). In groups ask them to explore issues such as: Why are there many buyers and sellers? What would happen if one seller charges double the prices of everyone else? What would happen if more buyers started visiting the market? What would happen if fewer sellers sold products at the market? What would make you want to start selling products at this market?</p> <p>Show to learners images of shortages (e.g. people queuing outside empty shops) or surpluses (e.g. piles of unsold vegetables). Ask them to describe what will happen to the prices charged for these products as a result of the surplus/shortage (I).</p> <p>Use this discussion to introduce key terms: buyers, sellers, equilibrium, disequilibrium. Ask them to identify factors that could cause a market to move to disequilibrium (e.g. buyers have more money to spend, a shortage of products for sale) and the impact of this on the prices charged at the market.</p> <p>Introduce the three key resource allocation questions: What to produce, how, and for whom. Put learners in groups – tell each group that they have been given some land and must decide what to do with it. Give each group a key piece of information about their land that is different from the other groups (e.g. one group's land is in a city centre, another group's is on a farm, another group's is a lake etc). Ask learners how they will solve the three questions for 'their' land. Ask each group to present to the other groups their answers to the three questions but the other groups have to work out what was 'special' about the land.</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>In pairs ask learners to use think-pair and share to explain how the price mechanism enables the three resource allocation questions to be answered (I).</p>
2.3 Demand	<p>2.3.1 definition of demand</p> <p>2.3.2 price and demand</p> <p>2.3.3 individual and market demand</p> <p>2.3.4 conditions of demand</p>	<p>Ask learners how many items of particular products they would buy at different prices in a week. Ask each learner to produce their own demand schedule and then use these to produce a demand schedule for the whole class and then plot the figures for the whole class on a demand diagram. Explain how the diagram represents a 'demand curve' and is used to show how changes in price results in extensions and contractions of demand.</p> <p>Ask them to plot and label a downward sloping demand curve, illustrating and defining the terms 'demand' 'demand curve' and 'extension of demand' and 'contraction in demand'. Ask them to explain how a market demand curve can be derived for the demand schedules of each individual consumer (I).</p> <p>Hold a real auction for a real product you can offer for sale (e.g. a chocolate bar that the buyer will be able to eat straight away). Ask learners to bid for the product using the money they currently possess (a key feature of this auction is that some learners will have more money available than others and so their ability to pay will be different). Once the auction is held then hold an identical auction for an identical product (e.g. a second chocolate bar). Respond to learner comments e.g. from the previous buyer who may not have been prepared to pay as much had they known a second product was available). Re-run the auction, this time giving them a budget of \$4 each. Discuss with them how the outcomes of the three auctions differ and what this reveals about the relationship between income and demand. At the end of the auction return to learners any 'payments' received from them.</p> <p>In groups ask learners to consider the possible influences on changes in demand. They could then present their findings to the class. Discuss with them which of the influences were most likely to have a significant effect in a specific market.</p> <p>Show to learners how a change in one of the conditions of demand (e.g. income) can shift the demand curve. Give them a list of possible changes in the conditions of demand and ask them to practice drawing how demand curves shift in response to these changes (I).</p> <p>Reinforce understanding by showing them two diagrams showing either an increase or decrease in demand – one coloured red the other blue. Give each learner a red card and a blue card. Show in turn a list of possible changes in the conditions of demand for a named product. For each scenario learners hold up the card that matches the colour of the correct diagram (I).</p> <p>Extension activity: Learners to consider whether an increase in income will always result in an increase in demand for all products – are there any exceptions (I)?</p>
2.4 Supply	2.4.1 definition of	<p>Ask learners whether they would be prepared to offer their services (e.g. to wash teachers' cars) at different prices. Start</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
	<p>supply</p> <p>2.4.2 price and supply</p> <p>2.4.3 individual and market supply</p> <p>2.4.4 conditions of supply</p>	<p>with a low price (e.g. zero) and slowly raise it, counting how many of them are prepared to offer their services at different prices. Keep raising the price until they have all have offered their services. Use this information to produce a supply schedule for the whole class and then plot the figures for the whole class on a supply diagram. Explain how the diagram represents a 'supply curve' and is used to show how changes in price results in extensions and contractions of supply.</p> <p>Ask learners to plot and label an upward sloping supply curve, illustrating and defining the terms 'supply' 'supply curve' and 'extension of supply' and 'contraction in supply'. Then ask them to explain how a market supply curve can be derived for the supply schedules of each individual supplier (I).</p> <p>In groups ask learners to consider the possible influences on changes in supply. They could then present their findings to the class. There could then be a discussion as to which of the influences were most likely to have a significant effect in a specific market.</p> <p>Show learners how oil extraction costs differ between countries. See graphics.wsj.com/oil-barrel-breakdown/. Ask them to explain why different countries have different costs and to explain what would happen to the world supply of oil if the price were to rise from \$20bbd to \$100bbd (I).</p> <p>In pairs ask learners to research the impact on the world supply of oil of fracking and illustrate this using a diagram. See www.vox.com/2016/1/12/10755754/crude-oil-prices-falling and money.cnn.com/2016/03/24/investing/fracking-shale-oil-boom/index.html.</p> <p>Show to learners how a change in one of the conditions of supply (e.g. a new production technique halving the cost of extracting oil – see graphics.wsj.com/oil-barrel-breakdown/ or knoema.com/vyronoe/cost-of-oil-production-by-country) can shift the supply curve. Give them a list of possible changes in the conditions of supply and ask them to practice drawing how supply curves shift in response to these changes (I).</p> <p>Reinforce understanding by showing them two diagrams showing either an increase or decrease in supply – one coloured green the other yellow. Give each learner a green card and a yellow card. Show in turn a list of possible changes in the conditions of supply for a named product – for each scenario learners hold up the card that matches the colour of the correct diagram (I).</p> <p>Extension activity: Learners to consider whether an increase in price will always result in an increase in supply for all products – are there any situations where this would not happen? (I)</p>
2.5 Price determination	<p>2.5.1 market equilibrium</p> <p>2.5.2 market</p>	<p>Give learners a demand schedule and a supply schedule for a named product (e.g. bananas) and ask them to plot the figures on a graph. Ask them to identify the equilibrium price.</p> <p>In pairs ask learners to explore what would happen if the initial market price were below equilibrium. Then ask them what</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
	disequilibrium 2.11.2 (part)	would happen if the initial price were above equilibrium. Explore with learners a disequilibrium situation, for example: www.bbc.co.uk/news/world-europe-41766352 . Ask them to explain why French butter producers were not selling their butter in France but are instead selling it abroad. Show to them how the shortage of butter in France due to low retail prices can be illustrated using a supply and demand diagram. Ask them to consider what would happen to the market for butter in France if prices were to be set by supply and demand. Show to learners how a movement towards the equilibrium can be illustrated using a supply and demand diagram. Ask them to consider different examples of disequilibrium to explore how shortages and surpluses can occur and be illustrated using supply and demand diagrams. For example: minimum and maximum prices (this will cover part of 2.11.2) (I).
2.6 Price changes	2.6.1 causes of price changes 2.6.2 consequences of price changes	Review with learners the conditions of supply and of demand, if necessary repeat the reinforcement activities in 2.3 and 2.4. Ask them to predict what would happen to price and quantity traded (these two variables only at this stage – not their impact on a supply and demand diagram) if there was an increase/decrease in supply/demand. After these predictions show them what would happen in each instance, using a supply and demand diagram to illustrate how a change in demand causes a curve to shift resulting in a new equilibrium price and quantity. Ask them to review and if necessary update their predictions (I). In pairs ask learners to review real situations, e.g. summaries of news stories, illustrating changes in demand or supply. See for example: www.telegraph.co.uk/finance/newsbysector/retailandconsumer/10653235/coffee-prices.html and www.foxbusiness.com/features/2017/09/15/copper-prices-fall-on-signs-china-slowdown.html . Reinforce understanding by showing them four diagrams showing either an increase or decrease in supply or demand and the resulting change in equilibrium price and quantity – one coloured red the others green, blue and yellow. Give each learner four cards with matching colours. Show in turn a list of possible changes in the conditions of supply or demand for named products – for each scenario learners hold up the card that matches the colour of the correct diagram (I).
2.7 Price elasticity of demand (PED)	2.7.1 definition of PED 2.7.2 calculation of PED 2.7.3 determinants of PED	Ask learners to decide how they would react if the price of all chocolate bars (or equivalent product) were to increase by 30%. How would they react if their favourite type of chocolate bar were to increase by 30% whilst all other chocolate bars stayed unchanged? Use this discussion to introduce the concept of price elasticity of demand (PED). Ask them to define PED. Show them how PED is calculated and ask them to use a demand schedule (e.g. the ones used in 2.3) to calculate PED for a given price change.

Syllabus ref.	Learning objectives	Suggested teaching activities
	<p>2.7.4 PED and total spending on a product/revenue</p> <p>2.7.5 significance of PED</p> <p>Also part of 2.11.2</p>	<p>Explain the terms 'elastic demand' and 'inelastic demand'. Ask them to define elastic and inelastic PED. Ask them to review the market for chocolate bars and consider which products are likely to have elastic demand and which are likely to have inelastic demand (I).</p> <p>Introduce to learners the factors affecting PED. Ask them to consider a range of different products and, applying these factors, predict whether the product is likely to have elastic or inelastic PED.</p> <p>Explain how the numerical value of PED is used to determine whether a product has elastic or inelastic PED. Show how these two types of elasticity can be illustrated using a supply and demand diagram and how the diagram is used to show how a fall in the price of a product with elastic PED results in an increase in revenue for the suppliers. Ask them to practice drawing supply and demand diagrams illustrating elastic and inelastic PED and their resulting impact on revenue (I).</p> <p>Explore with learners how OPEC attempts to influence the price of oil by its decisions about how much oil to supply. See auto.howstuffworks.com/fuel-efficiency/fuel-consumption/gas-price3.htm. Ask them to illustrate the market for oil (including reflecting the PED for oil in the slope of the demand curve) and how OPEC attempts to influence prices (I). In groups ask learners to produce a briefing paper for local entrepreneurs titled: "How knowing the value of your product's PED can help you set prices that increase your revenue".</p> <p>In groups ask learners to explore how the imposition of a tax on producers by government would affect the market for a product. Then ask them to explore how the value of PED might affect the revenue earned by producers as a result of the tax. They can then use this information to produce a presentation to the rest of the class called 'The best types of products to tax' (also covers part of 2.11.2).</p> <p>Extension activity: Learners to explore the implications of PED values of zero, 1 and infinity on: the demand curve and revenue changes, and also consider if there are any real-world applications of these types of PED.</p>
2.8 Price elasticity of supply (PES)	<p>2.8.1 definition of PES</p> <p>2.8.2 calculation of PES</p> <p>2.8.3 determinants of PES</p> <p>2.8.4 significance of PES</p>	<p>Ask learners to decide how they think suppliers of the following products would react if the market price for their product were to double as a result of strong demand: bread (bakers), fresh flowers (growers), cruise ships (ship builders). What would be similar and different about their responses?</p> <p>Use this discussion to introduce the concept of price elasticity of supply (PES). Ask them to define PES. Show learners how PES is calculated then ask them to use a supply schedule (e.g. the ones used in 2.4) to calculate PES for a given price change.</p> <p>Explain the terms 'elastic supply' and 'inelastic supply'. Ask learners to define elastic and inelastic PES. Then ask them to review a range of different products (e.g. the ones used above) and consider which products are likely to have elastic supply and which are likely to have inelastic supply (I).</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>Introduce to learners the factors affecting PES. Ask them to consider a range of different products and, applying these factors, predict whether the product is likely to have elastic or inelastic PES (I).</p> <p>Extension activity: Explore with learners how shortages of raw materials can affect the PES of consumer products. See www.computerweekly.com/news/450424921/Flash-memory-and-OLED-shortages-will-hit-smartphone-sales. Ask them to consider why it is that producers do not always respond to this shortage by increasing their retail prices.</p> <p>Explain how the numerical value of PES is used to determine whether a product has elastic or inelastic PES. Show how these two types of elasticity can be illustrated using a supply and demand diagram and how the diagram is used to show how a rise in demand of a product with inelastic PES results in an increase in revenue for the suppliers. Ask learners to practice drawing supply and demand diagrams illustrating elastic and inelastic PES and their resulting impact on revenue (I).</p> <p>Explore with them how knowledge of PES can enable suppliers to answer questions such as: how many copies of this book or painting should we print? Our product currently take 12 weeks to manufacture, should we try to make it quicker? We have invented a new product that nobody else can make or sell for the next five years: what price should we charge customers for it?</p> <p>Explore with learners how knowledge of PES can enable the government to answer questions such as: We want to open more schools, how expensive is this likely to be?</p> <p>Extension activity: Learners to explore the implications of PES values of zero, 1 and infinity on: the supply curve and revenue changes, and also consider real-world applications of these types of PES.</p>
2.9 Market economic system	<p>2.9.1 definition of market economic system</p> <p>2.9.2 advantages and disadvantages of the market economic system</p>	<p>Review with learners the main features of the price mechanism e.g. the role of markets, producers and consumers, resource allocation and market equilibrium.</p> <p>Ask them to define the market economic system. Then, in groups, ask them to conduct research into locations such as the USA and Hong Kong to create a list of the main features of a market economy. See www.economywatch.com/world_economy/usa/structure-of-economy.html and www.heritage.org/index/.</p> <p>In groups ask learners to explore the role of the government and private producers in their own economy and compare this with other similar and contrasting countries.</p> <p>Explain to them the main benefits and drawbacks of market economies. Ask learners to summarise them.</p> <p>Extension activity: In groups ask learners to research, and present to the rest of the class, a case for whether their own country should or should not become more of a market economy – this should include a discussion of the benefits and drawbacks if it became a more market-oriented economy.</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
2.10 Market failure	<p>2.10.1 definition of market failure</p> <p>2.10.2 causes of market failure</p> <p>2.10.3 consequences of market failure</p>	<p>Ask learners to list the benefits and drawbacks of their education and how much they would be prepared to pay to receive their education.</p> <p>Ask them to review the benefits of education using www.globalpartnership.org/education/the-benefits-of-education and www.borgenmagazine.com/get-the-facts-8-ways-education-helps-combat-global-poverty/. They can then use this information to classify benefits/drawbacks according to whether it is a benefit/drawback to themselves, their family or the rest of society. Discuss with them why individuals under-estimate the benefits to themselves of goods such as education and health care.</p> <p>Explore with learners how the above issues would work in reverse with goods such as cigarettes and high-calorie food.</p> <p>Ask learners to define the terms merit and demerit goods, private, external and social costs and benefit and relate them to the goods explored above (I). Then explain to them how merit/demerit goods and external costs/benefits give rise to market failure.</p> <p>Explore with learners how the abuse of monopoly power can result in market failure. See www.travelweekly.co.uk/articles/290083/monopoly-european-airports-levy-excessive-charges-claims-a4e and www.barrons.com/articles/pharmaceuticals-dangerous-monopoly-of-power-1502507163.</p> <p>Ask them to discuss how factor immobility can result in market failure. See www.independent.ie/irish-news/revealed-irelands-most-affluent-and-disadvantaged-areas-36304159.html. Then ask learners to consider why people cannot easily move from areas of high unemployment to low unemployment (I).</p> <p>Ask learners in groups to create a presentation to the rest of the class explaining how a specified economic activity results in market failure and whether this market failure results in under- or over-consumption of economic resources.</p> <p>Extension activity: Learners to analyse how market failure resulting from externalities/merit/demerit goods can be illustrated using supply and demand diagrams.</p>
2.11 Mixed economic system	<p>2.11.1 definition of the mixed economic system</p> <p>2.11.2 government intervention to address market failure</p>	<p>Provide learners with information about a particular economy, e.g. UK or USA. In groups ask them to consider the extent to which it is a mixed economy, and to consider what other information would have been useful to help them come to a decision. Then ask them to define the terms mixed economy, regulation, privatisation, nationalisation, direct provision (I).</p> <p>In groups ask learners to research examples of each type of government policy and present findings to rest of class. Then ask them discuss the extent to which governments can be effective in overcoming the drawbacks of the market economic system. They can then present the case either for or against government intervention in a market economy.</p>

Past and specimen papers

Syllabus ref.	Learning objectives	Suggested teaching activities
2.3 Demand		2.8 Price elasticity of supply (PES)
Nov 2016	Paper 21 Q3c	Mar 2016 Paper 22 Q6b
Jun 2017	Paper 21 Q7b	Jun 2016 Paper 21 Q4b
Jun 2017	Paper 23 Q2b, Q2c	Jun 2017 Paper 22 Q7c
Nov 2017	Paper 21 Q5b	Nov 2017 Paper 23 Q5c
Nov 2017	Paper 22 Q4d	
Nov 2017	Paper 23 Q2a	2.9 Market economic system
		Mar 2017 Paper 22 Q2c
2.4 Supply		2.10 Market failure
Jun 2017	Paper 21 Q2b	Jun 2016 Paper 21 Q5a, Q5b, Q5d
		Jun 2016 Paper 22 Q2b
2.5 Price determination		Jun 2016 Paper 23 Q4c
Jun 2017	Paper 21 Q2c	Nov 2016 Paper 21 Q3b
		Nov 2016 Paper 23 Q3a, Q3c
2.6 Price changes		Mar 2017 Paper 22 Q7a, Q7b
Mar 2016	Paper 22 Q6c	Jun 2017 Paper 21 Q2a, Q4c
Jun 2016	Paper 23 Q2c	Jun 2017 Paper 23 Q2d, Q7c
Nov 2016	Paper 22 Q2c	Nov 2017 Paper 22 Q4c
Jun 2017	Paper 22 Q6c	
Nov 2017	Paper 22 Q2c	2.11 Mixed economic system
Nov 2017	Paper 23 Q4c	Jun 2016 Paper 23 Q4d, Q5d
2.7 Price elasticity of demand (PED)		
Jun 2016	Paper 22 Q2c	
Jun 2016	Paper 23 Q2b	
Nov 2016	Paper 22 Q2a, Q2b	
Jun 2017	Paper 22 Q2c	
Jun 2017	Paper 23 Q2a	
Nov 2017	Paper 23 Q2c	

3. Microeconomic decision makers

Syllabus ref.	Learning objectives	Suggested teaching activities
3.1 Money and banking	3.1.1 money 3.1.2 banking	<p>Ask learners to each identify an object that they would like to sell. Collate the items in a single list. Tell them that they can sell the items to each other but they cannot use money. Ask them to explore how they might 'sell' their items and so enable trade to take place.</p> <p>Ask them to explain how barter is used in situations where money does not exist but that it requires a 'double coincidence of wants' in order to take place (I).</p> <p>Show learners images of objects used as money before the invention of notes and coins. See www.smosh.com/smosh-pit/knowledge/20-things-used-money-there-was-money. Ask them what all these things have in common. They can then consider why some societies might have chosen to use these items as money. Ask them why the following items would not be good to use as money: water, air, earth (dirt), human hair.</p> <p>Learners to define the terms 'characteristics of money' and to explain the main characteristics that money should possess (I).</p> <p>Having understood the main properties of money, they can then explore the main purposes (functions) of money. Show them an image of a United States ten dollar note. Ask them if they would be prepared to accept one as payment for selling an object they own. Discuss with them how money acts a medium of exchange then introduce the other main functions of money.</p> <p>Learners to define the term 'functions of money' and then explain the main functions of money (I).</p> <p>Extension activity: In groups ask learners to research the main types of money and payment systems used in the world today.</p> <p>Visit a branch of a commercial bank or, if that is not possible, ask learners to go on the website of a commercial bank, and find out as much as they can about the activities of the bank. In groups ask them to produce summary posters illustrating the ways in which individuals/households and producers use commercial banks.</p> <p>In groups ask learners to carry out research on their own central bank and that of another country. They could then give a presentation to the rest of the class, summarising their findings. Central bank websites usually provide a great deal of relevant information.</p> <p>Extension activity: Ask learners to produce a chart which clearly compares and contrasts the different functions and roles of both commercial banks and the central bank in an economy.</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
3.2 Households	3.2.1 the influences on spending, saving and borrowing	<p>In groups ask learners to identify the periods in a person's life when they might be: earning less than they spend; earning more than they spend; not earning but spending own savings or transfers from others.</p> <p>In pairs ask learners to research how earnings can change over time in a specific occupation, e.g. a lawyer or a teacher. Each pair researches a different occupation then gives feedback to the rest of the class.</p> <p>In groups ask learners to discuss the range of factors that could cause an individual's earnings to change over time; this could include factors such as changes in qualifications, training, skills, promotion; experience; periods of unemployment and retirement.</p> <p>Discuss with learners the factors that affect saving ratios for individuals within a particular country and across different countries. Ask learners to explain each factor and how it affects saving.</p> <p>In groups ask learners to investigate the savings ratio of the learners' own country and compare it with other countries, analysing why they are different and considering whether the savings ratios are likely to change in the future. See data.oecd.org and data.worldbank.org: search for 'savings rate' or 'gross domestic savings'.</p> <p>Explain the factors that affect borrowing for individuals within a particular country and across different countries. Ask learners to explain each factor and how it affects borrowing (I).</p> <p>In groups ask learners to investigate the levels of borrowing and personal debt in the their own country and compare it with other countries, analysing why they are different and considering whether levels of borrowing and personal debt are likely to change in the future. See data.oecd.org and search for 'household debt'. See also www.cityam.com/1411501631/debt-map.</p>
3.3 Workers	3.3.1 factors affecting an individual's choice of occupation 3.3.2 wage determination (including part of 2.11.2) 3.3.3 reasons for differences in earnings 3.3.4 division of	<p>Provide pair of learners with a set of cards, on each of which is listed a financial and a non-financial benefit of working. Ask each pair to:</p> <ul style="list-style-type: none"> • sort the cards into financial (wage) and non-financial (non-wage) factors. • ask one of the pair to rank the cards in terms of their own preferences for choosing an occupation. The other learner then explains how their rank order would compare (e.g. similarities and differences). <p>Then ask them to explain the wage and non-wage factors affecting a person's choice of occupation.</p> <p>Ask learners to conduct research on friends and family members – what were the three main factors each person considered as important in their choice of present occupation? The whole class then collates the results to reveal the main factors.</p> <p>Extension activity: Ask learners to analyse any similarities and differences between different types of occupation as to the most important factors influencing people's choices.</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
	labour/specialisation	<p>Ask learners whether they would prefer to work as a road sweeper or a doctor. Discuss with them the reasons for their choice. Explore with them how their choice would vary depending on relative wage levels, e.g. construct two wage-supply schedules and invite them to choose which occupation they would choose if, for example, road sweepers earned 10% more than doctors. Use this information to help construct the supply curve for labour.</p> <p>Ask learners to construct demand and supply curves for labour and to explain why explain why the labour supply curve is upward sloping and the demand curve for labour is downward sloping (I).</p> <p>In groups ask learners to explore the various factors that could influence the differences in earnings between different groups of workers e.g. teachers, doctors, nurses, hairdressers, shop and factory workers.</p> <p>They can then use supply and demand analysis to explain how discrimination can result in low wages and trade union action can increase wages (I).</p> <p>Extension activity: Ask learners to explore how the elasticity of supply and demand for labour will affect the market for labour and earnings. For example, why are some sports-people and actors paid large sums of money for their services (I)?</p> <p>In pairs ask learners to explore how changes in demand (e.g. an increase in demand for a firm's products) or supply (e.g. a lowering of the school leaving age) would affect the labour market.</p> <p>Explain to them how a minimum wage can result in a surplus of labour compared with demand. Ask them to illustrate the supply and demand impact of a minimum wage (I).</p> <p>In groups ask learners to present a case for or against a minimum wage. See for example the arguments for and against minimum wages in the USA: www.forbes.com/sites/adammillsap/2017/03/10/a-statewide-15-minimum-wage-is-a-bad-idea/ and www.alternet.org/economy/top-5-reasons-why-raising-minimum-wage-good-you-and-me.</p> <p>Introduce the concepts of specialisation and the division of labour by simulating how these concepts operate in the workplace. Use a role-play game such as: serc.carleton.edu/sp/library/simulations/examples/example8.html or www.acadiiau.ca/~dreid/games/Game_descriptions/Division_of_Labour.html or search online for 'economics division of labour game'</p> <p>In groups ask learners to consider the advantages and disadvantages of specialisation in specific occupations e.g. teachers specialising in particular subjects or other occupations, such as doctors, car workers or farm workers. If possible, it would be useful to visit a factory, farm or office where workers specialise.</p> <p>Ask them to explain the terms 'specialisation' and 'division of labour' and describe the advantages and disadvantages for workers, firms and the economy (I).</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
3.4 Trade unions	<p>3.4.1 definition of a trade union</p> <p>3.4.2 the role of trade unions in the economy</p> <p>3.4.3 the advantages and disadvantages of trade union activity</p>	<p>Introduce to learners the concept of a trade union. Ask them to define 'trade union'.</p> <p>In groups ask learners to explore the role and history of trade unions. They should explore the role and purpose of trade unions in at least one of the UK, France, Germany or the USA as well as other contrasting countries. See www.ucu.org.uk/media/4834/Factsheet-1--trade-unions/pdf/UCU_factsheet1_unions.pdf and www.equity.org.uk/about-us/what-do-we-do/.</p> <p>In pairs ask them to explore the factors influencing the strength of trade unions. See www.gov.uk/join-trade-union/trade-union-membership-your-employment-rights; blog.policy.manchester.ac.uk/featured/2014/05/trade-unions-in-decline-or-renewal/ and theconversation.com/south-africa-has-a-new-trade-union-federation-can-it-break-the-mould-76609.</p> <p>In pairs they can then prepare a case arguing for or against trade unions. They can then join a group with a contrasting opinion to hold a debate on whether trade unions are good for workers, employers and the economy.</p> <p>Extension activity: Ask learners explore the impact of trade unions on labour markets using supply and demand analysis.</p>
3.5 Firms	<p>3.5.1 classification of firms</p> <p>3.5.2 small firms</p> <p>3.5.3 causes and forms of the growth of firms</p> <p>3.5.4 mergers</p> <p>3.5.5 economies and diseconomies of scale</p>	<p>Ask learners to define the terms primary, secondary and tertiary sector; public and private sector; and large and small firms.</p> <p>Give them a list of well know local, national and international business organisations. In pairs ask them to classify the firms using the above criteria.</p> <p>Ask learners to produce a guide to new entrepreneurs outlining the benefits, drawbacks and challenges facing small businesses and their owners (I). As part of their research they could visit a local firm or hear a talk from a local entrepreneur.</p> <p>In groups ask learners to choose three firms in their own country, one small, one medium-sized and one large, and research each of them to discover the main reasons for their different sizes.</p> <p>Give learners definitions of horizontal, vertical and conglomerate mergers. Then give them a list of recent mergers and basic information about the businesses involved. Ask learners in pairs to decide which type of merger was involved in each case.</p> <p>In groups ask learners to research recent mergers, both in their own country and abroad, to discover why the mergers took place and the potential advantages and disadvantages of them.</p> <p>Ask learners to define economies of scale diseconomies of scale and to describe the main internal and external</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>economies/diseconomies of scale (I).</p> <p>Extension activity: In groups ask learners to consider which types of economies/diseconomies of scale can be experienced by different industries. Different groups could focus on particular industries, such as the car industry, the film industry and farming, and then present their findings to the whole class.</p>
3.6 Firms and production	<p>3.6.1 demand for factors of production</p> <p>3.6.2 labour-intensive and capital-intensive Production</p> <p>3.6.3 production and productivity</p>	<p>Review with learners their knowledge of the factors of production covered in 1.2.</p> <p>Give each group of learners a different production activity. Each group identifies the factors of production needed for each activity and presents their results to the class. Discuss with them the main factors affecting the demand for each factor of production, e.g. demand for the finished product, cost and speed of production of each factor.</p> <p>Ask them to define 'capital intensive production' and 'labour intensive production'. Share with them examples of labour and capital intensive production. For example, search a video hosting website for Amazon UK's television advert for December 2017 as it is an example of a capital-intensive production environment.</p> <p>Give learners in groups a particular production activity. They then discuss the relative advantages and disadvantages of using labour-intensive and capital-intensive methods of production.</p> <p>Extension activity: Ask learners to explore the effects on costs when production moves from being labour-intensive to being capital intensive (this activity could be done as part of 3.7 below when they have a sufficient understanding of different types of business costs) (I).</p> <p>Extension activity: Ask learners to review the arguments for and against labour intensive production methods in Africa. See www.cnbcfrance.com/videos/2017/05/03/africas-growth-needs-to-be-more-labour-intensive-imf/.</p> <p>Introduce the concepts of production and productivity by reminding learners of the specialisation and production activity they did in 3.4' alternatively re-do a similar activity here. See serc.carleton.edu/sp/library/simulations/examples/example8.html or www.acadiau.ca/~dreid/games/Game_descriptions/Division_of_Labour.html or search online for 'economics division of labour game'</p> <p>Ask learners to define the terms production and productivity then calculate figures for productivity and production using given data (I).</p> <p>In groups ask them to explore the factors affecting the productivity of a specific factor of production. Each group focuses on a different factor. They can conduct research and explore issues before reporting their findings to the rest of the class. As part of this they could consider issues such as: how do levels of education and training influence labour productivity; why do farmers need to fertilise their land and what happens if they don't? What happens to a vehicle if it isn't</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		maintained properly?
3.7 Firms' costs, revenue and objectives	3.7.1 definition of costs of production 3.7.2 calculation of costs of production 3.7.3 definition of revenue 3.7.4 calculation of revenue 3.7.5 objectives of firms	<p>Ask learners to define: Total cost (TC), fixed cost (FC), variable cost (VC) (I).</p> <p>Give each group a different production activity. Ask them to identify possible fixed and variable costs for each production activity. They can then give feedback to the rest of class.</p> <p>Then ask learners to explore how costs can be classified into FC, VC and then added together to result in TC. See www.tutor2u.net/business/reference/business-costs-1 (I).</p> <p>Ask them to define: average total cost (ATC), average fixed cost (AFC), average variable cost (AVC) (note that marginal cost is not required) (I).</p> <p>Provide learners with figures for a fictional business and ask them to calculate the TC, FC, VC, ATC, AFC, AVC (I). See www.tutor2u.net/economics/blog/unit-3-micro-fixed-and-variable-costs and www.s-cool.co.uk/a-level/economics/costs-and-revenues/revise-it/worked-example-of-costs-and-their-curves (note that marginal cost is not required) (I).</p> <p>Review the correct answers with learners then ask them to plot each type of cost on a graph (depending on the data used two graphs might be needed – one showing totals (TC etc.) and one showing averages (ATC etc.)) (I).</p> <p>Extension activity: Ask learners to explain in their own words the reason for the shape of each curve plotted and the inter-relationships between the various curves/types of cost.</p> <p>Review with learners their understanding of the demand schedule introduced in 2.3. Explain how the price paid by the consumer represents the price received by the firm. Then ask them to then define 'revenue', 'average revenue (AR)', 'total revenue (TR)' (note: marginal revenue is not required) (I).</p> <p>Give learners a table containing columns for output, price, average revenue and total revenue. None of the columns contains a full set of data but it should be possible to complete the table by calculating the empty cells using information supplied in the table. Ask them to calculate the missing figures. Reveal the correct answers then ask them to plot the data for AR and TR on a graph (I).</p> <p>Ask learners to define profit and explain how TR, TC is used to calculate profit. Then give them exercises to practice calculating profit (I).</p> <p>Show to them how profit maximisation can be shown on a graph showing the figures for TR and TC. Ask them to define and explain profit maximisation (I).</p> <p>In groups ask learners to consider why profit maximisation is such an important goal for many firms. They can then</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>present their findings to the whole class.</p> <p>Extension activity: In groups ask learners to study what has happened to the profits of particular organisations over a number of years and to analyse the reasons for any changes in profits. They can then present these findings to the class.</p> <p>In groups ask learners to consider other possible goals that business organisations may have, apart from profit maximisation.</p> <p>Extension activity: The class holds a debate on what should be the main aim of business organisations.</p>
3.8 Market structure	3.8.1 competitive markets 3.8.2 monopoly markets	<p>Ask learners to define the terms 'competitive market' and 'monopoly'.</p> <p>In groups ask them to consider the possible benefits to consumers of having a large number of firms competing against each other. They can then go on to contrast this with a monopoly situation where one firm controls a market. They can then consider the likely advantages and disadvantages of each market situation.</p> <p>Extension activity: Give learners examples from their own country of situations where there is a lot of competition in one economic area and a monopoly situation in another; ask them to research and compare the two situations in terms of their impact on consumers, producers and the government.</p> <p>Ask learners to prepare a presentation on the advantages and disadvantages of monopoly, making use of real examples from their own country and from abroad.</p>

Past and specimen papers

Past/specimen papers and mark schemes are available to download at www.cambridgeinternational.org/support (F)

3.1 Money and banking

Jun 2016	Paper 22 Q5b
Jun 2016	Paper 23 Q5a, Q5b, Q5c
Nov 2016	Paper 21 Q4b
Mar 2017	Paper 22 Q2b
Jun 2017	Paper 22 Q6b
Nov 2017	Paper 23 Q4d

3.2 Households

Jun 2016	Paper 22 Q7c
Nov 2016	Paper 22 Q4d
Mar 2017	Paper 22 Q5d
Nov 2017	Paper 22 Q3d

3.3 Workers

Mar 2016	Paper 22 Q2d, Q7d
Jun 2016	Paper 21 Q7c
Jun 2016	Paper 22 Q6b, Q7b
Nov 2016	Paper 21 Q7a, Q7b, Q7c, Q7d
Mar 2017	Paper 22 Q4a
Jun 2017	Paper 21 Q3b
Jun 2017	Paper 22 Q5b
Jun 2017	Paper 23 Q3a, Q3c
Nov 2017	Paper 21 Q2b
Nov 2017	Paper 22 Q3b, Q7a, Q7b
Nov 2017	Paper 23 Q5b

3.4 Trade unions

Jun 2016	Paper 23 Q3d
Nov 2016	Paper 23 Q2a, Q2b
Mar 2017	Paper 22 Q6a, Q6b
Nov 2017	Paper 23 Q3d

3.5 Firms

Mar 2016	Paper 22 Q2b, Q2c, Q3a, Q3c, Q4c
Jun 2016	Paper 21 Q4d
Nov 2016	Paper 21 Q2d
Nov 2016	Paper 23 Q3d, Q4d
Jun 2017	Paper 21 Q2d
Jun 2017	Paper 22 Q2d
Jun 2017	Paper 23 Q4d
Nov 2017	Paper 21 Q3b
Nov 2017	Paper 23 Q2d

3.6 Firms and production

Nov 2016	Paper 22 Q3a, Q6c
Nov 2017	Paper 21 Q3c
Nov 2017	Paper 22 Q5a

3.7 Firms' costs, revenue and objectives

Jun 2016	Paper 21 Q6c
Nov 2016	Paper 21 Q5b, Q5c
Nov 2016	Paper 22 Q3b, Q6b
Nov 2016	Paper 23 Q4b
Mar 2017	Paper 22 Q2d
Nov 2017	Paper 21 Q2c

3.8 Market structure

Nov 2017	Paper 21 Q2d
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4. Government and the macroeconomy

Syllabus ref.	Learning objectives	Suggested teaching activities
4.1 The role of government	4.1.1 the role of government	<p>Review with learners their understanding of the benefits and drawbacks of market systems, market failure and the role of government covered in 2.9, 2.10 and 2.11.</p> <p>Ask them to define the terms: local government and national government (I).</p> <p>In groups ask learners to research the purpose and main activities of both local and national government in their own country and, where possible, contrasting this with a country where the role and activities are different. They can then present their findings to the rest of the class.</p> <p>Extension activity: Give to each group of learners a government policy objective such as reducing regional unemployment, improving the skills of workers, encouraging a switch from the consumption of high fat to low fat food. Ask them to consider whether regulation, subsidies or a change in taxation would be more effective in achieving the objective. They can then explain their choice to the rest of the class.</p> <p>In groups ask learners to research the purpose and main activities of governments acting in the sphere of economics internationally. For example, membership of a regional trading bloc, membership of the World Trade Organisation (WTO) or the World Bank. They can then present their findings to the rest of the class.</p>
4.2 The macroeconomic aims of government	4.2.1 the macroeconomic aims of government 4.2.2 possible conflicts between macroeconomic aims	<p>Ask learners to define (in basic terms): economic growth, full employment, price stability/low inflation, balance of payments stability, redistribution of income.</p> <p>In groups ask them to examine government statements on what they are trying to achieve in terms of macroeconomic objectives. They can then assess the government's record by examining data on the above macroeconomic objectives. They can also compare the record of their own country with that of another country. See data.worldbank.org or unstats.un.org/unsd/publications/pocketbook.</p> <p>Give to each group of learners a different country to study and one of the following policy conflicts: full employment versus stable prices; economic growth versus balance of payments stability; and full employment versus balance of payments stability. Ask them to research each conflict to identify: three possible reasons for the conflict and how well their country has done in managing the policy conflict. They can then present their findings to the rest of the class.</p>
4.3 Fiscal policy	4.3.1 definition of the budget	Ask learners to define the terms 'government income', 'government spending', 'budget'.

Syllabus ref.	Learning objectives	Suggested teaching activities
	<p>4.3.2 reasons for government spending</p> <p>4.3.3 reasons for taxation</p> <p>4.3.4 classification of taxes</p> <p>4.3.5 principles of taxation</p> <p>4.3.6 impact of taxation</p> <p>4.3.7 definition of fiscal policy</p> <p>4.3.8 fiscal policy measures</p> <p>4.3.9 effects of fiscal policy on government macroeconomic aims</p>	<p>Give each group of learners a selection of recent news stories where governments are either under pressure to spend more money or to reduce spending in order to reduce taxation. Ask them to use these and their own research to produce a list of the main areas of government spending for their own country. Ask them to estimate what proportion of its budget their government should spend and does spend on each of these areas.</p> <p>Provide them with recent figures for government spending by category. See data.oecd.org/gga/central-government-spending.htm#indicator-chart or ourworldindata.org/public-spending/ or government websites. Ask them to review and update their own estimates of the proportions spent on each area.</p> <p>Ask learners to define the terms 'taxation', 'progressive taxation', 'regressive taxation', 'direct taxation' and 'indirect taxation'. They can then draw charts illustrating the relationship between level of income and proportion taken in tax for regressive, progressive and proportional taxation. Show them the correct charts and ask learners to review own charts and amend as necessary (I).</p> <p>In groups ask learners to research the main types of taxes collected in their country and classify according to the terms above. See taxfoundation.org/sources-of-government-revenue-oecd-2017/ or government websites.</p> <p>Share with learners some recent news stories about taxation in the United Kingdom. For example: www.independent.co.uk/news/uk/home-news/lowest-earners-more-tax-richest-office-national-statistics-inequality-council-tax-vat-equality-trust-a7704331.html, www.theguardian.com/technology/2015/jun/24/amazons-uk-business-paid-119m-tax-last-year and www.telegraph.co.uk/tax/inheritance/inheritance-tax-the-six-vital-loopholes/. Ask them to discuss what would make a 'fair tax' and establish broad principles for such a tax. They can then share their findings with rest of class. Provide learners with a list of the main principles of a good tax. For example see economicsconcepts.com/canons_of_taxation.htm. Ask them to compare their own principles with the ones given and if necessary refine their own list (I).</p> <p>In groups ask learners to explore the impact of taxation by considering issues such as: how, if you were working, would you respond to a 10% cut in income tax? How might a business respond to a 10% cut in profits tax if it was in a competitive market? Would this be different if it were a monopoly? What might happen if a government increased its spending at the same time as cutting taxes?</p> <p>Ask them to define the terms fiscal policy, (government) budget surplus, (government) budget deficit and government borrowing.</p> <p>Give learners recent data on government spending and revenue (e.g. using a country's recent data on public spending). Ask them to calculate the size of a budget surplus or deficit. Show the correct answer and ask them to review and correct their calculation. Repeat with different data if necessary (I).</p> <p>Extension activity: Ask learners to take part in a role-playing exercise based on different group's views on what should</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>be in the government's budget. These groups could include government ministers, the unemployed, the retired, families with young children, retailers, manufacturers and bankers. Alternatively, a computer simulation could be used, see for example (for the UK): www.virtual-worlds.biz/vwc/quick.php, or news.bbc.co.uk/1/hi/shared/spl/hi/uk/03/budget/byoc/html/byoc.stm.</p> <p>Explore with learners how changes in government spending and taxation can affect the level of demand in the economy as a whole.</p> <p>In groups ask them to predict how these changes in taxation/spending might affect each of the macroeconomic objectives introduced in 4.2. Review the outcomes with learners who, if necessary, amend their predictions. Note: aggregate demand and aggregate supply analysis is not required by the syllabus.</p> <p>Give to each group of learners a different macroeconomic aim. Ask each group to identify an appropriate fiscal policy to achieve their objective. Each group then states the policy they have chosen and the other groups have to decide if the policy would help or harm the aim.</p> <p>Ask learners to produce a newspaper article predicting how a recent change in government fiscal policy might affect their country's macroeconomic performance. The article should include a non-technical explanation of how and why these economic indicators will be affected.</p>
4.4 Monetary policy	<p>4.4.1 definition of money supply and monetary policy</p> <p>4.4.2 monetary policy measures</p> <p>4.4.3 effects of monetary policy on government macroeconomic aims</p>	<p>Ask learners to define 'interest rates', 'exchange rates', 'money supply' (in basic terms, e.g. an understanding of broad and narrow money is not required) and 'monetary policy'</p> <p>In pairs ask learners to predict how a reduction in interest rates would affect the amount of savings and borrowing. They can then predict what the impact of this would be on the level of demand in the economy and therefore the impact on the main macroeconomic indicators. They can then repeat this for an increase in interest rates. Provide them with the correct answers and ask them to review their responses and amend them if necessary.</p> <p>Explain to learners how changes in the money supply would affect the level of demand in the economy. Ask them to then predict the impact of this on the main macroeconomic indicators. Provide learners with the correct answers and ask them to review their responses and amend them if necessary (I).</p> <p>Explain to learners how a fall in a country's exchange rate will affect the price of imports and exports. Ask them to predict how both a rise and a fall in a country's exchange rate will affect the main macroeconomic indicators. Provide them with the correct answers and ask them to review their responses and amend them if necessary (I).</p> <p>Extension activity: Ask learners to research the recent monetary policy history of their country. To what extent has the country successfully used monetary policy to manage its economy?</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
4.5 Supply-side policy	<p>4.5.1 definition of supply-side policy</p> <p>4.5.2 supply-side policy measures</p> <p>4.5.3 effects of supply-side policy measures on government macroeconomic aims</p>	<p>Ask learners to define 'supply side policy' (note: an understanding of aggregate supply is not needed).</p> <p>Give to each group of learners one of the following supply side measures: education and training, labour market reforms, lower direct taxes, deregulation, improving incentives to work and invest, and privatisation. Each group researches its chosen policy area to establish: how the policy might work in improving the quantity and quality of factors of production in the economy; how this could increase the economy's total output; how it could improve international competitiveness. Each group then presents its findings to the rest of the class.</p> <p>Learners can then explore how these supply-side measures might affect the government's macroeconomic aims. Provide them with the correct answers and ask them to review their responses and amend them if necessary (I).</p> <p>Extension activity: Provide learners with a specific country to investigate and ask them to prepare a set of appropriate supply-side policies that the country should pursue. Other learners can review the extent to which the proposals are appropriate and workable for the selected country.</p>
4.6 Economic growth	<p>4.6.1 definition of economic growth</p> <p>4.6.2 measurement of economic growth</p> <p>4.6.3 causes and consequences of recession</p> <p>4.6.4 causes of economic growth</p> <p>4.6.5 consequences of economic growth</p> <p>4.6.6 policies to promote economic growth</p>	<p>Ask learners to define Real Gross Domestic Product (GDP) and explain how it is used to measure economic growth.</p> <p>Give them recent GDP data. Ask learners to use it to calculate economic growth rates for selected economies and then produce a report comparing the countries' relative economic performance (I).</p> <p>Extension activity: Ask learners to use recent GDP and price data to: distinguish between real and nominal changes in GDP; recognise the difference between a fall in the rate at which output rises and an actual fall in output (I).</p> <p>Extension activity: Ask learners to use the circular flow of income to explain how an economy's output can be measured by the output, income or expenditure methods.</p> <p>Ask learners to define GDP per head (per capita). Provide them with data for population size for the countries analysed previously and ask them to calculate GDP per head. They can then use this new data to refine their assessment of the relative economic performance of these countries (I).</p> <p>Ask learners to define the term recession. They can then review their previous analysis of GDP changes to identify periods of recession for the economies studied. In groups ask learners to conduct research into the economies and periods identified to establish some of the causes of recession. They can then share their findings with the rest of the class and use this to produce a list of the possible causes of recession.</p> <p>Review with learners their understanding of production possibility curves (PPCs) introduced in 1.4. Ask them to show</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>how a PPC is used to illustrate how a recession represents the under-use of an economy's resources.</p> <p>Ask learners to define the term economic growth. They can then review their previous analysis of GDP changes to identify periods of economic growth for the economies studied. In groups ask learners to conduct research into the economies and periods identified to establish some of the causes of economic growth. They could also explore countries with a recent record of strong economic growth, e.g. China. They can then share their findings with the rest of the class and this is used to produce a list of the possible causes of economic growth.</p> <p>Ask learners to explore how a PPC is used to illustrate how an economy can grow due to:</p> <ul style="list-style-type: none"> • a greater use of existing resources in response to increased demand • changes in investment, technology and the quality and quantity of the factors of production (I). <p>In groups ask learners to explore the benefits and costs of economic growth. They could explore this through specific countries e.g. the recent experiences of China, India, Brazil.</p> <p>Extension activity: Having examined the causes and consequences of economic growth, the class can hold a debate on what benefits and costs might be experienced as a result of their own economy increasing its output and whether this will result in improved living standards for its citizens.</p> <p>In groups ask learners to explore how fiscal, monetary and supply-side policies can be used to stimulate economic growth. They could then discuss what their own economy should do in order to improve its rate of economic growth.</p> <p>Extension activity: Ask learners to explore the implications of these policies for the government's other macroeconomic objectives and then recommend the best set of policies that should be used.</p>
4.7 Employment and unemployment	<p>4.7.1 definition of employment, unemployment and full employment</p> <p>4.7.2 changing patterns and level of employment</p> <p>4.7.3 measurement of unemployment</p> <p>4.7.4 causes/types of</p>	<p>Ask learners to define employment, unemployment and full employment.</p> <p>In groups ask learners to research a specific country and produce a report describing how its patterns of employment have changed over the past thirty years. For example, the report should cover: the change in proportion of: workers employed in the primary, secondary and tertiary sectors; workers employed in the formal and informal economy; women in the labour force; workers employed in the public sector. They can then offer explanations for these changes. These findings are then discussed by the whole class leading to a conclusion about how, as a country develops: patterns of employment change; social attitudes change; and greater market activity is encouraged.</p> <p>Explain to learners how unemployment is measured using the claimant count method and the labour market survey method. Give them labour market data and ask them to practice calculating rates of unemployment. They can then research changes in unemployment in a specific country and produce a report summarising and explaining the changes (I).</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
	unemployment 4.7.5 consequences of unemployment 4.7.6 policies to reduce unemployment	<p>Ask learners to define frictional, structural and seasonal unemployment.</p> <p>Give a set of cards to each pair of learners. Each card describes a reason why a person is unemployed. Ask each pair to match each card to one of the three types of unemployment.</p> <p>Then ask learners to investigate a specific country that has recently seen an increase in unemployment and produce a report explaining the factors influencing this change. They can then share their findings with the rest of the class and this is used to produce a list of the possible causes of increasing unemployment.</p> <p>In groups ask learners to identify consequences, both negative and positive, of unemployment for individuals, firms and the economy. Each group could then investigate a different location (e.g. region or city) that has high unemployment, to consider the implications for those involved. See harvardpolitics.com/covers/covers-fall-2017/unemployed-youth-in-spain/.</p> <p>In groups ask learners to explore how fiscal, monetary and supply-side policies is used to reduce unemployment. They could also discuss what their own economy should do in order to lower its rate of unemployment.</p> <p>Extension activity: Ask learners to explore the implications of these policies for the government's other macroeconomic objectives and then recommend the best set of policies that should be used.</p>
4.8 Inflation and deflation	4.8.1 definition of inflation and deflation 4.8.2 measurement of inflation and deflation 4.8.3 causes of inflation and deflation 4.8.4 consequences of inflation and deflation 4.8.5 policies to control inflation and deflation	<p>Ask learners to define inflation and deflation. Explain to them how the rate of inflation/deflation can be calculated as the percentage increase/decrease in the level of prices over a period of time.</p> <p>Give learners recent price data (e.g. the price index for a specific country). Ask them to calculate rates of inflation/deflation. They should plot the data both for the price index and the rate of inflation and annotate these graphs to show periods of inflation/deflation/rising or falling prices. They can then explain the difference between a fall in the rate at which the general price level is rising and a fall in the price level itself (I).</p> <p>Explain to learners how a price index is used to calculate the average change in price of a 'basket of goods' using either a simple or weighted average of changes in the price of each individual item in the 'basket of goods'. Provide them with numerical exercises so they can practice calculating price indices. They can then explore how the Consumer Price Index is used to calculate the rate of inflation. See www.tutor2u.net/economics/topics/consumer-price-index-cpi (I).</p> <p>Extension activity: Ask learners to research how their own country's consumer price index is calculated. They should consider how weights differ between countries and over time and the question of how accurately a consumer price index measures inflation. In considering how representative a consumer price index is, they could calculate a price index for themselves or review their own households rate of inflation using an online tool such as www.bbc.co.uk/news/business-</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p><u>22523612</u> (I).</p> <p>Ask learners to define demand-pull and cost-push inflation. Then give them a set of scenarios, e.g. a firm increases prices in response to an increase in orders received; a rise in the price of oil increases the cost of delivering parcels. Ask learners to decide whether the scenarios are of demand-pull or cost-push inflation.</p> <p>In groups ask learners to discuss how different groups e.g. the retired, the government, exporters, savers, borrowers, members of trade unions and workers with weak bargaining power are affected by inflation and deflation. They can then summarise their findings with a short presentation highlighting the 'winners' and 'losers' in each case.</p> <p>Extension activity: Ask learners to participate in a role-play exercise. Each group of learners is given a scenario in which the price level is being driven down by a fall in demand in the economy. Each learner in the group plays one of the following roles: a retired person with substantial savings, a person who has bought a house on a mortgage (loan), an owner of a shop selling TVs, an owner of a second-hand bookshop, a worker whose pay remains unchanged, a worker who experiences a fall in pay, a banker, a farmer and an importer of mobile phones. Those playing the roles form into two sub-groups, one supporting government action to tackle deflation and one opposing such action. They could then put their cases to the rest of the class who could vote on whether action should be taken or not. The activity could then be repeated with different learners in different roles and with a different scenario, e.g. the price level falling due to advances in technology.</p> <p>In groups ask learners to explore how fiscal, monetary and supply-side policies is used to reduce inflation (both demand-pull and cost-push) or correct deflation. They could consider this by exploring what their own economy should do in order to improve its rate of inflation.</p> <p>Extension activity: Ask learners to explore the implications of these policies for the government's other macroeconomic objectives and then recommend the best set of policies that should be used.</p>

Past and specimen papers

Past/specimen papers and mark schemes are available to download at www.cambridgeinternational.org/support (F)

4.2 The macroeconomic aims of government

Nov 2016	Paper 21 Q2c
Mar 2017	Paper 22 Q3d
Jun 2017	Paper 22 Q3d
Nov 2017	Paper 22 Q5c

4.3 Fiscal policy

Jun 2016	Paper 21 Q2a, Q2b, Q2c
Jun 2016	Paper 23 Q6b, Q6d
Nov 2016	Paper 21 Q4c
Nov 2016	Paper 22 Q7a, Q7b, Q7c, Q7d
June 2017	Paper 21 Q7a, Q7d
Nov 2017	Paper 22 Q6d
Nov 2017	Paper 23 Q3a, Q3c, Q5d, Q7b

4.4 Monetary policy

Nov 2016	Paper 22 Q4c
June 2017	Paper 21 Q3d
Nov 2017	Paper 22 Q6c

4.6 Economic growth

Mar 2016	Paper 22 Q4d
Jun 2016	Paper 22 Q6c
Jun 2016	Paper 23 Q3c
Nov 2016	Paper 23 Q6c, Q6d, Q7b
Mar 2017	Paper 22 Q6d
Jun 2017	Paper 23 Q7b
Nov 2017	Paper 21 Q4d
Nov 2017	Paper 23 Q4b, Q7c, Q7d

4.7 Employment and unemployment

Mar 2016	Paper 22 Q5b, 5c
Jun 2016	Paper 21 Q6d
Jun 2016	Paper 22 Q3b, Q3c, Q3d
Nov 2016	Paper 21 Q5d
Nov 2016	Paper 23 Q2c, Q7c
Mar 2017	Paper 22 Q7d
Jun 2017	Paper 21 Q7c
Jun 2017	Paper 22 Q5c, Q7a, Q7b
Nov 2017	Paper 21 Q7c

4.8 Inflation and deflation

Mar 2016	Paper 22 Q5b, 5d
Jun 2016	Paper 21 Q2d
Jun 2016	Paper 22 Q5d
Jun 2016	Paper 23 Q6c
Nov 2016	Paper 21 Q2d
Nov 2016	Paper 22 Q4a, Q4b
Jun 2017	Paper 21 Q5a, Q5c, Q5d
Jun 2017	Paper 23 Q5c, Q5d
Nov 2017	Paper 21 Q4a, Q6b, Q6c, Q6d
Nov 2017	Paper 23 Q7a

5. Economic development

Syllabus ref.	Learning objectives	Suggested teaching activities
5.1 Living standards	5.1.1 indicators of living standards 5.1.2 comparing living standards and income distribution	<p>Give each group of learners a range of economic and social indicators for a range of countries but leave the countries unnamed. Ask them to name the countries (this could be an educated guess) and then place the countries in rank order of living standards. Give learners the names of each country. Discuss with learners the reasons for the choices made e.g. the factors influencing the living standards rankings.</p> <p>Then ask them to explain how GDP per head is used as an indicator of living standards. They can then investigate how specific countries rank in terms of GDP per head and how this has changed in recent years; e.g. they could compare the relative performance of their own country with others such as the USA and China.</p> <p>In groups ask learners to discuss possible benefits and drawbacks of using GDP per head to judge living standards. Discuss with them their findings and use this to construct a list of the main benefits and drawbacks. Learners could be given prompts, e.g. www.economicsonline.co.uk/Global_economics/Limitations_of_GDP_statistics.html or bizfluent.com/info-8784399-limitations-gdp-per-capita.html. Alternatively these articles could be used to enable them to review and revise their own list.</p> <p>Explain to learners how the Human Development Index measures living standards. See hdr.undp.org/en/content/human-development-index-hdi. Ask them to explain how the HDI is calculated (i.e. its three components). They can then use the HDI data to compare the rankings of countries in terms of GDP per head and HDI.</p> <p>In groups ask learners to research a specific country and identify reasons for the level of living standards in that country. Discuss with them their findings and use this to construct a list of the main reasons for differences in living standards.</p> <p>Extension activity: In groups ask learners to consider how useful GDP per head, the HDI and possibly another composite measure such as the Index of Sustainable Development are as measures of living standards and to identify other indicators of living standards.</p> <p>Ask learners to define ‘distribution of income’. Explain to them how income distribution can be measured, e.g. the share of income earned by each successively richer 10% of the population.</p> <p>Provide learners with information on the different distributions of income in different countries (including, where possible, both earned income and also data showing the effects of income redistribution). In groups ask them to research a specific country and identify reasons for the distribution of income in that country. Discuss with them their findings and use this to construct a list of the main factors affecting the distribution of income.</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
5.2 Poverty	<p>5.2.1 definition of absolute and relative poverty</p> <p>5.2.2 the causes of poverty</p> <p>5.2.3 policies to alleviate poverty and redistribute income</p>	<p>In groups ask learners to produce a list of products (goods or services) that they consider to be essential to live and function in their own country. They can then compare their own lists with others in the class and lists produced elsewhere in the world. See www.dailymail.co.uk/news/article-2339523/The-20-necessities-modern-life-simply-live-without.html and adage.com/article/special-report-american-consumer-project/necessities-consumers-live/230981/.</p> <p>Ask learners to define the terms basic need, absolute poverty and relative poverty. They can then explain the difference between absolute poverty and relative poverty using the concepts of basic need and income distribution (introduced in 5.1).</p> <p>In groups ask learners to explore the extent to which absolute and relative poverty exist in their own country and have either increased or decreased in recent years. They can then make comparisons with other countries e.g. countries with similar, higher and lower GDP per head.</p> <p>Extension activity: Ask learners to review the United Nations Millennium Goal 1. To what extent will the achievement of this goal end absolute and relative poverty?</p> <p>Provide learners with a list of possible causes of poverty. Ask them to explain how each cause could be a possible cause of poverty (I). In groups ask them to explore the extent to which these factors are an explanation for the existence of poverty in the countries they studied previously.</p> <p>Provide learners with a list of possible policies to alleviate poverty and redistribute income. Ask them to explain how each policy might work and explain any potential drawbacks to each policy (I).</p>
5.3 Population	<p>5.3.1 the factors that affect population growth</p> <p>5.3.2 reasons for different rates of population growth in different countries</p> <p>5.3.3 the effects of changes in the size and structure of population on different countries</p>	<p>Provide learners with data on total population size for a country whose population is growing rapidly and one whose population is relatively stable. Ask them to calculate the annual percentage change in total population for each year and plot both the total and % change on graphs. Provide them with the correct answers and ask learners to review their calculations if necessary (I).</p> <p>In groups, ask learners to discuss possible reasons for the differences in population change between the two countries.</p> <p>Ask learners to define the terms birth rate (BR), death rate (DR), net migration (NM), immigration and emigration. Provide them with numerical exercises so they can practice calculating population changes using BR, DR and migration data. Provide them with the correct answers and ask learners to review their calculations if necessary (I).</p> <p>Learners can then use their understanding of BR, DR and migration to reconsider the possible causes of population change for the two countries in the first activity. If necessary, you could give them this data for the two countries (I).</p> <p>Divide learners into groups. Ask each group to research how one of the population change drivers (BR, DR or migration)</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>affects population change in their own country plus three contrasting others. Ask them to produce a set of reasons how and why this factor varies between countries (e.g. why is the BR higher in some countries than others?).</p> <p>Show learners a typical population pyramid for a country with a high BR and high DR. Ask them to explain how the pyramid show both the age and gender distribution.</p> <p>Ask learners what they think a population pyramid would look like for a country with a low BR and low DR. Show this to them and ask them to review their prediction (I).</p> <p>Ask learners to predict what would be the consequences on the total population size and average age of a country if it has: high birth and death rates, low birth and death rates, high birth and low death rates and low birth and high death rates. This could be explored using a computer simulation using either a spreadsheet or an online tool. See www.ined.fr/en/everything_about_population/population-games. After studying the data, ask learners to review their predictions (I).</p> <p>Show learners a range of population pyramids for contrasting countries. Ask learners to identify which countries are developed/less developed/have high/low BR and high/low DR. Reveal the correct answers and ask learners to review their understanding (I).</p> <p>In groups ask learners to research particular population changes in countries and report back to the whole class. These could include the ageing population in Japan, the high fertility rate in Tanzania, the low birth rate in Cuba, the high ratio of males to females in the United Arab Emirates, the rapid population growth in Pakistan, the decline in population in Russia and net immigration into Australia. Ask them to identify benefits and problems for these countries of these population changes.</p> <p>Ask learners to define and explain the concept of an optimum population. They can then explore the benefits and problems of underpopulation and overpopulation for a country. For example, they could explore underpopulation in Australia and overpopulation in Singapore.</p>
5.4 Differences in economic development between countries	5.4.1 differences in economic development between countries	<p>Ask learners to produce a list of the countries they think are the least developed in the world (do not at this stage define this term).</p> <p>Share with them the United Nations list of the least developed countries. See www.nationsonline.org/oneworld/least_developed_countries.htm. Ask them to compare these countries to identify what they have in common and to try to identify reasons why these countries are 'least developed'. Use this discussion to create a list of the main factors influencing the low level of economic development of these countries.</p> <p>Review with learners their understanding of concepts previously covered that are relevant to explain differences in</p>

Syllabus ref.	Learning objectives	Suggested teaching activities				
		<p>economic development: income; productivity; population growth; size of primary, secondary and tertiary sectors; saving and investment; education; and healthcare.</p> <p>In groups ask learners to discuss how these factors are of themselves consequences of low economic development and can be barriers to economic development. Learners then research examples of how these factors affect the economic development of specific countries.</p>				
Past and specimen papers						
<p>Past/specimen papers and mark schemes are available to download at www.cambridgeinternational.org/support (F)</p>						
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6. International trade and globalisation

Syllabus ref.	Learning objectives	Suggested teaching activities
6.1 International specialisation	<p>6.1.1 specialisation at a national level</p> <p>6.1.2 advantages and disadvantages of specialisation at a national level</p>	<p>Ask learners to identify countries that specialise in the production and export of specific products (e.g. Saudi Arabia in oil, Kenya in horticultural products and tea and Bangladesh in clothing). They can then explore why these countries specialise in these products. Each learner takes a specific country/product and identifies possible reasons for the specialisation. Other learners then vote on whether the reasons are plausible. This then leads to a whole class discussion resulting in a list of general factors that could explain specialisation. At this point introduce two possible explanations: 'superior resource allocation' and 'cheaper production methods'. Ask learners to define these terms and use them to classify and explain the reasons for specialisation identified earlier.</p> <p>In groups ask learners to discuss the possible benefits and drawbacks of specialisation by countries. The benefits and drawbacks should relate to: consumers of the products, producers of the products, the economies in which the consumers and producers are based. For example, they could explore the benefits and drawbacks of Ghana's specialisation in cocoa production for: cocoa producers in Ghana, consumers of chocolate in the United Kingdom, the economies of Ghana and the United Kingdom.</p> <p>Extension activity: Explore with learners how the theory of comparative advantage is used to explain the benefits of specialisation and trade.</p>
6.2 Globalisation , free trade and protection	<p>6.2.1 definition of globalisation</p> <p>6.2.2 role of multinational companies (MNCs)</p> <p>6.2.3 the benefits of free trade</p> <p>6.2.4 methods of protection (including part of 2.11.2)</p> <p>6.2.5 reasons for protection</p>	<p>Ask learners to define 'globalisation' and multinational company (MNC).</p> <p>In groups ask them to research examples of MNCs, including, where possible, examples of MNCs from abroad locating in their own country and examples of MNCs from their own country locating abroad.</p> <p>They can then hold a class debate on the benefits and drawbacks of MNCs locating in their own country. Alternatively, they could take part in a role play to consider whether a new MNC should set up operations locally.</p> <p>Ask learners to define free trade and the World Trade Organisation (WTO).</p> <p>They can then explore the workings of international trade through a role play or simulation. See www.nationalgeographic.org/activity/the-trading-game/.</p> <p>In groups ask learners to examine current cases by using newspaper articles, news websites and the WTO website, www.wto.org. Each group could explore a different issue before feeding back to the rest of the class.</p> <p>They could be asked to role play, for instance, in debating whether the USA should impose trade restrictions on Chinese</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
	6.2.6 consequences of protection	<p>shoes, learners could take the role of United States ministers, Chinese ministers, US shoe producers, Chinese shoe producers, workers in the US shoe industry, workers in the Chinese shoe industry, US consumers, Chinese consumers and WTO officials.</p> <p>Ask learners, in groups, to present either the case for or against free trade. Learners in groups focus on the benefits or drawbacks of free trade for consumers, workers, producers and government.</p> <p>Give each pair of learners two sets of cards. One set contains the names of methods of trade protection (including import tariffs and quotas, and producer subsidies). The other set contains their definitions. Each pair then matches each method to its definition.</p> <p>In groups ask learners to investigate each method and produce a short explanation of how each method could restrict imports. This should include supply and demand analysis. They can then use their explanations of each method to explore the benefits and drawbacks of protectionism. They can then prepare a presentation to the rest of the class titled 'Who are the winners and losers from trade protection?'</p>
6.3 Foreign exchange rates	<p>6.3.1 definition of foreign exchange rate</p> <p>6.3.2 determination of foreign exchange rate in foreign exchange market</p> <p>6.3.3 causes of foreign exchange rate fluctuations</p> <p>6.3.4 consequences of foreign exchange rate fluctuations</p> <p>6.3.5 floating and fixed foreign exchange rates (including part of 2.11.2)</p>	<p>Provide learners with information on current exchange rates between their own currency and others. Ask them to practice converting prices from one currency to another, e.g. by converting goods priced in the domestic currency to US dollar prices or goods priced in dollars into the domestic currency.</p> <p>Ask learners to define 'fixed' and 'floating' exchange rates. They could track recent exchange rate movements using newspapers or a currency website such as www.xe.com (navigate to 'Currency Charts'). Learners could then decide which currencies are floating and which are fixed (for this activity it would be useful to study the US dollar-Chinese Yuan ten year chart) (I).</p> <p>Then ask learners to define the terms 'appreciation' and 'depreciation' and explain how these terms is used to describe the changing value of a currency. Each learner can be responsible for tracking a specific currency and can give a weekly briefing as to how and why the currency's value has changed.</p> <p>Ask learners to study recent reports of currency movements and use this to identify possible reasons for exchange rate changes. This list can be discussed by the whole class resulting in an agreed list of factors influencing exchange rates.</p> <p>Ask learners to classify these factors into ones affecting the demand for a currency and those affecting its supply (if necessary). They can then consider what happens to the supply and demand of their countries currency on the foreign exchange markets if a local manufacturer needs to buy US dollars in order to pay for the import of raw materials such as oil) (I).</p> <p>Ask learners to use supply and demand analysis to explain how exchange rates are determined in a floating system.</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>Reinforce understanding by showing learners four diagrams showing either an increase or decrease in supply or demand for a currency and the resulting change in equilibrium price and quantity of the currency – one coloured red the others green, blue and yellow. Give each learner four cards with matching colours. Show in turn a list of possible factors affecting either the demand for or supply of a currency – for each scenario they hold up the card that matches the colour of the correct diagram (I).</p> <p>Learners can then explore the consequences of exchange rate changes. For example, they could discuss the reasons why a government might encourage its exchange rate to either appreciate or depreciate against other currencies.</p> <p>Extension activity: Ask learners to explore how the price elasticity of demand for exports and imports might influence how an appreciation or depreciation would affect the total value of exports and imports.</p> <p>Extension activity: Ask learners to consider whether their own currency is currently over- or under-valued against other countries and therefore whether it should be allowed to appreciate or depreciate. They can then recommend the best strategies for the government to use to enable the currency value to change.</p> <p>Learners can then use supply and demand analysis to explain how a government could manage the supply and demand of its currency, to keep it within a fixed range (e.g. to explain what the government would do as the exchange rate weakens and moves towards the bottom of the allowed range). As part of this they should define devaluation and revaluation and explain how these terms are different to appreciation and depreciation (I).</p>
6.4 Current account of balance of payments	<p>6.4.1 structure</p> <p>6.4.2 causes of current account deficit and surplus</p> <p>6.4.3 consequences of current account deficit and surplus</p> <p>6.4.4 policies to achieve balance of payments stability</p>	<p>Ask learners to define the terms import and export. Give them a list of economic activities and ask them to decide whether each one represents an export or an import. These activities should include relatively straightforward examples (e.g. a coat made in a local factory is sold to a shop based in another country) and then progressively more difficult examples (e.g. a foreign tourist buys a meal in a local restaurant; or a travel agent based in the capital city of country X sells a holiday to a citizen of country Y to enable them to visit country Z).</p> <p>Ask learners to define the ‘current account of the balance of payments’ and its four main components. It is important that they have an accurate understanding of the activities that would appear in each section. They could therefore revisit the previous activity and classify each activity as a good, service, income or current transfer. They could also explain each of the four parts and provide their own examples. Learners should be able to explain why remittances from foreign workers are classified as income and not a current transfer. They should also be able to explain the difference between current transfers (current account) and transfer payments (government) (I).</p> <p>Learners can then practice calculating current account balances from supplied figures e.g. calculating trade balance from import and export totals and then adding surpluses or subtracting deficits on income and current transfers. Provide learners with the correct answers and ask them to review their calculations, amending them if necessary (I).</p>

Syllabus ref.	Learning objectives	Suggested teaching activities
		<p>In groups ask learners to explore the structure of the current account for their own country and others. For example, by creating pie charts to show the relative sizes of each component and comparing these across different countries. They could then explore the impact that remittances make to the structure of the current account for countries such as Bangladesh and Senegal.</p> <p>Ask learners to review the current account performance of countries, including their own, over time. Ask them to define the terms deficit and surplus then identify periods of deficit/surplus for each country. They can then explore reasons for the changes in the current account balance. They can share their findings with the rest of the class and this can lead to a list of reasons for deficits and surpluses.</p> <p>Ask learners to explore possible consequences of current account deficits and surpluses. This should include the impact on exchange rates of a deficit and a surplus.</p> <p>In groups ask learners to identify possible policies to correct a balance of payments deficit. Discuss as a class and use this to produce a definitive list. They can then take specific policies and explain how they would help to correct either a deficit or a surplus.</p> <p>Extension activity: Ask learners to explore how the price elasticity of demand for imports and exports would affect the extent to which a change in the currency value would correct a current account imbalance. Explain to them the Marshall-Lerner condition for a successful depreciation/devaluation of a currency.</p> <p>Extension activity: Explain to learners how the use of a floating exchange rate could, in theory, be used to correct a current account deficit or surplus. Ask them to discuss whether such an automatic adjustment is likely to work in practice and if so, should this be used to correct current account imbalances in their own country?</p> <p>In groups ask learners to review their country's recent current account performance and recommend policies to correct any serious imbalance.</p>

Past and specimen papers

Past/specimen papers and mark schemes are available to download at www.cambridgeinternational.org/support (F)

6.1 International specialisation

Nov 2016 Paper 22 Q3c
Nov 2017 Paper 23 Q6b

6.2 Globalisation, free trade and protection

Mar 2016 Paper 22 Q6a, Q6d
Jun 2016 Paper 22 Q2d
Nov 2016 Paper 22 Q3d
Nov 2016 Paper 22 Q5b
Nov 2016 Paper 23 Q7d
Jun 2017 Paper 23 Q7d
Nov 2017 Paper 21 Q3d
Nov 2017 Paper 22 Q2d, Q4b
Nov 2017 Paper 23 Q6a

6.3 Foreign exchange rates

Jun 2016 Paper 21 Q3d
Jun 2016 Paper 22 Q5c
Nov 2016 Paper 21 Q2a, Q2b
Jun 2017 Paper 22 Q3c
Jun 2017 Paper 23 Q4c, Q5b

6.4 Current account of balance of payments

Mar 2016 Paper 22 Q7a, 7b
Jun 2016 Paper 21 Q4c
Jun 2016 Paper 22 Q4d
Jun 2016 Paper 23 Q2d
Nov 2016 Paper 23 Q2d
Jun 2017 Paper 21 Q5b
Jun 2017 Paper 23 Q3b
Nov 2017 Paper 21 Q5d
Nov 2017 Paper 22 Q5b, Q7c
Nov 2017 Paper 23 Q2b, Q6d

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