



**CARIBBEAN EXAMINATIONS COUNCIL**

**Caribbean Advanced Proficiency Examination  
CAPE<sup>®</sup>**

**ECONOMICS  
SYLLABUS**

**Effective for examinations from May/June 2010**

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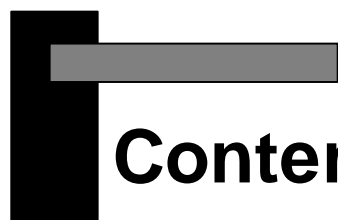
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**Please note that the syllabus was revised and amendments are indicated by italics.**

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**Please check the website [www.cxc.org](http://www.cxc.org) for updates on CXC's syllabuses.**





# Introduction

The Caribbean Advanced Proficiency Examination (CAPE) is designed to provide certification of the academic, vocational and technical achievement of students in the Caribbean who, having completed a minimum of five years of secondary education, wish to further their studies. The examinations address the skills and knowledge acquired by students under a flexible and articulated system where subjects are organised in 1-Unit or 2-Unit courses with each Unit containing three Modules. Subjects examined under CAPE may be studied concurrently or singly.

*The Caribbean Examinations Council offers three types of certification. The first is the award of a certificate showing each CAPE Unit completed. The second is the CAPE diploma, awarded to candidates who have satisfactorily completed at least six Units, including Caribbean Studies. The third is the CAPE Associate Degree, awarded for the satisfactory completion of a prescribed cluster of seven CAPE Units including Caribbean Studies and Communication Studies. For the CAPE diploma and the CAPE Associate Degree, candidates must complete the cluster of required Units within a maximum period of five years.*

*Recognised educational institutions presenting candidates for CAPE Associate Degree in one of the nine categories must, on registering these candidates at the start of the qualifying year, have them confirm in the required form, the Associate Degree they wish to be awarded. Candidates will not be awarded any possible alternatives for which they did not apply.*



# Economics Syllabus

## ◆ RATIONALE

Economics is the study of how society provides for itself by making the most efficient use of scarce resources so that both private and social welfare may be improved. The subject, therefore, covers the study of *individuals*, households, firms, government and international economic institutions as they attempt to make better use of scarce resources.

The study of Economics enables individuals to develop a better understanding of the economic issues which affect them and the world in which they live. It will also enable students to offer informed comments on economic matters. The knowledge gained from this course in Economics will be of lifelong value to the student. The influence of the subject on all areas of activity should stimulate the individual to continue reading and *conducting* research in Economics. It is recognised that persons doing this course may be drawn from different backgrounds and may possess different interests. Some may wish to study Economics as preparation for further specialisation in the subject. Others may study the subject to complement other subject disciplines, *such as*, careers in finance, accounting or law. Some students may see the subject as one worthy of study in its own right. Students of Economics will be able to contribute, significantly, to economic and social development in the Caribbean *and the wider world* by acting as catalysts for wider awareness of social and economic issues.

A study of Economics at the CAPE level will be of benefit to all students by introducing them to the philosophy which underlies everyday economic interactions. The study will also train the student to think logically, critically and impartially on a variety of contentious issues.

## ◆ AIMS

The syllabus aims to:

1. promote understanding of the basic principles and concepts of economics which are accepted in large measure by economists while recognising that the field is changing continuously;
2. develop an appreciation of the various methods used by economists in analysing economic problems;
3. develop an understanding of the global economy and of the relationships between rich and poor nations with respect to international trade and finance and the most important international financial institutions;
4. encourage students to apply economic principles, theories and tools to everyday economic problems, for example, inflation, unemployment, environmental degradation, *sustainable development* and exchange rate instability and to contribute meaningfully to any dialogue on these issues;
5. encourage students to apply economic theory to the critical issues which affect the small open Caribbean-type economy;
6. encourage students to evaluate contentious economic issues so that decision-making may be informed by logical *and critical* thinking;
7. *sensitise students to the need for ethical behaviour in the conduct of economic transactions.*

## ◆ SKILLS AND ABILITIES TO BE ASSESSED

The assessment will test candidates' skills and abilities to:

1. **identify and explain** economic theories, principles, concepts and methods;
2. **interpret, analyse and solve** economic problems using economic models and concepts;
3. **develop** structural and reasoned expositions and evaluate economic theories and policies.

## ◆ PRE-REQUISITES OF THE SYLLABUS

*Successful participation in this course of study will be enhanced by the possession of good verbal and written communications skills. A good foundation in Mathematics would be an asset to students doing this course.*

## ◆ STRUCTURE OF THE SYLLABUS

The Syllabus is arranged into two Units. Each Unit consists of three Modules, each Module requiring 50 hours.

### UNIT 1: MICROECONOMICS

Module 1	-	<i>Methodology: Demand and Supply</i>
Module 2	-	<i>Market Structure, Market Failure and Intervention</i>
Module 3	-	<i>Distribution Theory</i>

### UNIT 2: MACROECONOMICS

Module 1	-	Models of the Macroeconomy
Module 2	-	Macroeconomic <i>Problems and Policies</i>
Module 3	-	Growth, Sustainable Development and Global Relations

*Lists of resources are provided in the syllabus.* The lists provide information that may be helpful for the study of each Module.

It is advised that the topics listed in the sections do not necessarily follow sequentially. Teachers may thus introduce certain concepts before others.

It is recognised that Economics may be taught using a strictly qualitative approach or a strictly quantitative approach. However, a proper mix of the two approaches is critical to the understanding of the subject at this level. Teachers are advised, therefore, that proper delivery of the subject would involve the integration of the two approaches.



# ◆ UNIT 1: MICROECONOMICS

## MODULE 1: METHODOLOGY: DEMAND AND SUPPLY

### GENERAL OBJECTIVES

On completion of this Module, students should:

1. appreciate the main problem of economics namely, the allocation of scarce resources and the inevitability of choice;
2. understand the laws, principles and theories governing demand and supply;
3. understand the basic tools of economic analysis.

### SPECIFIC OBJECTIVES

#### TOPIC 1: Central Problem of Economics

Students should be able to:

1. explain the concept of scarcity;
2. apply the concept of opportunity cost in a variety of real-life situations;
3. explain the concept of production possibilities frontier (PPF);
4. use the production possibilities frontier to indicate constant returns, diminishing returns and increasing returns;
5. account for shifts in the production possibilities frontier (PPF);
6. differentiate between positive and normative economics;
7. outline the advantages and disadvantages of the alternative mechanisms by which resources are allocated.

### CONTENT

1. The meaning of scarcity, free goods and economic goods.
2. (a) Definition of opportunity cost.  
(b) Choice: what, how and for whom to produce.

## UNIT 1

### MODULE 1: METHODOLOGY: DEMAND AND SUPPLY (cont'd)

- (c) The concept of opportunity cost applied to economic agents (individuals, households, firms and governments).
- 3. (a) Assumptions: maximum output attainable, given full employment and constant state of technology.  
(b) Regions: attainable, unattainable, efficient and inefficient levels of production.
- 4. Production possibilities frontier: slopes and shapes.
- 5. Use of production possibilities frontier to show growth and technological change.
- 6. Examples of positive and normative statements.
- 7. Different types of economic systems: traditional, market, planned and mixed.

### SPECIFIC OBJECTIVES

#### TOPIC 2: Theory of Consumer Demand

Students should be able to:

- 1. explain the concept of utility;
- 2. explain the law of diminishing marginal utility and the limitation of marginal utility theory;
- 3. explain the meaning of indifference curves and budget lines;
- 4. explain consumer equilibrium using the marginal utility approach;
- 5. explain consumer equilibrium using the indifference curve approach;
- 6. isolate the income and substitution effects of a price change;
- 7. explain effective demand;
- 8. derive the demand curve using both the marginal utility and indifference curve approaches;
- 9. differentiate among normal, inferior and Giffen goods;
- 10. distinguish between shifts of the demand curve and movements along the curve;

## UNIT 1

### MODULE 1: METHODOLOGY: DEMAND AND SUPPLY (cont'd)

11. identify the factors that affect demand;
12. explain the meaning of consumer surplus;
13. explain price elasticity, income elasticity and cross elasticity of demand;
14. calculate numerical values of elasticity;
15. interpret numerical values of elasticity;
16. assess the implications of price elasticity of demand for total spending and revenue;
17. state the factors that determine the price elasticity of demand.

## CONTENT

1. Utility: total, marginal, cardinal (marginalist approach), ordinal (indifference curve approach).
2. (a) Explanation of diminishing marginal utility.  
(b) The main assumptions and limitations of Marginal Utility Theory.
3. Indifference curves and the budget constraint (budget lines).
4. The law of equi-marginal returns.
5. The point of tangency of the budget line to the indifference curve.
6. Income and substitution effects of a price change.
7. Effective demand.
8. Deriving the demand curve using the marginal utility as well as the indifference curve approach.
9. Normal, inferior and Giffen goods using the indifference curve approach.
10. Shift versus movements along demand curves.
11. Price and the conditions of demand.
12. Consumer surplus including graphical representations.

## **UNIT 1**

### **MODULE 1: METHODOLOGY: DEMAND AND SUPPLY (cont'd)**

13. Price, income, and cross elasticities.
14. Calculation of values of elasticity.
15. Classification and interpretations (sign and size); including the drawings and interpretations of graphs.
16. The implications of price elasticity of demand for total spending and revenue.
17. Factors that determine the price elasticity of demand.

### **SPECIFIC OBJECTIVES**

#### **TOPIC 3: Theory of Supply**

Students should be able to:

1. identify the factors of production;
2. explain the term production function;
3. differentiate between the short run and long run;
4. explain the law of diminishing returns;
5. calculate total, average and marginal physical product;
6. explain the relationships among total, average and marginal physical product;
7. identify the stages of production as they relate to total, average and marginal product;
8. calculate total, average, marginal and other costs;
9. explain the relationship among total, average and marginal costs;
10. explain why supply curves are usually positively sloped;
11. explain the concept of producer surplus;
12. explain the shape of the short run and long run supply curves;

## UNIT 1

### MODULE 1: METHODOLOGY: DEMAND AND SUPPLY (cont'd)

13. explain returns to scale and the concepts of economies and diseconomies of scale;
14. distinguish between a movement along the supply curve and a shift in the supply curve;
15. explain the concept of elasticity of supply;
16. calculate elasticity of supply;
17. interpret elasticity of supply.

### CONTENT

1. Factors of production: land, labour, capital and entrepreneurship.
2. Relationship between output and input.
3. Fixed and variable factors.
4. The law of diminishing returns.
5. Calculation of total average and marginal physical product. (See suggested teaching and learning activities).
6. Change in the relationship as input increases.
7. Production and its stages, as they relate to the total, average and marginal product including the use of graphs.
8.
  - (a) Fixed cost, variable cost, total cost, marginal cost, average fixed cost, average variable cost, average total cost, sunk costs.
  - (b) The shape of the long run average total cost curve.
  - (c) Productive optimum.
9. The relationship between total, average and marginal cost including the use of graphs.
10. Relationship between quantity supplied and price.
11. Producer surplus including graphical representations.



## UNIT 1

### MODULE 1: METHODOLOGY: DEMAND AND SUPPLY (cont'd)

12. Relationship between marginal cost and the average cost in the short run and long run. Explanation of why the supply curve is the section of the marginal cost curve above the average variable cost and average total cost.
13.
  - (a) Long run and economies of scale.
  - (b) Factors determining economies of scale.
  - (c) Internal and external economies of scale.
  - (d) Diseconomies of scale.
14. Price and the conditions of supply.
15. Concept of elasticity of supply.
16. Calculation of elasticity of supply.
17. Classification and interpretation (size of coefficient) including the drawing and interpretation of graphs.

### SPECIFIC OBJECTIVES

#### TOPIC 4: *Market Equilibrium*

Students should be able to:

1. explain the concept of the market;
2. explain market equilibrium;
3. calculate equilibrium price and quantity;
4. outline factors that cause changes in equilibrium;
5. evaluate the impact of price controls on market equilibrium;
6. analyse the effects of taxation and subsidies on market equilibrium.



## UNIT 1

### MODULE 1: METHODOLOGY: DEMAND AND SUPPLY (cont'd)

#### CONTENT

1. The concept of the market.
2. Equilibrium price, equilibrium quantity.
3. Use of demand and supply data to calculate equilibrium price and quantity.
4. Changes in conditions of supply and demand.
5. The effects of price ceilings and price floors on equilibrium.
6. (a) *The effects of taxation and subsidies on market equilibrium.*  
(b) *The incidence of an indirect tax.*

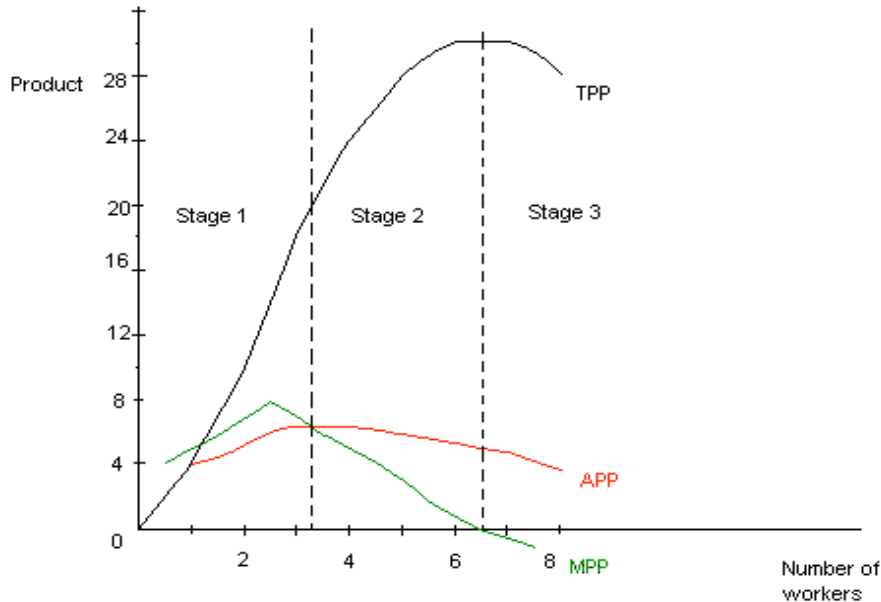
#### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Module, teachers are advised to engage students in the teaching and learning activities listed below.*

1. For topic 1, Central Problem of Economics, let students provide examples from personal life, the home, firms and government to demonstrate opportunity cost and the production possibilities frontier (PPF).
2. For topic 2, Theory of Consumer Demand, let students derive their own schedule and plot the demand curve for commodities which they use in their everyday lives.
3. For utility, use water or any other drink to show the different levels of satisfaction (utility). Use the data to derive total and marginal utility curves.
4. For the concept of elasticity, teachers may use two types of materials, one that could change in varying degrees and the other which remains the same regardless of circumstances. Teachers should then apply this concept to market conditions illustrating the concepts of elasticity and inelasticity.
5. For deadweight loss, teachers may use the graphs for consumer and producer surplus to show how market intervention may lead to loss welfare (deadweight loss).
6. For stages of production, allow students to derive the total average and marginal product curves using simulated data. Use the results of the graphs to point out the different stages of production. An example is given below.

**UNIT 1**  
**MODULE 1: METHODOLOGY: DEMAND AND SUPPLY (cont'd)**

GRAPH SHOWING THE STAGES OF PRODUCTION



- (i) Stage 1 occurs up to the point where  $APP_L$  is at its maximum.
- (ii) Stage 2 occurs from the point where  $APP_L$  is at a maximum up to the point where  $MPP_L$  is zero. In this stage new workers add to total physical output.
- (iii) Stage 3 occurs when  $MPP_L$  is negative.

The producer will operate in stage 2. In stage 1 there is insufficient labour being used (up to the point where  $MPP_L$  is at its maximum) and the output per worker is increasing. In stage 3 the producer gets no addition to total physical output from additional workers. It would be possible to have more total physical product with less labour applied to a fixed factor (say machinery).



## **UNIT 1**

### **MODULE 2: MARKET STRUCTURE, MARKET FAILURE AND INTERVENTION**

#### **GENERAL OBJECTIVES**

On completion of this Module, students should:

1. appreciate the distinction between the different types of market structures;
2. develop awareness of the causes of market failure;
3. appreciate the measures that can be adopted to reduce or eliminate market failure;
4. appreciate the arguments which suggest that government intervention may not necessarily improve economic performance.

#### **SPECIFIC OBJECTIVES**

##### **TOPIC 1: Market Structure**

Students should be able to:

1. outline the goals of the firm;
2. explain how firms measure profits;
3. explain the concepts of average, marginal and total revenue;
4. explain the concept of market structure;
5. outline the characteristics of the different market structures;
6. distinguish among the different market structures;
7. explain the factors that influence the pricing and output decisions of the firm;
8. calculate measures of industrial concentration;
9. interpret measures of industrial concentration.

## UNIT 1

### MODULE 2: MARKET STRUCTURE, MARKET FAILURE AND INTERVENTION (cont'd)

#### CONTENT

1. Profit maximization, growth, satisficing, sales and revenue maximization, market dominance.
2. Total revenue, total cost, normal and economic (abnormal) profit.
3. Relationship between average, marginal and total revenue.
4. Types of market structures: perfect competition, monopoly including price discrimination, monopolistic competition, oligopoly and cartels.
5. Characteristics of the different market structures.
  - (a) *barriers to entry;*
  - (b) *control over market and price;*
  - (c) *nature of the good;*
  - (d) *numbers of buyers and sellers;*
  - (e) *competitive behaviour and performance.*
6. Focus on all characteristics of the different markets in addition to profit maximization.
  - (a) *Examples of close approximations of market structures in the Caribbean.*
7. Marginal cost and marginal revenue, total cost and total revenue, marginal cost pricing and average cost pricing.
8. Herfindahl Hirschman Index - the percentage of an industry's output produced by its four largest firms (four-firm concentration ratio):
$$H = \sum_{i=1}^n s_i^2$$
where  $s_i$  is the market share of firm  $i$  in the market, and  $n$  is the number of firms.
9.
  - (a) *Interpretation related to market structures.*
  - (b) *Limitations of measures of industrial concentration.*

## UNIT 1

### MODULE 2: MARKET STRUCTURE, MARKET FAILURE AND INTERVENTION (cont'd)

#### SPECIFIC OBJECTIVES

##### TOPIC 2: Market Failure

Students should be able to:

1. explain the concept of economic efficiency;
2. distinguish among private goods, public goods and merit goods;
3. distinguish between social costs and private costs and social benefits and private benefits;
4. explain the concept of market failure;
5. explain what is meant by deadweight loss;
6. outline the causes of market failure.

#### CONTENT

1. Inclusion of discussion of Pareto efficiency.
2. (a) *Examples of private goods, public goods and merit goods.*  
(b) *Discussion of issues of rivalry and exclusion.*
3. Social costs, private costs, social benefits, private benefits, external costs, external benefits. Use of graphical representations.
4. Divergence of social costs and social benefits and efficiency. Use of graphical representations.
5. Deadweight loss including verbal and graphical representations.
6. Causes of market failure:
  - (a) *monopoly;*
  - (b) *public goods and merit goods;*
  - (c) *externalities: positive and negative;*

## UNIT 1

### MODULE 2: MARKET STRUCTURE, MARKET FAILURE AND INTERVENTION (cont'd)

- (d) *divergence between social and private costs and social and private benefits;*
- (e) *imperfect information;*
- (f) *asymmetric information: adverse selection and moral hazard;*
- (g) *open access to resources;*
- (h) *lack of property rights (squatting, streams, ocean);*
- (i) *non-existence of markets (for trading).*

### SPECIFIC OBJECTIVES

#### TOPIC 3: Intervention

Students should be able to:

1. evaluate the measures used by government to correct market failure;
2. evaluate the measures used by the private sector to correct market failure.

### CONTENT

1. Measures used by government to control market failure:
  - (a)
    - *regulation;*
    - *anti-trust policy;*
    - *taxation;*
    - *privatisation and deregulation;*
    - *state ownership;*
    - *subsidies;*
    - *legislation;*
    - *market creation (tradable permits);*
  - (b) *pros and cons of government intervention;*
  - (c)
    - *merits and demerits;*
    - *effectiveness of intervention in Caribbean societies (effect of small size in relation to policy making).*



## UNIT 1

### MODULE 2: MARKET STRUCTURE, MARKET FAILURE AND INTERVENTION (cont'd)

2. Private Sector Intervention:
  - (a) *corporate code of conduct;*
  - (b) *corporate social responsibility;*
  - (c) *voluntary agreements;*
  - (d) *corporate ethics.*

#### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Module, teachers are advised to engage students in the teaching and learning activities listed below.*

1. For price discrimination, teachers could identify the first, second and third degree price discrimination using different examples from students' experiences. Teachers should then illustrate by use of diagrams.
2. For the kinked demand curve model, teachers may use the daily newspaper or mobile phone industry as examples.

## **UNIT 1**

### **MODULE 3: DISTRIBUTION THEORY**

#### **GENERAL OBJECTIVES**

On completion of this Module, students should:

1. understand what accounts for the returns that accrue to the owners of the factors of production;
2. appreciate the issues surrounding poverty and the measures used to alleviate poverty;
3. develop skills in applying microeconomic analysis to critical social issues involving income inequality.

#### **SPECIFIC OBJECTIVES**

##### **TOPIC 1: The Demand for and Supply of Factors**

Students should be able to:

1. explain the rewards of the factors of production;
2. explain the concept of derived demand;
3. outline the marginal productivity theory;
4. apply the marginal productivity theory to the demand for land, capital and labour;
5. *analyse* the factors affecting the supply of land, capital and labour;
6. *analyse* the factors determining rent, interest and wages;
7. distinguish between transfer earnings and economic rent.

#### **CONTENT**

1. Rent, interest, wages and profits.
2. Derived demand.
3. (a) The assumptions and limitations of Marginal Productivity Theory.  
(b) Marginal Physical Product, Marginal Revenue Product and their relationship.

**UNIT 1**  
**MODULE 3: DISTRIBUTION THEORY (cont'd)**

4. The value of the Marginal Product:
  - (a) land;
  - (b) labour;
  - (c) capital - using present value (use of graphical representation required).
5. The fixity of land, the supply of loanable funds and the labour supply.
6. The demand for and supply of factors.
7. Numerical, graphical and verbal explanations of transfer earnings and economic rent.

**SPECIFIC OBJECTIVES**

**TOPIC 2: *Wage Differentials***

Students should be able to:

1. explain the concept of wage differentials;
2. analyse imperfections in the labour market;
3. analyse the effect of labour mobility on wages;
4. explain the concept of compensating wage differentials;
5. explain the role of Government, Trade Unions and Employers' Associations in the pricing of labour.

**CONTENT**

1. Differences in wages within industries and among industries.
2. Imperfections on the demand side (for example, differences in marginal productivity) and on the supply side (for example, geographical immobility).
3. The mobility and immobility of labour; geographical (migration of workers), occupational.
4. Compensating (equalizing) differentials.

## UNIT 1

### MODULE 3: *DISTRIBUTION THEORY* (cont'd)

5. The minimum wage rate; monopsonies; migration of workers; collective bargaining; trade union strategies, the role of employers' associations; efficiency wage.

### SPECIFIC OBJECTIVES

#### TOPIC 3: *Income inequality, Poverty and Poverty Alleviation*

Students should be able to:

1. differentiate between size and functional distribution of income;
2. explain the concept of income inequality;
3. explain the measures of income inequality;
4. explain the measures used to reduce income inequality;
5. distinguish between absolute and relative poverty;
6. outline factors that contribute to poverty;
7. explain why certain categories of people are more susceptible to poverty than others;
8. *evaluate* the different ways used to measure poverty;
9. outline strategies used by Governments to alleviate poverty;
10. analyse the economic costs of poverty;
11. *assess* the economic benefits of government intervention to alleviate poverty.

### CONTENT

1. Size and functional distribution of income.
2. How income is distributed.
3. Lorenz curve measurement of income inequality; and Gini coefficient (interpretation only).
4. Measures to reduce inequality: taxes, subsidies, transfers.





**UNIT 1**  
**MODULE 3: DISTRIBUTION THEORY (cont'd)**

5. Absolute versus relative poverty.
6. Factors that contribute to poverty including:
  - (a) *social and physical environment;*
  - (b) *discrimination – gender, race;*
  - (c) *restrictions on certain economic activities;*
  - (d) *non-ownership of resources;*
  - (e) *family size;*
  - (f) *single parent; female-headed families.*
7. *Persons who are most susceptible to poverty:*
  - (a) *people with special needs;*
    - (i) *physically challenged;*
    - (ii) *elderly;*
    - (iii) *youth;*
    - (iv) *single parent families;*
    - (v) *indigenous people;*
  - (b) *reasons – Limited access to employment, level of training, legislation, availability of income to share among family.*
8. *Ways used to measure poverty:*
  - (a) *basic needs;*
  - (b) *poverty line;*
  - (c) *head count;*
  - (d) *UNDP Human Development Index (HDI).*

**UNIT 1**  
**MODULE 3: DISTRIBUTION THEORY (cont'd)**

9. Strategies to alleviate poverty:
- (a) *transfer payments;*
  - (b) *free education and health care;*
  - (c) *housing;*
  - (d) *minimum wage legislation;*
  - (e) *equal employment opportunities;*
  - (f) *Government employment creation (special works programmes).*
10. The cost of poverty, including:
- (a) *unemployed human resources;*
  - (b) *lower potential output;*
  - (c) *inefficient allocation of Government expenditure;*
  - (d) *social and environmental costs.*
11. Economic benefits including:
- (a) *provision of education and health leading to development of human capital;*
  - (b) *improvement in wellbeing as measured by the UNDP (HDI);*
  - (c) *more equitable distribution of income.*

**Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Module, teachers are advised to engage students in the teaching and learning activities listed below.*

1. Use knowledge from topic 3, unit 1, Theory of Supply, to derive the demand curve for factors of production.
2. Teachers may use graphical representation of the Lorenz Curve to illustrate unequal distribution of income. Teachers should also relate the Lorenz Curve to the GINI coefficient. Also show the effect of taxes on the Lorenz Curve and the GINI coefficient.

## ◆ UNIT 2: MACROECONOMICS

### MODULE 1: MODELS OF THE MACROECONOMY

#### GENERAL OBJECTIVES

On completion of this Module, students should:

1. appreciate the notion of National Income accounting and the importance of these accounts for macroeconomic theory and policy;
2. understand the views of the classical keynesian and monetarists schools;
3. understand the factors that influence the level of investment in an economy.

#### SPECIFIC OBJECTIVES

##### TOPIC 1: National Income *Accounting*

Students should be able to:

1. explain the circular flow of income;
2. explain the concept of National Income Accounting;
3. explain the different ways of deriving National Income Accounts;
4. interpret National Income statistics;
5. use National Income accounts to analyze the performance on an economy as a whole;
6. derive real GDP from nominal GDP;
7. explain the limitations of GDP.

#### CONTENT

1. Economic agents.
2. Gross Domestic Product (GDP), Gross National Product (GNP) and other measures.
3. Calculation of GDP, GNP and their components (personal income, disposable income), Net National Income (NNI), and per capita income; avoidance of double counting.

## UNIT 2

### MODULE 1: MODELS OF THE MACROECONOMY (cont'd)

4. Total measures:
  - (a) *GDP at market prices;*
  - (b) *GDP at factor costs.*
5. Use of National income accounts to measure economic performance over time and to make inter-country comparisons.
6. Calculation of real and nominal GDP using the price deflator.
7. Limits of National Income Accounts as a measure of well-being:
  - (a) *non-inclusion of the informal sector (the underground economy, illegal activities);*
  - (b) *non-payment for do-it-yourself activities;*
  - (c) *non-accounting for externalities, environmental degradation (Green GDP);*
  - (d) *the fact that it measures changes in the value of output but not changes in the quality of life.*

### SPECIFIC OBJECTIVES

#### TOPIC 2: Classical models of the Macroeconomy

Students should be able to:

1. explain why within the classical model, all employment is voluntary;
2. explain how full employment is restored in the classical model;
3. explain the factors that influence aggregate demand;
4. explain the factors that influence aggregate supply;
5. interpret the classical long run supply curve;
6. explain price level determination within the classical model;
7. use the classical aggregate demand and supply model to show changes in the price level and employment.

## **UNIT 2**

### **MODULE 1: MODELS OF THE MACROECONOMY (cont'd)**

#### **CONTENT**

1. Flexibility of wages and prices.
2. The role of wage price and interest rate flexibility.
3. The factors that influence aggregate demand:
  - (a) consumer spending;
  - (b) investment spending;
  - (c) Government spending;
  - (d) net export spending.
4. Factors that influence aggregate supply including changes in input prices and incomes.
5. The assumptions of the vertical aggregate supply curve.
6. The interaction of the classical aggregate demand and supply curves.
7. Shifts in the aggregate demand and aggregate supply curves.

#### **SPECIFIC OBJECTIVES**

##### **TOPIC 3: Basic Keynesian Models**

Students should be able to:

1. explain the consumption function;
2. explain the relationship between saving and consumption;
3. calculate the simple multiplier;
4. explain the effect of changes in investment on national income;
5. explain the effect of government spending on national income;
6. describe the effect of withdrawals and injections on national income;

## UNIT 2

### MODULE 1: MODELS OF THE MACROECONOMY (cont'd)

7. explain the relationship between net exports and national income;
8. determine the equilibrium level of national income;
9. explain inflationary and deflationary gaps.

#### CONTENT

1. Autonomous and induced consumption.
2. (a) Income = consumption plus saving.  
(b) marginal propensity to consume and save.  
(c) average propensity to consume and save.
3. Simple multiplier  $\left(\frac{1}{1 - mpc}\right)$ .
4. Relationship between changes in investments and national income.
5. Government's expenditure and its effects on national income.
6. (a) Concepts of injections and withdrawals in an economy.  
(b) The effect of injections and withdrawals on national income.  
(c) Small multipliers in the Caribbean context due to leakages.
7. (a) Relationship between net exports (x - m) and national income.  
(b) Exports as an injection and imports as a withdrawal.
8. Determination of equilibrium income using:  
(a) 45 ° line or E=Y;  
(b) withdrawals and injections approach;  
(c) the Keynesian aggregate demand and supply curves (long run and short run).

## UNIT 2

### MODULE 1: MODELS OF THE MACROECONOMY (cont'd)

9.
  - (a) Full employment level of output.
  - (b) Actual level of output.
  - (c) Equilibrium level of national income could be either below, at or above potential level of output.

### SPECIFIC OBJECTIVES

#### TOPIC 4: Investment

Students should be able to:

1. explain the concept of investment;
2. differentiate between the investment demand curve and the investment curve;
3. explain the accelerator theory;
4. outline the factors that account for the volatility of investment.

### CONTENT

1. Investment (induced and autonomous).
2.
  - (a) Marginal efficiency of capital (investment demand as a function of expected rate of return).
  - (b) Marginal efficiency of investment (non-interest rates as determinants of investment demand, taxes, costs, stock of capital goods on hand expectations).
3. Accelerator theory of investment.
4. Determinants of investment:
  - (a) The accelerator;
  - (b) Durability;
  - (c) Irregularity of innovation;
  - (d) Variability of profits, expectations and interest rates.

## UNIT 2

### MODULE 1: MODELS OF THE MACROECONOMY (cont'd)

#### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Module, teachers are advised to engage students in the teaching and learning activities listed below.*

1. For topic 1, teachers should pay special attention to the rules of accounting working from the GDP down to consumption and savings. Teachers should also deal with the concepts such as market price and factor costs, as well as real GDP and normal GDP. Make use of the circular flow diagram from the closed economy to the open economy.
2. For topic 2, Classical Models of the Macroeconomy, teachers should use graphs to emphasise flexibility and the automatic return to equilibrium.
3. For topic 3, teachers could demonstrate the operation of the multiplier by using data to show the successive rounds of spending. Calculations and graphical representations of the multiplier are required.
4. Use the 45° line and average demand and average supply to show inflationary and deflationary gaps.
5. For topic 4, Investment, teachers may use tables to illustrate and explain the accelerator, that is, the necessity to increase expenditure, constantly, for investment.



## **UNIT 2**

### **MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES**

#### **GENERAL OBJECTIVES**

On completion of this Module, students should:

1. understand the reasons why an economy may be characterised by unemployment and how intervention may be used to improve economic performance;
2. appreciate the role of the Central Bank in the economy;
3. understand monetary and fiscal policy and their applications;
4. understand the nature and burden of the national debt.

#### **SPECIFIC OBJECTIVES**

##### **TOPIC 1: Unemployment and Inflation**

Students should be able to:

1. explain what is meant by the labour force;
2. explain the unemployment rate;
3. distinguish between unemployment and underemployment;
4. evaluate the costs of unemployment;
5. explain the causes of unemployment;
6. evaluate the policies used to reduce unemployment;
7. explain the causes of inflation;
8. distinguish between real and nominal variables;
9. explain how inflation is measured;
10. explain the causes of inflation;
11. evaluate the effects of inflation;

## UNIT 2

### MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES (cont'd)

12. evaluate the policies used to combat inflation;
13. explain the relationship between the unemployment rate and inflation.

## CONTENT

1. Employed and unemployed.
2. The unemployment rate.
3. Unemployment and underemployment.
4. The effect on output, income and growth: additional financial burden on the state; social costs.
5. Labour immobility, other market imperfections, structural changes in the economy, inadequate aggregate demand, increase in labour force participation rate, seasonality, intervention.
6. Fiscal policy, monetary policy, wage subsidies, retraining programmes, investment tax credit, employment tax credit, government employment programmes, reducing market imperfections.
7. Inflation: general price level.
8. Real and money wages:
  - (a) real and nominal GDP;
  - (b) real and nominal interest rate.
9. The GDP deflator; the retail price index; the producer price index. Calculations and limitations of the indices.
10. Demand shocks, supply shocks, increase in the money supply growth rate.
11. The costs and benefits of inflation: the impact of redistribution of wealth; impact of business activity and growth, impact on the balance of payments.
12. Income policy, monetary policy, fiscal policy and supply side measures.
13. Trade-off between inflation and the rate of unemployment: Phillips curve – stagflation.

## UNIT 2

### MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES (cont'd)

#### SPECIFIC OBJECTIVES

##### TOPIC 2: *Monetary Theory and Policy*

Students should be able to:

1. explain the concept of money;
2. outline the functions of money;
3. explain the demand for money;
4. explain the supply of money;
5. explain monetary policy;
6. explain how the money supply is controlled;
7. explain how money is created in the banking system;
8. explain why residents substitute foreign for domestic currency;
9. explain the Quantity Theory of Money;
10. outline the types of monetary policy;
11. describe the effects of monetary policy on national income;
12. evaluate the limitations of monetary policy.

#### CONTENT

1. (a) The meaning of money.  
(b) Types of money: token and commodity.
2. Functions of money.
3. (a) Liquidity Preference Theory.  
(b) Motives for holding money (transactions, precautionary, speculative).



## UNIT 2

### MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES (cont'd)

4. The money supply (M1, M2).
5. Monetary policy – expansionary and contractionary policies.
6.
  - (a) The role of the central bank in creating high-powered money (monetary base).
  - (b) Instruments of monetary control:
    - (i) open market operations;
    - (ii) discount rates;
    - (iii) financing fiscal deficits;
    - (iv) reserve requirements;
    - (v) moral suasion;
    - (vi) interest rates.
7.
  - (a) Excess reserves.
  - (b) Credit creation.
  - (c) The money multiplier.
8. The nature of currency substitution and hoarding.
9. The Quantity Theory of money.
10.
  - (a) Tight monetary policy (inflation).
  - (b) Easy monetary policy (unemployment).
  - (c) Balance of payments.
11. How monetary policy affects national income.
12. Limitations of monetary policy including the fact that it is:
  - (a) *permissive, not compelling and only creates the environment;*

## **UNIT 2**

### **MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES (cont'd)**

- (b) difficult to control the money supply of foreign-owned commercial banks;
- (c) difficult to eliminate lags in monetary policy;
- (d) weakened by fiscal indiscipline.

### **SPECIFIC OBJECTIVES**

#### **TOPIC 3: Fiscal Policy**

Students should be able to:

1. explain the concept of fiscal policy;
2. outline the goals of fiscal policy;
3. explain the nature of the budget;
4. explain the balanced budget multiplier;
5. outline methods of financing budget deficits;
6. evaluate the limitations of fiscal policy;
7. distinguish between discretionary and non-discretionary fiscal policy.

### **CONTENT**

1. The meaning of fiscal policy.
2. Fiscal policy as a means of addressing:
  - (a) aggregate demand;
  - (b) unemployment;
  - (c) inflation;
  - (d) balance of payments.

## UNIT 2

### MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES (cont'd)

3. The nature of the budget:
  - (a) taxation, revenue, transfer, expenditure;
  - (b) budget surplus and budget deficit;
  - (c) balanced budget.
4. Explanation of the balanced budget multiplier.
5. Methods of financing budget deficits including external and domestic borrowing.
6. Lags and potency of fiscal policy.
7.
  - (a) Expansionary and contractionary.
  - (b) Automatic stabilisers.

### SPECIFIC OBJECTIVES

#### TOPIC 4: Public Debt

Students should be able to:

1. explain the national debt;
2. explain the cause of the national debt;
3. evaluate the effects of the national debt on the economy;
4. explain the burden of the national debt;
5. evaluate ways of reducing the debt burden;
6. interpret the debt service ratio;
7. calculate the debt service ratio.

## UNIT 2

### MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES (cont'd)

#### CONTENT

1. The national debt:
  - (a) stock/flow;
  - (b) fiscal indiscipline;
  - (c) domestic and foreign debt.
2. The causes of the national debt.
3. The effects of the national debt on the economy:
  - (a) output and investment decisions;
  - (b) exchange rate pressures;
  - (c) inflation;
  - (d) crowding out and crowding in.
4. The responsibility for debt repayment.
5. Management of the national debt:
  - (a) internal and external borrowing;
  - (b) taxation;
  - (c) debt rescheduling;
  - (d) debt forgiveness.
6. Interpretation of the debt service ratio.
7. Calculation of the debt service ratio (principal plus interest as a percentage of export).

## UNIT 2

### MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES (cont'd)

#### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Module, teachers are advised to engage students in the teaching and learning activities listed below.*

1. For topic 1, Unemployment and Inflation, teachers should use the Phillips Curve to show the relationship between the unemployment rate and inflation rate.
2. For topic 2 (money multiplier), show the various rounds in the money expansion process as done in the multiplier. Use Central Bank Acts and Reports for data gathering.
3. For fiscal policy, there is no need for students to derive the balanced budget multiplier. This should only be explained.
4. Teachers should emphasise the causes of the national debt and the burden it places on future generations.



## UNIT 2

### MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS

#### GENERAL OBJECTIVES

On completion of this Module, students should:

1. understand the basic concepts of growth and development;
2. understand the impact of imports and exports on the macroeconomy;
3. understand the balance of payments accounts and *appreciate* the causes and consequences of balance of payments crises;
4. *become aware of* the benefits and costs derived from current integration arrangements, such as CARICOM, FTAA and the EU;
5. understand the role and functions of international economic institutions.

#### SPECIFIC OBJECTIVES

##### TOPIC 1: Growth and Sustainable Development

Students should be able to:

1. distinguish between growth and development;
2. explain the concept of sustainable development;
3. outline the factors that determine growth;
4. outline the factors that contribute to sustainable development;
5. explain the concept of human development;
6. analyse the structural characteristics of Caribbean economies;
7. analyse the impact of the region's structural characteristics on sustainable economic development.

## UNIT 2

### MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS (cont'd)

#### CONTENT

1. Differences between growth and development.
2. Current growth versus the well-being of future generations.
3. Differences between exogenous (technical change) and endogenous growth (capital accumulation, human capital).
4. Economic, social and environmental factors.
5. Indices of human development including mortality rates, literacy, per capita income, life expectancy.
6. Structural characteristics of Caribbean economies including:
  - (a) small size;
  - (b) openness;
  - (c) composition of exports;
  - (d) resource base;
  - (e) poverty;
  - (f) economic dependence.
7. Implications for regional economies:
  - (a) dependence on aid;
  - (b) preferential trade agreements;
  - (c) foreign direct investment (FDI);
  - (d) vulnerability to natural and man-made change;
  - (e) changes in world prices.

## UNIT 2

### MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS (cont'd)

#### SPECIFIC OBJECTIVES

##### TOPIC 2: International Trade

Students should be able to:

1. analyse the role of imports and exports in a small open economy;
2. outline the factors that influence exports and imports;
3. explain the effects of foreign exchange earnings on a small open economy;
4. explain the theory of comparative advantage;
5. evaluate the arguments for protection;
6. evaluate the arguments for Trade Liberalisation;
7. outline methods of trade protection;
8. explain the commodity, terms of trade;
9. interpret changes in the commodity terms of trade;
10. calculate the commodity, terms.

#### CONTENT

1. The role of exports in creating domestic income and the role of imports in generating income for foreigners.
2. The factors which determine exports and imports including:
  - (a) international price;
  - (b) domestic production;
  - (c) domestic prices and exchange rates;
  - (d) international economic activity as it affects the tourism market in the Caribbean;

## UNIT 2

### MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS (cont'd)

- (e) shifts in international demand and the emergence of substitutes;
  - (f) changes in International Income.
3. Foreign exchange earnings from exports:
    - (a) access to capital goods;
    - (b) the export multiplier;
    - (c) access to consumer goods;
    - (d) increased domestic production.
  4. The theory of comparative advantage.
  5. Arguments for protection including:
    - (a) infant industries;
    - (b) employment;
    - (c) food security.
  6. Arguments for Trade Liberalisation including access to technology, availability of cheaper goods and services. Application of the theory of comparative advantage.
  7. Methods of protection including: tariffs, quotas and other non-tariff methods.
  8. Explanation of the commodity terms of trade.
  9. Interpretation of changes in the commodity terms of trade.
  10.  $\text{Export price index} \div \text{import price index} \times 100$ .

## UNIT 2

### MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS (cont'd)

#### SPECIFIC OBJECTIVES

##### TOPIC 3: Balance of Payments and Exchange Rates

Students should be able to:

1. explain the balance of payments;
2. distinguish between the current account and capital account;
3. analyze the causes and consequences of balance of payments disequilibria;
4. outline the policy measures for correcting balance of payments disequilibria;
5. explain exchange rates;
6. explain exchange rates determination;
7. distinguish between fixed and floating exchange rate regimes;
8. describe the effects of the exchange rate changes.

#### CONTENT

1. Explanation of the balance of payments.
2. Capital items and current items.
3. The causes and consequences of balance of payments - disequilibria.
4. Policy responses to balance of payments crises including:
  - (a) devaluation;
  - (b) expenditure switching;
  - (c) expenditure reducing measures.
5. Explanation of exchange rates.
6. Determination of exchange rates.

## UNIT 2

### MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS (cont'd)

7. Fixed and floating exchange rate systems (fixed, free floating and managed float).
8. The effects of exchange rate changes.

## SPECIFIC OBJECTIVES

### TOPIC 4: Economic Integration

Students should be able to:

1. explain the main forms of economic integration;
2. evaluate the costs and benefits of economic integration;
3. evaluate the objectives of Caribbean integration;
4. analyse the implications of international integration arrangements for Caribbean economies.

## CONTENT

1. Main forms of economic integration, including:
  - (a) *free trade area*;
  - (b) *customs union*;
  - (c) *common market*;
  - (d) *economic union*.
2. The costs and benefits of economic integration including trade creation and trade diversion.
3. The objectives of CARICOM and the rationale for the CARICOM Single Market and Economy (CSME).
4. The significance of integration movements, for example European Union (EU) and the North American Free Trade Agreement (NAFTA) for Caribbean Economies.

## UNIT 2

### MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS (cont'd)

#### SPECIFIC OBJECTIVES

##### TOPIC 5: *International Economic Relations*

Students should be able to:

1. explain the role and functions of the World Trade Organisation (WTO);
2. explain the role of international financial institutions (IFI's);
3. explain the term multinational (transnational) corporation;
4. explain the nature of foreign direct investment;
5. outline the potential benefits and disadvantages of foreign direct investment;
6. explain the term globalisation;
7. describe the factors responsible for globalisation;
8. *evaluate* the effects of globalisation on developing countries.

#### CONTENT

1. The role and functions of the WTO.
2. The role of the IMF and World Bank in the International Financial System.
3. Explanation of multinational (transnational) corporation.
4. The nature of foreign direct investment.
5. Potential benefits and disadvantages, including:
  - (a) access to technology and capital;
  - (b) access to markets;
  - (c) access to management skills;
  - (d) repatriation of profits;

## UNIT 2

### MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS (cont'd)

- (e) transfer pricing;
  - (f) crowding out of domestic businesses.
6. The concept of globalisation.
  7. Forces driving globalisation, for example, technological innovation, trade liberalisation, and liberalisation of capital markets.
  8. Implications of globalisation for developing countries with particular reference to the greater Caribbean (greater competition, access to markets, access to technology, cheaper prices and greater variety of goods, loss of preferential markets).

#### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Module, teachers are advised to engage students in examining the structure of the economies of the Caribbean and the problems of imports and exports using international partnership agreements and policies. Teacher should ensure that students could distinguish among;*

- (a) Terms of Trade;
- (b) Balance of Trade; and
- (c) Balance of Payments.



## ◆ OUTLINE OF ASSESSMENT

Each Unit of the syllabus will be assessed separately. The same scheme of assessment will be applied to each Module in each Unit. Grades will be awarded independently for each Unit.

Candidate assessment on each Unit will comprise two components:

- (i) External Assessment undertaken at the end of the academic year in which the Unit is taken. This component contributes 80% to the candidate's overall grade.
- (ii) *School Based Assessment* undertaken throughout the course of the Unit. This contributes 20% to the candidate's overall grade.

### EXTERNAL ASSESSMENT (80%)

**Paper 01** Forty-five multiple-choice items, fifteen (15) on each Module. 30%  
(1 hour 30 minutes)

**Paper 02** The paper consists of three (3) sections comprising six (6) 50%  
(2 hours 30 minutes) questions spread across all Modules in the Unit. Each section contains two (2) essay type questions from which candidates are required to attempt one (1).

### SCHOOL BASED ASSESSMENT FOR EACH UNIT (20%)

#### Paper 03/1

School Based Assessment in each Unit will comprise one project testing *one or more Modules*. This project is to be assessed by the teacher, using assessment criteria provided by CXC

Topics of projects will be determined largely by the candidate in consultation with the teacher who must adhere to the guidelines set out on pages 47-49.

#### Paper 03/2

Private candidates are required to write an Alternative Paper – 03/2. Details of this paper is on pages 55-56.

### MODERATION OF SCHOOL BASED ASSESSMENT

A School Based Assessment Record Sheet will be sent each year to schools submitting students for the examinations.

All School-Based Assessment Record Sheets and sample of assignments must be submitted to CXC by May 31 of the year of the examination. *All School-Based Assessment Record of marks must be submitted online using the SBA data capture module of the Online Registration System (ORS) found on the Council's website [www.cxc.org](http://www.cxc.org)*

A sample of assignments will be requested by CXC for moderation purposes. These samples will be re-assessed by CXC Examiners who moderate the Internal Assessment. Teachers' marks may be adjusted as a result of moderation. The Examiners' comments will be sent to schools.

Copies of the students' assignments that are not submitted must be retained by the school until three months after publication by CXC of the examination results.

## ASSESSMENT DETAILS

### EXTERNAL ASSESSMENT

External Assessment by written papers (80% of Total Assessment)

#### Paper 01 – (1 hour 30 minutes - 30% of Total Assessment)

##### 1. Composition of Paper

- (i) This paper consists of forty-five multiple choice items, fifteen on each module.
- (ii) Paper 01 will assess the candidate's mastery of skills *outlined* on page 2, but will focus primarily on the candidate's ability to interpret basic economic data and to solve quantitative problems in economics.

##### 2. Mark Allocation

- (i) This paper is worth 90 marks, each question being allocated 2 marks.
- (ii) Paper 01 contributes 30% to the candidate's final grade.

##### 3. Question Type

- (i) Paper 01 comprises forty-five multiple choice items.
- (ii) Some of the questions will be based on sets of economic data which will be provided with the relevant questions.

##### 4. Use of Calculators

Candidates may use silent non-programmable calculators.

**Paper 02 – (2 hours 30 minutes - 50% of Total Assessment)**

**1. Composition of Paper**

- (i) This paper comprises three sections: Section 1, Section 2, and Section 3. For each Unit, Section 1 tests objectives in Module 1, Section 2 tests objectives in Module 2 and Section 3 tests objectives in Module 3.
- (ii) Each section comprises two questions, for a total of six questions. Candidates must answer three questions, one from each section.

**2. Mark Allocation**

- (i) This paper is worth 150 marks, each essay question *will be* being marked out of 25 then *weighted to 50*.
- (ii) This paper tests candidates' understanding of basic economic concepts and their ability to apply these concepts to everyday situations. It will also test candidates' ability to recognise the limitations of economic theory and to present their ideas in a clear, logical and coherent manner.
- (iii) Paper 02 contributes 50% to the candidate's final grade.

**3. Question Type**

- (i) Paper 02 comprises 6 essay-type questions which require candidates to provide extended responses.
- (ii) Questions may use stimulus material, for example, tables, graphs, reports, diagrams or prose. Paper 01, Paper 02 and the internal assessment will test the candidate's ability to demonstrate the following SKILLS critical to the study of Economics:
  - (a) Knowledge and Understanding;
  - (b) Application and Analysis;
  - (c) Evaluation *and Synthesis*.

## GUIDELINES FOR THE CONDUCT OF INTERNAL ASSESSMENT

Internal Assessment is an integral part of student assessment in the course covered by this syllabus. It is intended to assist students in acquiring certain knowledge, skills and attitudes that are critical to the subject. The activities for the Internal Assessment are linked to the Modules and should form part of the learning activities to enable the student to achieve the objectives of the syllabus.

During the course of study of the subject students obtain marks for the competence they develop and demonstrate in undertaking their Internal Assessment assignment. These marks contribute to the final marks and grades that are awarded to students for their performance in the examination.

The guidelines provided in this syllabus for selecting appropriate tasks are intended to assist teachers and students in selecting assignments that are valid for the purpose of Internal Assessment. These guidelines are also intended to assist teachers in awarding marks according to the degree of achievement in the Internal Assessment component of the course. In order to ensure that the scores awarded by teachers are *in line* with the CXC standards, the council undertakes the moderation of a sample of the Internal Assessment assignments marked by each *centre*.

Internal Assessment provides an opportunity to individualise a part of the curriculum to meet the needs of students. It facilitates feedback to the students at various stages of the experience. This helps to build the self confidence of the students as they proceed with their studies. Internal Assessment further facilitates the development of essential research skills that allow the student to function more effectively in his or her chosen vocation. Internal Assessment, therefore, makes a significant and unique contribution to the development of relevant skills of the students. It also provides an instrument for testing them and rewarding them for their achievements.

### Internal Assessment

#### **The Project-Paper 03/1**

#### **Presentation of Project**

In this subject, the Internal Assessment for each Unit will be a project.

**(i) The Aims of the Project are to:**

- (a) promote self-learning;
- (b) promote investigative skills;
- (c) enable the teacher to contribute to the evaluation;
- (d) develop in students improved attitudes and skills;
- (e) develop in students an ability to identify suitable resource material on their own and to develop a disposition for independent research.

## Sources of Data and Information

The primary and secondary sources of data listed below, can be used by candidates in their research activities.

- (a) International news magazines such as Fortune, Business Week, Newsweek and Forbes.
- (b) The business section of local newspapers.
- (c) Statistical reports such as national income statistics, balance of payments statistics, survey of living conditions, household budgetary surveys, annual economic reports of Central Banks, Ministries of Finance and Planning units.
- (d) Annual reports of firms in the region.
- (e) The economic information available on the internet.
- (f) Budget speeches of Ministers of Finance.
- (g) Reviews of estimates of income and expenditure from Ministries of Finance.

### (ii) Management of the Project

- (a) An early start to planning project work is highly recommended. Each candidate should know the requirements of the project and its assessment procedures as part of the orientation to the Unit.
- (b) Teachers should guide the candidates in choosing appropriate projects that relate to the candidates' interest and the specific objectives identified.
- (c) Candidates are required to prepare an outline of the project for approval by the teacher.
- (d) A schedule of the dates for submitting project work (agreed to by teachers and candidates) should be firmly established.
- (e) The teacher should offer guidance in the data collection process and the preparation of the report.

### (iii) Project Reports

A candidate's report should be presented in a soft folder bearing the candidate's number, name of subject and the date submitted. The project document should comprise:

- (a) title;
- (b) table of contents;
- (c) aims and objectives;
- (d) methodology employed;
- (e) report (between 2000 - 2500 words);
- (f) *references*.

The report should include the following:

- (a) description;
- (b) analysis;
- (c) evaluation;
- (d) recommendations.

Students and teachers must ensure that the report contains the required components and address the skills identified on Page 2 of the syllabus.

Candidates are expected to present the report using graphs, charts and tables, where applicable. In addition, the reports should display clarity of exposition and correctness of grammar.

**(iv) Skills and Abilities to be tested**

The research project is designed to test the candidate's ability to:

- (a) demonstrate thorough knowledge of relevant theories, concepts and models;
- (b) apply economic concepts and principles to actual problems;
- (c) exhibit consistency of argument, effective use of language and other tools of communication;
- (d) demonstrate effective use of reference materials and appropriate citation.

**(v) Objectives to be tested**

*The project may be derived from the objectives and content of one, two or all three modules in the Unit. Regardless of how many modules are chosen, the teacher should ensure that students present a coherent investigation rather than a disjointed piece of work. The project should be marked out of 60 then the marks should be divided equally among the three modules. If there is a remainder of 1 it should be allocated to Module 3. If there is a remainder of 2 marks, 1 should be allocated to Module 3 and the other to Module 2. The teacher is advised to mark holistically out of 60 and to divide the total marks by three in order to satisfy the requirements of the three columns used to enter the student's marks.*

## MARKING SCHEME FOR INTERNAL ASSESSMENT

### Knowledge/Presentation/Methodology (14 marks)

(Includes marks for communicating information in a logical way using correct grammar)

The student has:

1. demonstrated a grasp of the meaning of basic economic facts, concepts and principles;
2. explained familiar economic phenomena in terms of theories, models, laws and principles;
3. developed a research design that provides a sound and efficient basis for drawing reasonable conclusions.

### Application/Analysis (20 marks)

(Includes marks for communicating information in a logical way using correct grammar)

The student has:

1. used the major economic concepts, principles and procedures in unfamiliar situations, transformed economic data accurately and appropriately, used common characteristics as a basis for classification;
2. identified and recognised the component parts of an economic theory or concept and interpreted the relationships between these parts;
3. inferred, predicted and drawn conclusions using relevant economic data;
4. made relevant and accurate calculations and recognised the limitations of economic data;
5. selected appropriate economic theories – matched, compared and cited appropriate examples in familiar situations.

### Evaluation Synthesis (17 marks)

(Includes marks for communicating information in a logical way using correct grammar)

The student has:

1. combined component parts to form a new meaningful whole, made predictions and solved problems;
2. made reasoned judgements and recommendations based on the value of ideas and information.

### Communication (9 marks)

**Candidates will be awarded 9 marks, for communicating information in a logical way using correct grammar.**

The student has:

1. presented arguments in a clear, concise, reasoned and objective manner using correct grammar;
2. used presentation aids such as graphs, charts and tables to communicate information in a logical way;
3. displayed logic and coherence in expressing economic arguments;
4. used proper referencing and citations of source materials. Using the example of the standard Chicago manual style is recommended. (See page 58 for example).

## DETAILED CRITERIA AND MARK SCHEME

<b>CRITERIA 1</b> Knowledge/Presentation/Methodology  Total 14 marks	The candidate should be able to select and present an investigation into a specific economic problem using appropriate economic concepts, principles, theories and methods. Further, the methodology employed should be appropriate for the study.	
<b>Abilities</b>	<b>Descriptors</b>	<b>Marks</b>
The candidate has:		
	<b>(a) Presentation (4 marks)</b>	
1. selected a relevant economic problem within the scope of the syllabus (maximum 2 marks)	<ul style="list-style-type: none"> <li>▪ Title of project is related to the objectives in the syllabus and to the investigation and is clearly stated</li> <li>▪ Title of project is outside the scope of the syllabus or not clearly stated</li> </ul>	2  0-1
2. listed at least TWO aims of the project (maximum 2 marks)	<ul style="list-style-type: none"> <li>▪ Aims of the project are relevant, unambiguous and clearly stated</li> <li>▪ Aims of the project are irrelevant, ambiguous or not clearly stated</li> </ul>	2  0-1
	<b>(b) Methodology (6 marks)</b>	
3. described the methodology and procedures employed in conducting the investigation (maximum 6 marks)	<ul style="list-style-type: none"> <li>▪ The research design is realistic in its scope, in that, the samples, measures and data work together to address the problem being investigated, so as to provide a sound and efficient basis for drawing reasonable conclusions</li> <li>▪ The research design is limited in its scope, inappropriate for the study and provides an efficient basis for drawing reasonable conclusions</li> </ul>	4-6  0-3
	<b>(c) Presentation of data (4 marks)</b>	
4. presented economic data in an acceptable manner using tables, graphs and charts (maximum 4 marks)	<ul style="list-style-type: none"> <li>▪ Data presented are relevant to the aims of the project, clear, unambiguous and meaningful</li> <li>▪ Data presented are relevant to the aims of the project, but lack clarity and efficiency</li> <li>▪ Data presented are not quite relevant to the aims of the project and lack clarity</li> </ul>	4  2-3  0-1
	<b>TOTAL</b>	<b>14 marks</b>



CRITERIA 2 Application/Analysis  Total 20 marks	The candidate should be able to analyze the economic problem being investigated by examining its constituent parts in detail and applying appropriate economic models and concepts to interpret and explain the problem.	
Abilities	Descriptors	Marks
The candidate has:		
	<b>(a) Knowledge (10 marks)</b>	
1. demonstrated knowledge and understanding of economic concepts and principles (maximum 10 marks)	<ul style="list-style-type: none"> <li>▪ excellent understanding of economic concepts, principles, theories and methods</li> <li>▪ good understanding of economic concepts, principles theories and methods but with a few errors</li> <li>▪ little or no understanding of economic concepts, principles, theories and methods</li> </ul>	<p>8-10</p> <p>5-7</p> <p>0-4</p>
	<b>(b) Interpretation of relationships among variables (10 marks)</b>	
2. used economic theories and concepts for interpretation and analysis (maximum 10 marks)	<ul style="list-style-type: none"> <li>▪ Accurate calculations, recognition of the limitations of economic data and excellent use of economic theories and concepts for interpretation and analysis</li> <li>▪ Satisfactory use of economic theories and concepts for interpretation and analysis with some inaccuracies</li> <li>▪ Unsatisfactory use of economic theories and concepts for interpretation and analysis</li> </ul>	<p>8-10</p> <p>5-7</p> <p>0-4</p>
	<b>TOTAL</b>	<b>20 marks</b>

CRITERIA 3 Evaluation/Synthesis  Total 17 Marks	The candidate should be able to develop structured and reasoned expositions on economic policy based on the research and recommend solutions to a specific economic problem based on the findings	
Abilities	Descriptors	Marks
The candidate has:		
	<b>(a) Coherence, Organization and problem solving capability (10 marks)</b>	
1. presented a written report of 1500 - 2000 words (excluding appendices) required for the assignment (maximum 10 marks)	<ul style="list-style-type: none"> <li>▪ Report shows coherence, arguments are logically presented and there is evidence of the use or problem solving strategies</li> <li>▪ The candidate's major accomplishments or findings (related to the project) are given</li> <li>▪ The candidate's findings are the result of sound interpretation of the evidence derived from the research</li> </ul>	<p>3</p> <p>3</p> <p>4</p>
	<b>(b) Judgments and Recommendations (7 marks)</b>	
2. presented theoretically correct judgments based on the findings of the research (maximum 7 marks)	<ul style="list-style-type: none"> <li>▪ Judgments are theoretically sound, plausible and based on the findings of the research</li> <li>▪ Judgments are theoretically sound but are not entirely supported by the findings of the research</li> <li>▪ Judgments are theoretically flawed and not based on the findings of the research</li> </ul>	<p>5-7</p> <p>2-4</p> <p>0-1</p>
	<b>TOTAL</b>	<b>17 marks</b>

CRITERIA 4 Communication	The candidate should be able to observe international conventions of reporting by presenting information in a logical manner using correct grammar	
Total 9 marks		
Abilities	Descriptors	Marks
The candidate has:		
	(a) Reference and Citations (3 marks)	
1. prepared a bibliography acknowledging all sources of information in alphabetical order (maximum 3 marks)	<ul style="list-style-type: none"> <li>▪ For persons interviewed, list comprises date, place and job title</li> <li>▪ For publications, list comprises the names of the author, publisher and year published</li> <li>▪ For internet sites, list comprises the address of the website and names of authors and organizations</li> </ul>	<p>1</p> <p>1</p> <p>1</p>
2. presented information in a logical manner using correct grammar (maximum 6 marks)	<ul style="list-style-type: none"> <li>▪ Information is presented in an excellent and effective manner</li> <li>▪ Information is presented in a very good and meaningful manner</li> <li>▪ Information is fairly well organised and ideas are communicated satisfactorily</li> <li>▪ Information is presented in an unsatisfactory manner showing weaknesses in syntax, spelling, punctuation and the sequencing of ideas</li> </ul>	<p>6</p> <p>4-5</p> <p>2-3</p> <p>0-1</p>
	<b>TOTAL</b>	<b>9 marks</b>

### Paper 03/2 (1 hour 30 minutes)

#### 1. Number of Questions

This Paper consists of *THREE* questions, on *each* Module. The questions will be based on *the* topic identified for the examination year. *These* are listed below. The questions may be divided into *sub*-parts. The Paper tests skills similar to those listed in the Internal Assessment (Paper 03/1).

#### 2. Question Type

Each question requires candidates to respond either in the form of an extended essay or a short paragraph.

#### 3. Mark Allocation

The Paper is worth 60 marks (20 marks per question) and constitutes 20% towards the final assessment.

#### 4. Award of Marks

Marks are awarded for expression, organisation and content.

## ◆ REGULATIONS FOR PRIVATE CANDIDATES

Private candidates will be required to write Papers 01, 02 and 03/1. Paper 03/2 takes the form of a written examination taken at the end of the academic year. The details of the examination are given below.

### UNIT 1 Paper 03/2 (1 hour 30 minutes)

This paper consists of three questions; one on *each* Module. Each question will be worth 20 marks and candidates will be required to attempt all three questions. The topics for the examination years, 2010-2014 are listed below. In investigating a topic, candidates should focus on the relevant specific objectives for each of the three Modules in the Unit.

#### Unit 1 Topics:

- |    |                |   |   |
|----|----------------|---|---|
| 1. | Topic for 2010 | - | Evaluate the role of education as a means of poverty alleviation in your country. |
| 2. | Topic for 2011 | - | Investigate the impact of the mobile services operations in your country.         |
| 3. | Topic for 2012 | - | Investigate the operations of a monopoly in your country.                         |
| 4. | Topic for 2013 | - | Examine poverty and the distribution of income in your country.                   |



5. Topic for 2014 - Examine the level of earnings of different categories of workers in your country. Comment on the wage differentials that exist among them.
6. Topic for 2015 - Examine the growth and structure of the financial sector in the region and how these have impacted your country's economy.
7. Topic for 2016 - Evaluate the impact of migration on the economies of the home and host countries.

#### Unit 2 Topics:

6. Topic for 2010 - Examine fiscal and monetary policy used in your country. Evaluate their relative effectiveness on employment, income and output.
7. Topic for 2011 - Investigate the effectiveness of the transportation system in your country and comment on the implications for the rest of the economy.
8. Topic for 2012 - Investigate the impact of rising oil prices on the economy of your country.
9. Topic for 2013 - Investigate the unemployment rate existing in your country. Indicate the strategies which your government might adopt to deal with unemployment.
10. Topic for 2014 - Examine the impact on the environment as a result of increasing levels of housing and other developmental projects.
11. Topic for 2015 - Investigate Internet shopping by Caribbean residents. Examine its effects on your country's economy.
12. Topic for 2016 - Investigate the impact of the underground economy in your country.

## ◆ REGULATIONS FOR RE-SIT CANDIDATES

Re-sit candidates must rewrite Papers 01 and 02 of the examination for the year for which they re-register. Re-sit candidates may elect not to repeat the Internal Assessment component provided they rewrite the examination no later than two years following their first attempt.

Re-sit candidates must be entered through a school or approved educational institution.

## ◆ ASSESSMENT GRID

The Assessment Grid for each Unit showing marks assigned to each paper and to each Module, and the percentage contribution of each paper to the total scores.

PAPERS	MODULE 1	MODULE 2	MODULE 3	TOTAL	(%)
<b>External Assessment</b>					
Paper 01	30	30	30	90	(30)
Paper 02	50	50	50	150	(50)
<b>Internal Assessment</b>					
Paper 03/1 or 03/2	20	20	20	60	(20)
TOTAL	100	100	100	300	(100)

## ◆ RESOURCES

- Anderton, A. *Economics*, 4<sup>th</sup> Edition, Causeway Press, 2006.
- Baumol, W. and Blinder, A. *Economic Principles and Policy*, Florida: Harcourt Brace and Company, 1998.
- Begg, D., Fisher, S. and Dornbusch, R. *Economics*, 8<sup>th</sup> Edition, London: McGraw-Hill International (UK) Limited, 2005.
- Hosein, R., and Gookool, R. *Cape Economics Study Guide Unit 1*, Caribbean Examinations Council, 2007.
- Lipsey, R. and Chrystal, K. *Principles of Economics*, 13<sup>th</sup> Edition, New York: Oxford University Press Inc., 2006.
- McConnell, C. and Brue, S. *Economics: Principles, Problems and Policies*, New York: McGraw-Hill Inc., 1992.
- Slovan, J. *Economics*, 6<sup>th</sup> Edition, Prentice Hall, 2006.
- Todaro, M. *Economics for a Developing World*, New York: Longman, 1986.

### REPORTS AND BULLETINS

Central Bank Economic Reports, *Annual Economic Reports*, *Quarterly Economic Bulletins*, Statistical Digest from Central Banks such as ECCB, CBTT, BOJ, CBB, CBG.

Central Statistical Services. *Balance of Payments, and National Income Accounts, Survey of Living Conditions, Household Budgetary Surveys*.

Economic Planning Units *Economic Reviews, Sectoral Reports from Planning Units* such as PIOJ, and Ministries of Planning across the region.

UNDP Human Development Reports.

World Bank Reports, such as World Development Reports.

Periodicals such as Businessweek, Newsweek, Fortune, Economist, Forbes and the business pages of news papers such as Jamaica Gleaner, Trinidad Guardian or Express, Barbados Advocate.

Budget Speeches, Public Sector Investment Programmes, Ministry of Finance Review of the Economy, and estimates of Revenue and expenditures for various territories.

## ◆ GLOSSARY

WORD	DEFINITION/MEANING
<i>Account for</i>	<i>Explain the reasons for, giving an indication of all relevant circumstances. Very different from 'Give an account of', which asks only for a detailed description.</i>
<i>Analyse</i>	<i>Study in depth, identifying and describing in detail the main characteristics.</i>
<i>Assess</i>	<i>Examine closely, with a view to measuring or 'weighing up' a particular situation. Consider in a balanced way: strengths and weaknesses, points for and against. In conclusion, state your judgement clearly.</i>
<i>Comment</i>	<i>State clearly and in a moderate fashion your opinions on the material in question. Support your views with references to suitable evidence or with explanation as appropriate.</i>
<i>Compare</i>	<i>Look for qualities or characteristics that resemble each other. Emphasise similarities but be aware also of points of differences.</i>
<i>Contrast</i>	<i>Stress the dissimilarities and differences between the items in question, but do not ignore points of similarities.</i>
<i>Criticise</i>	<i>Express your balanced judgement about the merit or truth of the material in question. Give the results of your scrutiny, establishing both strengths and weaknesses. Be specific.</i>
<i>Define</i>	<i>Give, concise, clear and authoritative meanings. Do not give too many details, but be sure to state the limits of the definition. Show how the thing you are defining differs from things in other categories.</i>
<i>Describe</i>	<i>Recount, characterise, sketch or relate in sequence or story form.</i>
<i>Discuss</i>	<i>Examine and analyse carefully, giving reasons pro and con, advantages and disadvantages. Be complete, and give details. You must consider all sides of the issue and reach a balanced conclusion.</i>
<i>Enumerate</i>	<i>State in list or outline form, giving points concisely one by one.</i>
<i>Evaluate</i>	<i>Carefully appraise the matter in hand, citing both advantages and limitations. Emphasise the views of authorities as well as your personal estimation.</i>
<i>Explain</i>	<i>Clarify, interpret and spell out the material you present. Give reasons for important features or developments, and try to analyse causes.</i>



WORD	DEFINITION/MEANING
How far...	Similar to questions based on the “To what extent...” approach. Here you are expected to make your case or present your material in the usual way.
Illustrate	Use specific examples, allusions, figures or diagrams to explain, demonstrate or clarify a problem, situation or view.
Interpret	Translate, give examples of, express in simple terms or comment on a subject, usually giving your judgement about it.
Justify	Prove, make out a case or give reasons for decisions or conclusions, taking pains to be convincing.
List	As in ‘enumerate’, write an itemised series of concise statements.
Outline	Provide a framework describing under main point and subordinate points, omitting minor details and stressing the arrangement or classification of the material.
Prove	Establish that something is true by citing factual evidence or giving clear reasons.
Relate	Show how things are related to or connected with each other, or how one causes another, correlates with another, or is like another.
Review	Examine a subject critically, analyzing and commenting on the important points and stages of development.
State	Present the main points in brief, clear sequences.
Summarise	Give the main points or facts in condensed form, omitting details and illustrations.
Trace	Describe in narrative form, progress, development or sequence of events from some point of origin.

Western Zone Office  
13 March 2009