CARIBBEAN EXAMINATIONS COUNCIL

Caribbean Advanced Proficiency Examination®

SYLLABUS
ECONOMICS

CXC A20/U2/*26*

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CAPE®

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Contents

NOTE TO TEACHERS AND LEARNERS

This document CXC A20/U2/*26* replaces CXC A20/U2/03 issued in 2003. Please note that the syllabus was revised and amendments are indicated by italics.

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PLEASE NOTE

This icon is used throughout the syllabus to represent key features which teachers and learners may find useful.

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 certifications at the **CAPE®** level. 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* **CXC®** *Associate Degree, awarded for the satisfactory completion of a prescribed cluster of ten* **CAPE®** *Units including Caribbean Studies, Communication Studies and Integrated Mathematics. Integrated Mathematics is not a requirement for the* **CXC®** *Associate Degree in Mathematics. The complete list of Associate Degrees may be found in the* **CXC®** *Associate Degree Handbook.*

*For the **CAPE®** Diploma and the Associate Degree, candidates must complete the cluster of required Units within a maximum period of five years. To be eligible for a* **CXC®** *Associate Degree, the educational institution presenting the candidates for the award, must select the Associate Degree of choice at the time of registration at the sitting (year) the candidates are expected to qualify for the award. Candidates will not be awarded an Associate Degree for which they were not registered.*

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 environment which affects them and the world in which they live. *It will also train them to think logically, critically and impartially on a variety of economic issues*, enabl*ing* students to offer informed comments on economic matters. The knowledge gained from this course in Economics will be of lifelong value to the student, *since the syllabus seeks to develop professional, technical/vocational and entrepreneurial skills which are relevant to the field of economics.* The influence of the subject on all areas of *economic* 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, *including,* careers in finance, accounting, *management and* law. 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.

Using learner-centred teaching, learning and assessment approaches, students are offered the opportunity to acquire a variety of experiences in the fundamentals of Economics and its associated theories and principles. Students will also develop skills in research as well as critical Twenty-first century skills and competencies to prepare them for further studies and the world of work.

In keeping with the UNESCO Pillars of Learning, on completion of this course of study, students will learn to know, to do, to be, learn to live together and to transform themselves and society in a sustainable way.

Ultimately, this course of study in ***CAPE®*** *Economics will develop the Ideal Caribbean Person who, as articulated by CARICOM Heads of Government is emotionally secure with a high level of self-confidence and self-esteem; demonstrates multiple literacies, independent and critical thinking; questions the practices of past and present and brings this to bear on the innovative application of science and technology to problem solving; has a positive work attitude; and values and displays creative imagination and entrepreneurship. It will help to nurture and develop the sharing of ideas with people of different ethnic backgrounds, cultures and points of view and foster the development of ethical behaviours.*

♦ AIMS

The syllabus aims to:

1. promote understanding of the basic principles, *theories* and concepts of economics which are *largely* accepted by economists;

2. develop an appreciation of the *various approaches* used by economists in analysing *and solving* economic problems;

3. encourage students to apply economic principles, theories and tools to everyday economic problems *and* critical issues *which affect Caribbean economies*;

4. encourage students to evaluate contentious economic issues *and contribute meaningfully to any dialogue on these issues,* so that decision-making may be informed by logical *and critical* thinking;

5. *sensitise students to the need for ethical behaviour in the conduct of their economic activities and research;*

6. *develop the capacity for critical thinking, creativity, problem-solving, leadership and management, positive cooperative behaviours, emotional intelligence and entrepreneurial skills through authentic learning experiences;*

7. *foster collaboration and the integration of information, communication and technology (ICT) tools and skills in the conduct of research, in problem solving and to enhance productivity and effectiveness in business;*

8. *develop an understanding of the global economy and of the relationships between developed and developing nations with respect to international trade, finance and the main international financial institutions; and,*

9. *Foster the capability to adapt to the social, economic, technological and environmental changes that impact the regional and global economies.*

♦ SKILLS AND ABILITIES TO BE ASSESSED

The skills that students are expected to have developed on completion of this syllabus have been grouped under three main headings:

1. *Knowledge and Comprehension;*

2. *Application and Analysis; and,*

3. *Synthesis and Evaluation.*

Knowledge and Comprehension:

The ability to:

1. *identify and define key terms and concepts in economics; and,*

2. explain economic theories, principles, concepts and methods *used in the economic sector/context.*

Application and Analysis:

The ability to:

1. interpret *different economic situations and data in various formats;*

2. *illustrate economic data and scenarios;*

3. *distinguish among various economics principles, theories, concepts and policies;*

4. *apply relevant economic theories, principles, concepts and methods to real life contexts;*

5. analyse *situations and/or trends in economic data to inform decision – making; and distinguish causes, impacts/consequences; and,*

6. solve economic problems using economic models *and analysis.*

Evaluation and Synthesis:

The ability to:

1. *discuss current issues using economic principles and theories;*

2. *assess economic theories and policies and justify their use;*

3. *evaluate current economic problems, issues and situations based on evidence and discussion, to make reasonable judgements, conclusions and recommendations for action and implementation;*

4. develop structural and reasoned expositions; and,

5. *use appropriate methods, theories and principles to recommend or create and logically present relevant solutions to economic problems and make predictions.*

♦ PREREQUISITES 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, ***CSEC®*** *Economics and other related business disciplines would be beneficial 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. *The total time for each unit is therefore expected to be 150 hours. Each Unit can independently offer students a comprehensive programme of study with an appropriate balance between depth and coverage to provide a basis of further study in this field.*

UNIT 1: MICROECONOMICS

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

UNIT 2: MACROECONOMICS

Module 1 - Models of the Macroeconomy
Module 2 - Macroeconomic *Problems and Policies*
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.

♦ APPROACHES TO TEACHING THE SYLLABUS

It is *recommended that a combination of qualitative and quantitative* approaches be used *to facilitate an* understanding of the subject at this level. *Teachers are therefore encouraged to employ a variety of learner centred, highly practical and industry driven approaches to facilitate students' learning.*

The Specific objectives indicate the scope of the content and the activities that should be covered. Students should be exposed to accurate and unbiased content and skills that will foster more creative and prepared citizens capable of effectively participating in a dynamic society.

♦ UNIT 1: *MICROECONOMICS*

MODULE 1: METHODOLOGY: DEMAND AND SUPPLY

GENERAL OBJECTIVES

On completion of this Module, students should:

1. *a*ppreciate 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; *and,*

3. understand the basic tools of economic analysis.

SPECIFIC OBJECTIVES	**CONTENT**
TOPIC 1: Central Problem of Economics	
Students should be able to:	
1. *explain economics;*	(a) *Definition of economics.*
	(b) *Differences between the two branches of economics – microeconomics and macroeconomics.*
2. explain the concept of scarcity;	(a) The meaning of scarcity.
	(b) *F*ree goods *versus* economic goods.
3. apply the concept of opportunity cost in a variety of real-life situations;	(a) Definition of opportunity cost.
	(b) Choice*s for an economy*: what, how and for whom to produce.
	(c) The concept of opportunity cost applied to economic agents (individuals, households, firms and governments).
4. *examine* the concept of production possibilities frontier (PPF);	(a) *Definition of production possibilities frontier.*
	(b) Assumptions: maximum output attainable, given full employment and constant state of technology.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Central Problem of Economics (cont'd)	
Students should be able to:	
	(c) *Illustration of the* regions *of the production possibilities frontier (PPF):* attainable, unattainable, efficient and inefficient levels of production.
5. use the production possibilities frontier to indicate *opportunity costs for the different returns;*	(a) Production possibilities frontier slopes and shapes *for*: (i) *constant returns;* (ii) *diminishing returns; and,* (iii) *increasing returns;*
	(b) *Calculation of opportunity costs.*
6. account for *pivots and* shifts in the production possibilities frontier (PPF);	Use of production possibilities frontier to show growth and technological change (*for one or both goods).* *Illustration and interpretation required.*
7. differentiate between positive and normative economics; and,	(a) *Differences between positive and normative economics.*
	(b) Examples of positive and normative statements.
8. *discuss* the alternative mechanisms by which resources are allocated.	(a) Different types of economic systems: subsistence (traditional), market, planned, and mixed.
	(b) *Allocation of resources under each economic system.*
	(c) *Advantages and disadvantages of economic systems: subsistence (traditional), market planned and mixed.*

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

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: Theory of Consumer Demand	
Students should be able to:	
1. explain the concept of utility;	(a) *Definition of* utility. (b) Total *utility versus* marginal *utility.*
2. explain the law of diminishing marginal utility and the limitation of marginal utility *(cardinal)* theory;	(a) Explanation of diminishing marginal utility. (b) The main assumptions and limitations of Marginal Utility Theory.
3. *explain consumer equilibrium using the marginal utility approach;*	(a) *The principle of equi-marginal returns (law, ratios and equation).* (b) *Utility maximisation point (consumer equilibrium).*
4. explain the meaning of indifference curves and budget lines;	(a) *Definitions of* indifference curves and the budget constraint (budget lines). (b) *Illustration of indifference curves and the budget constraint (budget lines).*
5. explain consumer equilibrium using the indifference curve *(ordinal)* approach;	The point of tangency of the budget line to the indifference curve.
6. isolate the income and substitution effects of a price change *for a normal good;*	*Illustration of the* income and substitution effects of a price change.
7. explain effective demand;	*Definition and examples of* effective demand.
8. derive the demand curve using both the marginal utility and indifference curve approaches;	Deriv*ation of* the demand curve using the marginal utility as well as the indifference curve approach.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: Theory of Consumer Demand *(cont'd)*	
Students should be able to:	
9. differentiate among normal, inferior and Giffen goods;	*Differences among n*ormal, inferior and Giffen goods. (D*iagrams of the income and substitute effects for inferior and Giffen goods are not required)*.
10. *explain the factors that affect demand;*	*Price and the non-price conditions of demand.*
11. *distinguish between shifts of the demand curve and movements along the curve;*	*Shifts versus movements along demand curves.*
12. explain the meaning of consumer surplus;	(a) *Definition of* consumer surplus. (b) *Graphical representation of consumer surplus.*
13. *explain* the factors that determine the price elasticity of demand;	Factors that determine the price elasticity of demand *such as the availability of substitutes, the percentage of the income spent and the nature of the goods*.
14. *interpret the numerical value of price elasticity of demand;*	(a) *Calculation of price elasticity of demand.* (b) *Classification and interpretations (size) of the calculated elasticity.*
15. *Interpret the different degrees of responsiveness of price elasticity of demand;*	(a) *Graphs of perfectly inelastic, perfectly elastic, unitary elastic, elastic and inelastic and the interpretation of these graphs.* (b) *Different elasticities along a linear demand curve.*
16. *assess the implications of price elasticity of demand for total spending and revenue;*	*The impact of the degrees of responsiveness of price changes on total spending and revenue.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: Theory of Consumer Demand *(cont'd)*	
Students should be able to:	
17. *distinguish among* price elasticity, income elasticity and cross-*price* elasticity of demand; and,	*Differences among* price, income, and cross-*price* elasticities.
18. *interpret the numerical values of income elasticity and cross – price elasticity of demand.*	(a) *Calculation of the values of income and cross-price elasticities.* (b) *Classification and interpretations (sign and size) of the calculated elasticities.*
TOPIC 3: Theory of Supply	
1. *describe* the factors of production;	(a) *Definition of f*actors of production: land, labour, capital and entrepreneurship. (b) *Description of factors of production: land, labour, capital and entrepreneurship.*
2. *differentiate between the short run and long run;*	*Fixed and variable factors of production.*
3. explain the term production function;	Relationship between output and input.
4. calculate total, average and marginal physical product;	Calculation of total, average and marginal physical product.
5. *explain the relationships among total, average and marginal physical product;*	*Change in the relationship as input increases.*
6. *analyse* the stages of production as they relate to total, average and marginal product;	Production and its stages, as they relate to the total, average and marginal product including the use of graphs. (a) *Point of diminishing marginal and average returns;* (b) *Maximisation of total product; and,* (c) *Declining total product.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 3: Theory of Supply *(cont'd)*	
Students should be able to:	
7. *explain the law of diminishing returns;*	*The law of diminishing returns.*
8. calculate total, average, marginal and other costs;	*Total* fixed cost, *total* variable cost, total cost, average fixed cost, average variable cost, average total cost, *marginal cost and* sunk costs.
9. *illustrate the total, average and marginal cost curves;*	*Diagrams of:* (a) *Total Costs: TFC, TVC, TC;* (b) *Average Costs: AFC, AVC, ATC;* (c) *Marginal Cost: MC;* (d) *The shape of the long run average total cost curve; and,* (e) *Productive optimum.*
10. *explain the relationship among total, average and marginal costs;*	*The relationship among total, average and marginal cost including the use of graphs.*
11. *analyse the relationship between economies and diseconomies of scale;*	(a) *Long run and economies and diseconomies of scale.* (b) *Causes of internal and external economies and diseconomies of scale.*
12. *explain why supply curves are usually positively sloped;*	*Relationship between quantity supplied and price.*
13. *distinguish between a movement along the supply curve and a shift in the supply curve;*	*Price and the non-price conditions of supply.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 3: Theory of Supply *(cont'd)*	
Students should be able to:	
14. *explain the concept of producer surplus;*	*Producer surplus including graphical representations.*
15. *explain the shape of the short run and long run supply curves;*	*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).*
16. *explain the concept of elasticity of supply;*	(a) *Definition* of elasticity of supply. (b) *Determinants of elasticity of supply such as time, technology and factor mobility.*
17. *calculate elasticity of supply; and,*	*Calculation of the value of elasticity of supply.*
18. *interpret elasticity of supply.*	(a) *Classification and interpretation (size of coefficient) of elasticity of supply.* (b) *Graphs of perfectly inelastic, perfectly elastic, unitary elastic, elastic and inelastic and the interpretation of these graphs.*
TOPIC 4: *Market Equilibrium*	
1. explain the concept of the market;	The concept of the market *including economic transactions between buyers and sellers (physical and virtual).*
2. explain market equilibrium;	(a) *Definitions of market equilibrium, e*quilibrium price *and* equilibrium quantity. (b) *Illustration and interpretation of market equilibrium.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 4: ***Market Equilibrium (cont'd)***	
Students should be able to:	
3. calculate equilibrium price and quantity;	Use of demand and supply data *(tables and equations)* to calculate equilibrium price and quantity.
4. *analyse the* factors that cause changes in equilibrium;	Changes in *equilibrium point, equilibrium price and equilibrium quantity related to changes in the* conditions of supply and demand.
5. evaluate the impact of price controls on market equilibrium; *and,*	The effects of price ceilings and price floors on equilibrium.
6. analyse the effects of *indirect* taxation and subsidies on market equilibrium.	(a) *The effects of indirect taxation and subsidies on market equilibrium.* (b) *The incidence of an indirect tax (borne by the producer and the consumer).*

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.

Topic 1, Central Problem of Economics:

1. *Have students work in pairs to research relevant concepts and create a glossary of terms. Students may add these to a physical or virtual classroom space.*

2. *Have* students provide examples from personal life, the home, firms and government to demonstrate opportunity cost and the production possibilities frontier (PPF).

3. *Have students work in groups and use a table showing various combinations of two goods that can be produced by a firm/country to plot the PPF on a graph. Using the graph produced students will explain how the combination changes as they move down the PPF to deduce the concept of opportunity cost and returns.*

Suggested Teaching and Learning Activities

Topic 2, Theory of Consumer Demand:

4. Have students visit their school cafeteria or corner shops to obtain the prices of products, discuss the quantity demanded at various prices, derive a schedule and plot the demand curve for selected items.

5. *Have students work in small groups to discuss or determine if they had more income, which goods/services they would:*

   (a) *Buy more of (Normal good);*

   (b) *Not buy at all or buy less of (Giffen good); and,*

   (c) *Buy more of because the price of the good has fallen rather than because income has risen (Inferior good). Using the idea of the income effect being positive or negative the teacher helps the student to see their preferences as Normal, Giffen or Inferior goods.*

6. *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.*

7. *Have students work collaboratively in a group to monitor a website which advertises cars for sale, for a period, to determine:*

   (a) *the number of vehicles sold;*

   (b) *prices at which they were sold;*

   (c) *changes in prices; and,*

   (d) *or any other market changes; for example, vehicles taken off the website or new vehicles added to the website and report their findings to the class.*

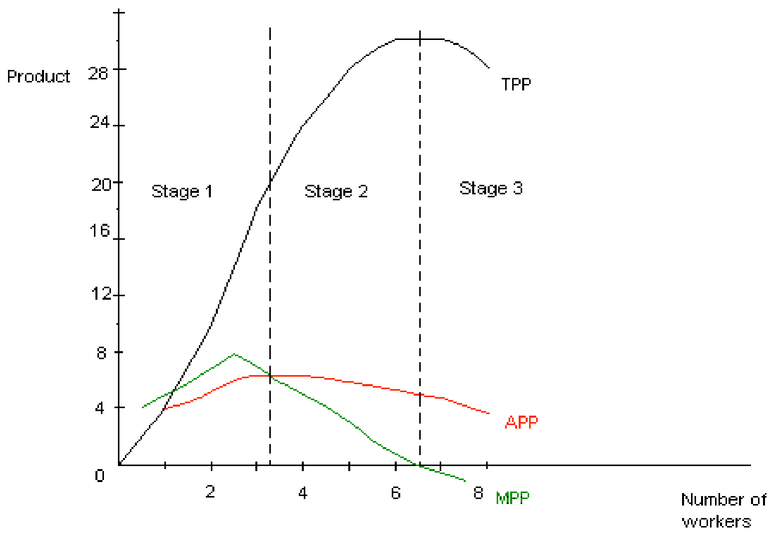
NOTE: *Each student in the group can monitor 1 or 2 issues only and then bring their findings together to compile their report.*

8. For the concept of elasticity, *a demonstration of the* use two types of materials, one that could change in varying degrees and the other which remains the same regardless of circumstances could be applied to illustrate market conditions such as elasticity and inelasticity. *Students should document and share their observations.*

9. For deadweight loss, use the graphs for consumer and producer surplus to show how market intervention may lead to *welfare loss* (deadweight loss).

10. For stages of production, *have students* derive the total, average and marginal product curves using simulated data. The results of the graphs *should be used* to point out the different stages of production. An example is given below.

GRAPH SHOWING THE STAGES OF PRODUCTION



(a) Stage 1 occurs up to the point where APP_L is at its maximum.

(b) 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.

(c) 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 (*for example*, machinery).

UNIT 1
MODULE 2: MARKET STRUCTURE, MARKET FAILURE AND INTERVENTION

GENERAL OBJECTIVES

On completion of this Module, students should:

1. appreciate the distinction *among* the different types of market structures;

2. develop an understanding of the causes of market failure;

3. appreciate the measures that can be adopted to reduce or eliminate market failure; *and,*

4. appreciate the arguments which suggest that government intervention may not necessarily improve economic performance.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Market Structure	
Students should be able to:	
1. *distinguish between a firm and an industry;*	(a) *Definitions of a firm and an industry.* (b) *Differences between a firm and an industry.*
2. outline the goals of the firm;	*Goals of the firm*: Profit maximisation, growth, satisficing, sales and revenue maximisation, market dominance.
3. explain the *relationship among* average, marginal and total revenue;	(a) *Definition of average, marginal and total revenue.* (b) *Calculation of average, marginal and total revenue.* (c) *Relationship among average, marginal and total revenue.*
4. *explain how firms measure profits;*	(a) Total revenue *and* total cost. (a) *Levels of profit*: (i) *Normal profit (zero economic profit);* (ii) *Abnormal profit (positive* economic *profit*); and, (iii) *Subnormal profit (losses).*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Market Structure *(cont'd)*	
Students should be able to:	
5. explain the concept of market structure;	(a) *Definition of market structure.* (b) Types of market structures: (i) Perfect competition; (ii) *Monopoly (including* price discrimination *and natural monopoly*); (iii) Monopol*istic competition; and,* (iv) *Oligopoly (including cartels).* ***Note***: *Consider examples of close approximations to Caribbean market structures.*
6. *explain* the characteristics of the different market structures;	Characteristics of the different market structures: (a) *Numbers of buyers and sellers;* (b) *Nature of the good;* (c) *Control over market* (price-takers, price-setters); (d) *Barriers to entry and exit; and,* (e) *Perfect or imperfect information.*
7. *evaluate* the different market structures;	*Areas of focus include:* (a) Profit maximisation; (b) *Extent of competitive behaviour; and,*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Market Structure (cont'd)	
Students should be able to:	
	(c) *Level of performance in the short-run and long-run equilibrium positions:* *(i) Price charged;* *(ii) Level of output produced;* *(iii) Profitability; and,* *(iv) Position on the average cost curve (efficiency).*
8. *analyse* the *impact of marginal cost pricing and average cost pricing on* the pricing and output decisions of the firm;	(a) *Definitions of marginal cost pricing and average cost pricing.* (b) *Interpretation of the illustrations and calculations of* marginal cost pricing and average cost pricing.
9. calculate measures of industrial concentration; *and,*	(a) *Four-firm concentration ratio.* (b) Herfindahl Hirschman Index. $H = \sum_{i=1}^{n} s_i^2$
10. interpret measures of industrial concentration.	(a) *Interpretation related to market structures.* (b) *Limitations of measures of industrial concentration.*
TOPIC 2: Market Failure	
1. explain the concept of economic efficiency;	(a) *Definition of economic efficiency.* (i) *Productive Efficiency; and,* (ii) *Allocative Efficiency.* (b) *Explanation* of Pareto efficiency.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: Market Failure *(cont'd)*	
Students should be able to:	
2. distinguish among private goods, public goods, merit goods and demerit goods;	(a) *Definitions and characteristics of private goods, public goods, merit goods and demerit goods.*
	(b) *Issues of rivalry and exclusion.*
	(c) *Examples of private goods, public goods, merit goods, and demerit goods.*
3. distinguish between social costs and social benefits;	(a) *Differences among social costs, private costs, social benefits, private benefits, external costs, external benefits.*
	(b) *Calculations of social costs and social benefits to determine social efficiency output.*
	(c) *Examples of* social costs, private costs, social benefits, private benefits, external costs, external benefits.
	(d) *Interpretation* of graphical representations of *social costs, private costs, social benefits, private benefits, external costs, external benefits.*
4. *analyse* the concept of market failure; *and,*	(a) *Definition of market failure.*
	(b) Divergence of *private and* social costs *(existence of external costs)* and *private and* social benefits *(existence of external benefits)* and *in*efficiency.
	(c) *Interpretation of graphical representations of social costs and social benefits and inefficiency.*
	(d) *Illustration and interpretation of deadweight loss.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: Market Failure *(cont'd)*	
Students should be able to:	
5. *evaluate* the causes of market failure.	Causes of market failure: (a) *Monopoly;* (b) *Public goods;* (c) *Merit goods;* (d) *Externalities: positive (consumer and producer) and negative (consumer and producer) diagrams required;* (e) *Asymmetric information: adverse selection and moral hazard;* (f) *Open access to resources/common property resources; and,* (g) *Non-existence of markets.*
TOPIC *3*: Intervention	
1. evaluate the measures used by government to correct market failure; *and*	(a) *Definitions and examples of:* (i) *Regulation;* (ii) *Anti-trust policy;* (iii) *Taxation;* (iv) *Privatisation and deregulation;* (v) *State ownership;* (vi) *Subsidies;* (vii) *Legislation; and,* (viii) *Market creation (tradable permits).*

SPECIFIC OBJECTIVES	**CONTENT**
TOPIC *3*: Intervention (cont'd)	
Students should be able to:	
	(b) *Pros and cons of government intervention with emphasis on effectiveness of intervention in Caribbean societies (effect of small size in relation to policy making).*
2. evaluate the measures used by the private sector to correct market failure.	(a) *Definitions and examples of* private sector *measures*: (i) *Corporate code of conduct;* (ii) *Corporate social responsibility;* (iii) *Voluntary agreements; and,* (iv) *Corporate ethics.*
	(b) *Pros and cons of private sector measures with emphasis on effectiveness of the measures in Caribbean societies.*

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. *Have students collaborate to research relevant concepts explored in the Module and add them to the glossary of terms created for Module 1. These should be added to their physical or virtual classroom space.*

2. *Have students work in small groups to complete research on factors which may influence market failure and strategies that could be employed to mitigate the effects of market failure. Students should present their findings to the class.*

3. *Using the characteristics of market structure have students examine the banking industry and agricultural industry and determine the type of market each industry represents.*

4. *Have students review case studies and scenarios to evaluate the measures used by the private sector to correct market failure.*

5. For price discrimination, have *students share different examples from their experiences and* identify the first, second and third-degree price discrimination using these examples. These should then be illustrated using diagrams *and have students document their observations.*

6. For the kinked demand curve model, the daily newspaper or mobile phone industry may be used as examples.

7. *Have students visits sites which may be affected by various environmental factors for example, erosion, pollution, traffic congestion and discuss their impact on market failure.*

8. *Have students participate in a panel discussion on the topic "government interventions and their impact on economic performance."*

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. Understand the theory of marginal productivity;

3. appreciate the issues surrounding poverty and the measures used to alleviate poverty; *and,*

4. develop skills in applying microeconomic analysis to critical social issues involving income inequality.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: The Demand for and Supply of Factors	
Students should be able to:	
1. explain the rewards of the factors of production;	*Definitions and examples of the rewards of:* rent, interest, wages and profits.
2. explain the concept of derived demand;	*Definitions and examples of* derived demand.
3. *discuss* the marginal productivity theory;	(a) The assumptions of Marginal Productivity Theory.
	(b) *Explanations of* Marginal Physical Product, Marginal Revenue Product and their relationship.
	(c) *Calculations and interpretations of Marginal Physical Product and Marginal Revenue Product.*
	(d) *Illustration and interpretation of the Marginal Physical Product and Marginal Revenue Product.*
	(e) *Limitations of Marginal Physical Product and Marginal Revenue Product.*

MODULE 3: DISTRIBUTION THEORY (cont'd)

SPECIFIC OBJECTIVES		**CONTENT**	
TOPIC 1: The Demand for and Supply of Factors *(cont'd)*			
Students should be able to:			
4.	apply the marginal productivity theory to the demand for capital and labour;	*Calculations, illustrations and interpretations of* the value of the Marginal Product *for labour and capital.*	
5.	*analyse* the factors affecting the supply of land, capital and labour;	(a)	Land: the *fixed supply* of land, *the immobility of land, land designated for various uses (such as agriculture or construction).*
		(b)	*Capital:* the supply of loanable funds*, interest rates, present value of capital.*
		(c)	*Labour: wages, number of persons willing to work, working conditions, trade unions, skills and educational levels.*
6.	*analyse* the factors determining rent, interest and wages; *and,*	(a)	*Rent: Inelastic supply of land versus competing uses for land, derived demand for land.*
		(b)	*Interest: the demand and supply of loanable funds, marginal productivity of capital.*
		(c)	*Wages: the demand and supply of labour, trade unions, minimum wage legislation.*
7.	distinguish between transfer earnings and economic rent.	(a)	*Differences between transfer earnings and economic rent.*
		(b)	*Illustrations and interpretations of earnings and economic rent.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: *Wage Differentials*	
Students should be able to:	
1. explain the concept of wage differentials;	*Wage d*ifferences within industries and among industries.
2. analyse the *factors that cause wage differentials*;	(a) Imperfections on the demand side (for example, differences in marginal productivity). (b) *Imperfections on the supply side including but not limited to:* (i) *The mobility and immobility of labour; geographical/regional (migration of workers), occupational; and,* (ii) *Differences in education, skills and experience.*
3. explain the concept of compensating wage differentials; *and,*	(a) *Definition of compensating (equalising) wage differentials.* (b) *Reasons for* compensating (equalising) *wage* differentials *including but not limited to risky jobs, unpleasant working conditions and retention of highly productive workers (efficiency wage)*.
4. *evaluate* the role of Government, Trade Unions and Employers' Associations in the pricing of labour.	(a) *The role of government in the pricing of labour:* (i) *Minimum wage legislation; and,* (ii) *Illustration and interpretation of the effect of the m*inimum wage rate *on the labour market*. (b) *The role of trade unions in the pricing of labour:* (i) *The main function of trade unions; and;* (ii) *Trade union strategies.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: *Wage Differentials (cont'd)*	
Students should be able to:	
	(c) *The role of employers' association in the pricing of labour:* (i) *Definition of employers' association;* (ii) *Definition of* monopsonies *(as a single buyer of labour)*; *and,* (iii) *Illustration and interpretation of the effect of monopsonies on wages and employment levels.*
TOPIC 3: *Income Inequality, Poverty and Poverty Alleviation*	
1. differentiate between *the* size and functional distribution of income;	*Differences in measuring income according to* size and functional distribution.
2. explain income inequality, *measures of income inequality and how to reduce inequality*;	(a) *Definition of* income *inequality*. (b) *Measures of income inequality:* (i) *Illustration and interpretation of the Lorenz curve; and,* (ii) *Gini coefficient (knowledge and interpretation of the formula only).* (c) *Measures to reduce inequality: taxes, subsidies, transfers.*
3. distinguish between absolute and relative poverty;	Absolute versus relative poverty.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 3: ***Income Inequality, Poverty and Poverty Alleviation (cont'd)***	
Students should be able to:	
4. *evaluate* the different approaches used to measure poverty;	*Approaches used to measure poverty:* *(a)* *Basic needs;* (b) *Poverty line;* (c) *Head count;* (d) *Undp human development index (HDI); and,* (e) *Human poverty index (HPI).* *(f)* ***Note:*** *Calculations not required.*
5. *discuss the* factors that contribute to poverty;	Factors that contribute to poverty including but not limited to: (a) *Social and physical environment;* (b) *Discrimination – gender, race;* (c) *Restrictions on certain economic activities;* (d) *Non-ownership of resources;* (e) *Family size; and,* (f) *Single parent; female headed families.*
6. *discuss* why certain categories of people are more susceptible to poverty than others;	(a) *People who are most susceptible to poverty:* (i) *Physically challenged;* (ii) *Elderly;* (iii) *Youth;* (iv) *Single parent families; and,* (v) *Indigenous people.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 3: ***Income Inequality, Poverty and Poverty Alleviation (cont'd)***	
Students should be able to:	
	(b) *Reasons for people being susceptible to poverty: limited access to employment, level of training, legislation, availability of income relative to family size.*
7. *evaluate* strategies used by Governments to alleviate poverty;	Strategies to alleviate poverty *including and not limited to*: (a) *Transfer payments;* (b) *Free education and health care;* (c) *Housing (free, subsidised, low income);* (d) *Minimum wage legislation;* (e) *Equal employment opportunities; and,* (f) *Government employment creation (special works programmes).*
8. analyse the economic, *social and environmental costs* of poverty; *and,*	The costs of poverty, including: (a) *Unemployed human resources;* (b) *Lower potential output;* (c) *Inefficient allocation of Government expenditure;* (d) *Social costs;. and,* (e) *Environmental costs*.
9. *assess* the economic benefits of government intervention to alleviate poverty.	Economic benefits including *but not limited to*: (a) *Provision of education and health care leading to development of human capital;* (b) *Improvement in well-being as measured by the UNDP HDI and HPI; and,* (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. *Have students analyse various scenarios to differentiate between direct demand and derived demand.*

2. *Have students view* graphical representations of the Lorenz Curve *to analyse the distribution of income represented on the graph. Students should also determine which graph would result in a larger GINI Coefficient.*

3. *Have students collaborate to research relevant concepts explored in the Module and add them to the glossary of terms created for Modules1 and 2. These should be added to their physical or virtual classroom space.*

4. *Have students participate in a presentation on the role and strategies of Trade Unions in the pricing of labour by a Trade Union representative. Students participate in the discussion and complete a work sheet.*

5. *Have students work collaboratively to complete research to compare wages in various industries in their country for example, agriculture, oil, manufacturing, retail industries and report their findings to the class. Have students use the results of their research to inform a discussion on reasons wages may differ from one industry to the other.*

6. *Have students work in small groups to discuss some of the factors that contribute to poverty and to suggest some strategies for alleviating poverty among the most susceptible groups of people.*

7. *Have students work collaboratively to conduct research on the economic cost of poverty on their country and explore how specific Government intervention strategies have helped to mitigate the effects of poverty.*

8. *Have students view relevant videos on the* social *impact of poverty and assess their context to determine similarities as it relates to causes, effect and the impact of strategies employed.*

9. *Encourage students to analyse data and scenarios and explain the economic benefits of government interventions to alleviate poverty in their county.*

10. *Have students work collaboratively to conduct research on the environmental cost of poverty on their country and explore how specific Government intervention strategies have helped to mitigate the environmental impact. Students may also suggest ways in which individuals and groups may contribute to mitigating the impact.*

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

RESOURCES

Bahaw, E.	*Comprehensive Economics for CAPE-Unit 1, Caribbean Educational Publishers, 2011.*
Baumol, W. Blinder, A. and Solow, J.	*Microeconomics Principles and Policy, 14th Edition, Cengage Learning, 2019.*
Begg, D., Fisher, S. and Dornbusch, R.	*Economics, 12th Edition, London: McGraw-Hill International (UK) Limited, 2020.*
Hosein, R., and Gookool, R.	*CAPE Economics Study Guide Unit 1, Caribbean Examinations Council, 2020.*
Lipsey, R. and Chrystal, K.	*Principles of Economics, 14th Edition, New York: Oxford University Press Inc., 2020.*
McConnell, C. and Brue, S.	*Economics: Principles, Problems and Policies, 19th Edition, New York: McGraw-Hill Inc., 2014.*
Ramsingh, D.	*Collins Economics for CAPE, 2015.*
Sloman, J. et. al.	*Economics, 11th Edition, Pearson Publishers, 2024.*

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 newspapers 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.

ELECTRONIC RESOURCES

NOTE: *The integration of educational videos and websites from reputable sources to support the teaching and learning of the content is highly encouraged.*

♦ UNIT 2: MACROECONOMICS

MODULE 1: MODELS OF THE MACROECONOMY

GENERAL OBJECTIVES

On completion of this Module, students should:

1. appreciate the *concept* of National Income *A*ccounting and the importance of these accounts for macroeconomic theory and policy;

2. understand the views of the *C*lassical, *K*eynesian and *M*onetarists schools; *and,*

3. understand the factors that influence the level of investment in an economy.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: National Income *Accounting*	
Students should be able to:	
1. explain the circular flow of income;	(a) Definition of circular flow of income. (b) *Illustration and interpretation of the four-sector economy.*
2. explain the concept of National Income Accounting;	(a) *Definition of National Income Accounting.* (b) *Components of National Income Accounting:* Gross Domestic Product (GDP), Gross National Product (GNP)*, Net National Income (NNI), personal income, disposable income and per capita income*.
3. *calculate National Income using different methods;*	(a) *Methods of calculating National Income:* (i) *Expenditure method;* (ii) *Output method (*avoidance of double counting*); and,* (iii) *Income method.*

SPECIFIC OBJECTIVES | **CONTENT**

TOPIC 1: National Income *Accounting (cont'd)*

Students should be able to:

(b) *Calculation and interpretation of:*

- (i) *Gross Domestic Product (GDP) - at market prices and factor costs;*
- (ii) *Gross National Product (GNP);*
- (iii) *Net National Income (NNI);*
- (iv) *Personal income;*
- (v) *Disposable income; and,*
- (vi) *Per capita income.*

4. *evaluate* National Income accounts to *determine* the performance *of the* economy;

Use of National *I*ncome accounts to:

(a) *Measure economic performance over time; and,*

(b) *Make inter- country comparisons.*

5. *distinguish between* nominal GDP *and* real GDP; *and,*

(a) *Differences between nominal and real GDP; and,*

(b) Calculation and interpretation of nominal and real GDP using the *GDP deflator*.

6. *evaluate* the *effectiveness* of GDP *as a measure of well-being*.

Limit*ations* of *the use of GDP as a measure of well-being*, *including but not limited to*:

(a) *Non-inclusion of the informal sector (the underground economy, illegal activities)*; and,

(b) *Non-payment for do-it-yourself activities;*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: Classical *M*odels of the Macroeconomy	
Students should be able to:	
	(c) *Non-accounting for externalities, environmental degradation (Green GDP); and,*
	(d) *The non-measurement of changes in the quality of life.*
1. *explain the Classical view of flexibility in all markets;*	*The basic assumptions of the Classical model (flexibility of wages, prices and interest rates).*
2. *analyse the Classical view of the labour market;*	(a) *The Classical model explanation of unemployment.*
	(b) *Illustration and interpretation of labour markets clearing due to flexibility of* wages.
	(c) *Restoration of full employment.*
3. *analyse the Classical perspective of the capital market;*	(a) *The Classical model explanation of the capital market (Loanable Fund Theory);*
	(b) *Illustration and interpretation of capital markets clearing due to flexibility of interest rates; and,*
	(c) *Restoration of equilibrium in the capital market.*
4. explain the factors that influence aggregate demand;	The factors that influence aggregate demand:
	(a) Consumer spending;
	(b) Investment spending;
	(c) Government spending; *and,*
	(d) Net export spending.

SPECIFIC OBJECTIVES	**CONTENT**
TOPIC 2: Classical *M*odels of the Macroeconomy *(cont'd)*	
Students should be able to:	
5. explain the factors that influence aggregate supply;	Factors that influence aggregate supply including *but not limited to:* (a) Changes in input prices; (b) *Technology;* (c) *Public policy (subsidies and taxes); and,* (d) *Labour productivity.*
6. interpret the classical long run supply curve;	(a) The assumptions of the vertical aggregate supply curve; and, (b) *Illustration and interpretation of the vertical aggregate supply curve.*
7. explain price *and output* level determination within the *C*lassical *M*odel; *and,*	*Illustration and explanation of the* interaction of the *C*lassical aggregate demand and supply curves.
8. use the *C*lassical aggregate demand and supply model to explain changes in the price level and employment.	*Illustration and explanation of the shifts* in the aggregate demand and aggregate supply curves.
TOPIC 3: Basic Keynesian Models	
1. explain *the Keynesian view of markets;*	*The basic assumptions of the Keynesian model (inflexibility of wages and prices).*
2. explain the consumption *and saving* functions;	(a) *Illustration and interpretation of autonomous* and induced consumption; and, (b) *Illustration and interpretation of autonomous and induced saving.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 3: Basic Keynesian Models (Cont'd)	
Students should be able to:	
3. explain the relationship *among income*, saving and consumption;	(a) Income = consumption plus saving; (b) *Calculation and interpretation of* marginal propensity to consume and save *(MPC and MPS); and,* (c) *Calculation and interpretation of* average propensity to consume and save *(APC and APS)*.
4. calculate the simple multiplier;	Simple multiplier. $\left(\frac{1}{1-\text{mpc}}\right)$
5. describe the effects of injections *and* withdrawals on national income;	(a) *The effects of:* (i) *injections (investment, government spending and exports) on national income; and,* (ii) *withdrawals (saving, taxation and imports) on national income.* (b) *Impact of leakages on multipliers in the Caribbean.*
6. *analyse* the equilibrium level of national income; *and,*	Determination of equilibrium income using: (a) *Illustration and interpretation of the* 45° line or E=Y *graphs*. (b) *Illustration and interpretation of the* withdrawals and injections approach. (c) *illustration and interpretation of* the Keynesian aggregate demand and supply curves (long-run and short-run). (d) *Calculation (Y = C + I + G + (X – M)).*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 3: Basic Keynesian Models *(cont'd)*	
Students should be able to:	
7. *analyse* inflationary and deflationary gaps.	(a) *Inflationary gap:* (i) *Definition of inflationary gap.* (ii) *Illustration and interpretation of inflationary gap.* (iii) *Explanation of measures to close an inflationary gap.* (b) *Deflationary Gap:* (i) *Definition of deflationary gap.* (ii) *Illustration and interpretation of deflationary gap.* (iii) *Explanation of measures to close a deflationary gap.*
TOPIC 4: Investment	
1. explain the concept of investment;	Investment (induced and autonomous).
2. differentiate between the investment demand curve and the investment curve;	(a) Investment Demand Curve: (i) *Is the* Marginal *Efficiency* of Capital *(MEC) curve;* (ii) *Shows* investment demand as a function of expected rate of return; and, (iii) *Concerned with the stock of capital.*

SPECIFIC OBJECTIVES | **CONTENT**

TOPIC 4: Investment *(cont'd)*

Students should be able to:

(b) Investment Curve:

(i) *Is the* Marginal Efficiency of Investment *(MEI) curve;*

(ii) *Shows* non-interest rates as determinants of investment *including* taxes, costs, stock of capital goods on hand *and* expectations; and,

(iii) *Concerned with the flow of investment.*

3. explain the accelerator theory *of investment*; *and,*

Definition, assumptions and limitations *of the a*ccelerator theory of investment.

4. *explain* the factors that account for the *level and* volatility of investment.

Determinants of *the level of* investment and its *volatility:*

(a) *T*he accelerator;

(b) *D*urability;

(c) *I*rregularity of innovation;

(d) *V*ariability of profits;

(e) Expectations/*business confidence;*

(f) Interest rates; *and,*

(g) *Government policy*.

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. *Have students collaborate to research relevant concepts explored in the Module and add them to the glossary of terms. These should be added to their physical or virtual classroom space.*

2. *Have students engage in research and use relevant examples to explain the* circular flow diagram from the closed economy to the open economy.

3. *Have students prepare the national income accounts from data given in the form of the components used in calculating National Income Accounting for two different years or countries and analyse the results.*

4. *Have students make a list of transactions that take place in the economy and discuss with class reasons why some transactions will or will not be counted in the GDP.*

5. *Have students use numerical data to (a) calculate real GDP given the nominal GDP and deflator (b) calculate the deflator given nominal and real GDP and (c) calculate nominal GDP given real GDP and the deflator.*

6. *Have students examine a table showing various GDP data for two countries such as percentage change in annual GDP, total GDP, GDP per capita and living standards. Students may work collaboratively to analyse the performance of the economy of the two countries and report their findings to the class giving justifications.*

7. *Have students evaluate the effects of the following issues on the Output in the economy and the Standard of living*
   Issues:

   (a) *Non-inclusion of the informal sector;*

   (b) *Non-payment for do-it-yourself activities;*

   (c) *Non-accounting for externalities; and,*

   (d) *Non-measurement of changes in the quality of life.*

   This can be done as a class discussion or may be done in groups and creatively presented.

8. *Have students work collaboratively to research the classical perspectives on the labour and capital market. Students should apply the information to respond to various scenarios in their context.*

Suggested Teaching and Learning Activities

9. For topic 2, Classical Models of the Macroeconomy, *have students* use graphs to *demonstrate* flexibility and the automatic return to equilibrium.

10. For topic 3, *have students observe demonstrations of* the operation of the multiplier by using data to show the successive rounds of spending (Calculations and graphical representations of the multiplier are required). *Students should then practice completing examples individually and in pairs.*

11. *Have students collect information on consumption schedules of households and use the data to calculate the marginal propensity to consume as well as the simple multiplier.*

12. Have students demonstrate the use of the 45° line and average demand and average supply to show inflationary and deflationary gaps.

13. For topic 4, Investment, have students use tables to illustrate and explain the accelerator, that is, the necessity to increase expenditure, constantly, for investment.

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 inflation* and how intervention may be used to improve economic performance;

2. *understand economic theories and their application to everyday economic problems;*

3. appreciate the role of the Central Bank in the economy;

4. understand monetary and fiscal policy and their applications; *and,*

5. understand the nature and burden of the national debt.

SPECIFIC OBJECTIVES	**CONTENT**
TOPIC 1: Unemployment and Inflation	
Students should be able to:	
1. explain what is meant by the labour force;	(a) *Components of labour force* – employed and unemployed; (b) *Definition of participation rate;* (c) *Calculation of the labour force; and,* (d) *Calculation of the participation rate*.
2. *analyse* the unemployment rate;	*Calculation and interpretation of* the unemployment rate.
3. distinguish between unemployment and underemployment;	*Differences between* unemployment and underemployment.
4. *discuss* the *types and* causes of unemployment;	(a) *Types of unemployment including but not limited to frictional, seasonal, structural, real wage and cyclical/demand deficient.* (b) *Causes of unemployment including but not limited to* labour immobility, labour force participation rate, interventions *such as minimum wage legislation.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Unemployment and Inflation *(cont'd)*	
Students should be able to:	
5. evaluate the *effects* of unemployment;	The effects *of unemployment* on: (a) Output, income and growth; (b) *Government spending*; *and,* (c) *Society.*
6. evaluate the policies used to reduce unemployment;	*Policies used to reduce unemployment:* Fiscal policy, monetary policy, wage subsidies, retraining programmes, investment tax credit, employment tax credit, government employment programmes, reducing market imperfections.
7. *define inflation;*	*Definition of inflation.*
8. distinguish between *nominal and real* variables;	*Differences between nominal* and real *variables.*
9. explain how inflation is measured;	The GDP deflator; the retail *(consumer)* price index; the producer price index. Calculations*,* *interpretations* and limitations of the indices.
10. explain the *types/*causes of inflation;	Demand shocks *(demand-pull)*, supply shocks *(cost-push)*, increase in the money supply growth rate *(monetary)*.
11. evaluate the effects of inflation;	The *effects* of inflation *on*: (a) Redistribution of wealth; (b) Business activity *(for example, decisions on investment, transaction costs);* (c) *Economic* growth; *and,* (d) balance of payments.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Unemployment and Inflation *(cont'd)*	
Students should be able to:	
12. evaluate the policies used to combat inflation; *and,*	Income *and price* policy, monetary policy, fiscal policy and supply side measures.
13. *evaluate* the relationship between the unemployment rate and *the* inflation *rate*.	(a) Trade-off between the rate of inflation and the rate of unemployment: Phillips curve;
	(b) *Stagflation; and,*
	(c) Relevance of the Phillips curve to Caribbean policymakers.
TOPIC 2: Monetary Theory and Policy	
1. explain the concept of money;	(a) *Definition* of money;
	(b) *Brief history of money;*
	(c) *Features of money including but not limited to acceptable, portable, divisible; and,*
	(d) Types of money *including but not limited to commodity, fiat,* token, *and digital currencies.*
2. *explain* the functions of money;	Functions of money*:*
	(a) *Medium of exchange;*
	(b) *Unit of account;*
	(c) *Store of value; and,*
	(d) *Standard of deferred payment.*
3. explain the demand for money;	*Keynesian* motives for holding money (transactions, precautionary, speculative).

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: Monetary Theory and Policy *(cont'd)*	
Students should be able to:	
4. explain the supply of money;	*Components of* the money supply (*M0,* M1 *and* M2).
5. *analyse the Liquidity Preference Theory;*	(a) *Explanation of the Liquidity Preference Theory.* (b) *Illustration and interpretation of the Liquidity Preference Theory including the liquidity trap.*
6. *analyse the Quantity Theory of Money*;	*Calculation and interpretation of:* (a) *Fisher's Equation of Exchange (MV = PT); and,* (b) *Explanation of the* Quantity Theory of Money *(MV = PY).*
7. *analyse how money is created in the banking system*;	(a) *Credit creation;* (b) *The money multiplier; and,* (c) *Excess reserves.*
8. *explain why residents substitute foreign for domestic currency*;	*The nature of currency substitution and hoarding.*
9. *explain monetary policy;*	(a) *Definition of monetary policy.* (b) *Types of monetary policy:* (i) *Expansionary (easy) monetary policy; and,* (ii) *Contractionary (tight) monetary policy.*
10. *discuss how monetary policy is implemented; and,*	(a) The role of the central bank in creating high-powered money (monetary base).

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: Monetary Theory and Policy *(cont'd)*	
Students should be able to:	
	(b) Instruments of monetary control: (i) Open market operations; (ii) Discount rates; (iii) *Repo rates;* (iv) Reserve requirements; (v) Moral suasion; *and,* (vi) Interest rates.
	(c) *Use of monetary policy to correct inflation, unemployment and Balance of Payments problems; and,*
	(d) *How monetary policy affects national income.*
11. evaluate the limitations of monetary policy.	Limitations of monetary policy including *but not limited to* the fact that it is: (a) *Permissive, not compelling and only creates the environment for spending, saving and borrowing*; (b) *Excess reserves by commercial banks*; (c) *Changes in the velocity of circulation*; (d) *Liquidity trap*; (e) Difficult to control the money supply of foreign-owned commercial banks; (f) Difficult to eliminate lags in monetary policy; *and,* (g) Weakened by fiscal indiscipline.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 3: Fiscal Policy	
Students should be able to:	
1. explain the concept of fiscal policy;	(a) *Definition* of fiscal policy; (b) *Types of fiscal policy; and,* (c) *Instruments of fiscal policy (taxation and government spending*).
2. *evaluate* the *use* of fiscal policy *in achieving macro-economic objectives*;	Fiscal policy as a means of addressing: (a) *Economic growth*; (b) Unemployment; (c) Inflation; *and,* (d) Balance of payments.
3. explain the nature of the budget;	The nature of the budget: (a) Taxation *(indirect and direct)*, revenue, transfer, expenditure; and, (b) Budget surplus, budget deficit—*and balanced budget.*
4. explain the balanced budget multiplier;	Explanation of the balanced budget multiplier (*No calculation is required*).
5. *evaluate* methods of financing budget deficits;	Methods of financing budget deficits including *but not limited to* external and domestic borrowing.
6. distinguish between discretionary and non-discretionary fiscal policy; and,	(a) *Discretionary (active) policymaking versus non-discretionary (passive) policymaking; and,* (b) *Examples of automatic stabilisers.*
7. evaluate the effectiveness of fiscal policy.	*The effectiveness of fiscal policy given its limitations:* (a) *Time lags;* (b) *Difficulty in predicting the multiplier effect;* (c) *Crowding out effect; and,* (d) *Excess capacity.*

SPECIFIC OBJECTIVES	CONTENT
Students should be able to:	
TOPIC 4: Public Debt	
1. explain the national debt;	The national debt: (a) Stock/flow; (b) *Public Sector Borrowing Requirement (PSBR); and,* (c) Domestic and foreign debt.
2. explain the causes of the national debt;	The causes of the national debt *including but not limited to:* (a) *Fiscal indiscipline;* (b) *Natural disasters;* (c) *High energy prices;* (d) *High import bill; and,* (e) *Unfavourable terms of trade.*
3. evaluate the effects of the national debt on the economy;	The effects of the national debt on the economy: (a) *Burden of foreign debt and interest payments;* (b) Output and investment decisions; (c) Exchange rate pressures; (d) Inflation; (e) Crowding out and crowding in; *and,* (f) *Impact on future generations.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 4: Public Debt *(cont'd)*	
Students should be able to:	
4. evaluate ways of reducing the debt burden *so that debt retirement can be achieved; and,*	Management of the national debt: (a) Internal *versus* external borrowing; (b) Taxation; (c) Debt rescheduling; *and,* (d) Debt forgiveness.
5. *interpret* the debt service ratio.	(a) Calculation of the debt service ratio: (i) principal plus interest as a percentage of export*; and,* (ii) *principal plus interest as a percentage of GDP.* (b) Interpretation of the debt service ratio.

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. *Have students collaborate to research relevant concepts explored in the Module and add them to the glossary of terms created for Module 1. These should be added to their physical or virtual classroom space.*

2. For topic 1, Unemployment and Inflation, *have students* use the Phillips Curve to show the relationship between the unemployment rate and inflation rate. *Students should record their observations.*

3. *Have students collaborate to research relevant concepts explored in the Module and add them to the glossary of terms created for Module 1. These should be added to their physical or virtual classroom space.*

4. For topic 1, Unemployment and Inflation, *have students* use the Phillips Curve to show the relationship between the unemployment rate and inflation rate. *Students should record their observations.*

Suggested Teaching and Learning Activities

5. *Have students collect and analyse data on unemployment and inflation in their country including a focus on how these factors affect households and individuals. They should suggest strategies to reduce the level of unemployment and the inflation rate.*

6. For topic 2 (money multiplier), *have students* show the various rounds in the money expansion process as done in the multiplier. Use Central Bank Acts and Reports for data gathering.

7. *For fiscal policy, have students work in small groups to research the goals and limitations of fiscal policy*.

8. *Have students view videos and collaborate to engage in research on the* causes of the national debt and the burden it places on future generations. *They should creatively present their findings to the class.*

9. *Have students discuss the main points in the annual budget speech in their country*.

10. *Have students examine national budgets and simulate budget management under economic constraints. Their management strategies should be creatively presented for class discussion.*

11. *Have students collaborate to research how monetary policy is implemented in their country and the role of the Central Bank in carrying out the monetary policy and controlling money supply.*

12. *Have students participate in a field trip to the Central Bank/ Monetary Authority in their country to obtain first-hand knowledge on the history and development of money, the role of the Central Bank in monetary policy, and the tools of monetary policy. Students will document the information obtained in their class notes and share in a post trip debrief session.*

13. *Have students collaborate to research and creatively present information on the causes of national debt and evaluate the effects of the national debt on the economy.*

14. *Have students collaborate to research emerging topics in economics, such as digital currencies and the economic impact of artificial intelligence. They could participate in a panel discussion with groups representing the views of different stakeholders.*

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;

4. *appreciate* the causes and consequences of balance of payments crises;

5. *understand economic theories and their application to everyday economic problems;*

6. *appreciate* the benefits and costs derived from current integration arrangements, such as CARICOM, FTAA and the EU; *and,*

7. understand the role and functions of international economic institutions.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Growth and *Sustainable* Development	
Students should be able to:	
1. distinguish between growth and development;	Differences between growth and development.
2. *explain the factors that determine growth and development;*	(a) *Growth factors including but not limited to exogenous (technical change) and endogenous growth (capital accumulation, human capital).*
	(b) *Development factors including but not limited to the levels of income, economic structures and external trade.*
3. explain the concept of sustainable development;	Current growth versus the well-being of future generations.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Growth and *Sustainable* Development *(cont'd)*	
Students should be able to:	
4. *assess* the factors that contribute to sustainable development *and the role that organisations play*;	(a) *Human,* economic, social and environmental factors. (b) *The role of the UN's climate change policy and Sustainable Development Goals (SDGs)*.
5. discuss the concept of human development;	(a) Indices including *but not limited to Human Development Index (HDI) and Measurable Economic Welfare (MEW)*. (b) *Components of the indices.* ***Note:*** *Calculations not required.*
6. *discuss* the structural characteristics of Caribbean economies *(Small Island Developing States - SIDS); and,*	Structural characteristics of Caribbean economies *(Small Island Developing States -SIDS*) including *but not limited to*: (a) Small size; (b) Openness; (c) Composition of exports; (d) Resource base; (e) Poverty; *and,* (f) Economic dependence.
7. *assess* the impact of the region's structural characteristics on sustainable economic development.	Implications for regional economies *including but not limited to*: (a) Dependence on aid; (b) *Dependence on remittances;* (c) Preferential trade agreements; *and,*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 1: Growth and *Sustainable* Development *(cont'd)*	
Students should be able to:	
	(d) Foreign direct investment (FDI);
	(e) Vulnerability to natural and man-made changes; *and,*
	(f) Changes in world prices.
TOPIC 2: International Trade	
1. *explain the concept of international trade;*	(a) *Definition of international trade (imports and exports).*
	(b) *Rationale for international trade.*
2. explain the theor*ies* of *absolute and* comparative advantage;	The theor*ies* of *absolute and* comparative advantage *(including calculations and interpretations).*
3. *discuss* the factors that influence exports and imports;	The factors which determine exports and imports including *but not limited to*:
	(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;
	(e) Shifts in international demand and the emergence of substitutes; *and,*
	(f) Changes in international *i*ncome.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: International Trade *(cont'd)*	
Students should be able to:	
4. assess the effects of foreign exchange earnings on a small open economy;	Foreign exchange earnings from exports: (a) Access to capital goods; (b) The export multiplier; (c) Access to consumer goods; *and,* (d) Increased domestic production.
5. *describe methods of protectionism;*	(a) *Definition of protectionism.* (b) *Methods of protection including but not limited to tariffs and other non-tariff methods such as quotas, embargos, exchange controls and administrative regulations*.
6. evaluate the arguments for protection*ism*;	Arguments for protection*ism* including *but not limited to*: (a) Infant industries; (b) Employment; *and,* (c) Food security.
7. evaluate the arguments for trade liberalisation; *and,*	Arguments for trade liberalisation including *but not limited to*: (a) Access to technology; (b) Availability of cheaper goods and services; *and,* (c) Comparative advantage.

SPECIFIC OBJECTIVES	CONTENT
TOPIC 2: International Trade *(cont'd)*	
Students should be able to:	
8. *interpret* the commodity terms of trade.	(a) Explanation of the commodity terms of trade.
	(b) *Calculation* of the commodity terms of trade *(export price index divided by import price index, multiplied by 100)*.
	(c) *Interpretation of changes in the commodity terms of trade.*
TOPIC 3: Balance of Payments and Exchange Rates	
1. explain the balance of payments;	(a) *Definition* of the balance of payments.
	(b) *Format of the balance of payments.*
	(c) *Main components of:* (i) *Current account;* (ii) *Capital account; and,* (iii) *Official financing account.*
	(d) *Differences between the current account and capital account.*
2. *evaluate* the causes and consequences of balance of payments disequilibria;	(a) The causes of balance of payments disequilibria *(deficits and surpluses)*.
	(b) *The* consequences of balance of payments disequilibria *(deficits and surpluses)*.

SPECIFIC OBJECTIVES	**CONTENT**
TOPIC 3: Balance of Payments and Exchange Rates *(cont'd)*	
Students should be able to:	
3. discuss the policy measures for correcting balance of payments disequilibria; and,	Policy *measures* to *correct* balance of payments *disequilibria* including: (a) *Revaluation/D*evaluation; (b) *Expenditure* switching; *and,* (c) *Expenditure* reducing measures.
4. *analyse* exchange rate determination *under different exchange rate regimes.*	(a) *Definition of exchange rates.* (b) *Determination* of exchange rates: (i) *fixed;* (ii) *floating; and,* (iii) *managed float.* (c) *Changes in the value of the currency order:* (i) *Fixed regime (devaluation and re-evaluation); and,* (ii) *Floating regime (depreciation and appreciation).* (d) *Factors that affect the demand for and supply of the currency.* (e) *The impact of changes in the demand and supply for currencies on the exchange rate.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 4: Economic Integration	
Students should be able to:	
1. explain the main *stages* of economic integration;	(a) *Definition of economic integration.* (b) Main *stages* of economic integration, including: (i) *free trade area;* (ii) *customs union;* (iii) *common market; and,* (iv) *economic union.*
2. evaluate the benefits *and costs* of economic integration;	(a) The *benefits* of economic integration *for example* trade *creation.* (b) *The costs* of economic integration *for example* trade *diversion.* *Note: Diagrams are required*
3. *discuss* the rationale and objectives of Caribbean integration; *and,*	The *rationale and* objectives of CARICOM for the CARICOM Single Market and Economy (CSME).
4. analyse the implications of international integration arrangements for Caribbean economies.	The *impact* of integration *arrangements*, for example European Union (EU) and the North American Free Trade Agreement (NAFTA)*/USMCA* for Caribbean Economies.
TOPIC 5: International *Economic Relations*	
1. explain the *purpose* and functions of the World Trade Organisation (WTO);	The *purpose* and functions of the WTO.

SPECIFIC OBJECTIVES	**CONTENT**
TOPIC 5 : International *Economic Relations (cont'd)*	
Students should be able to:	
2. *discuss* the role of *major* financial institutions *within Caribbean economies*;	The role of the *Caribbean Development Bank (CDB), International Monetary Fund (*IMF*)* and World Bank in the *development of Caribbean economies*.
3. *describe the characteristics of* multinational (transnational) corporations;	*Characteristics* of multinational (transnational) corporations.
4. *discuss* foreign direct investment;	(a) *Definition* of foreign direct investment. (b) *Types of foreign direct investments (for example, portfolio investment, setting up a plant, purchase of existing firms).* (c) *Advantages of foreign direct investments for Caribbean economies including but not limited to:* (i) *access to technology and capital;* (ii) *access to markets; and,* (iii) *access to management skills.* (d) *Disadvantages of foreign direct investments for Caribbean economies including but not limited to:* (i) *repatriation of profits;* (ii) *transfer pricing; and,* (iii) *crowding out of domestic businesses.*

SPECIFIC OBJECTIVES	CONTENT
TOPIC 5: International *Economic Relations (cont'd)*	
Students should be able to:	
5. describe the factors responsible for globalisation; *and,*	(a) *Definition of globalisation.* (b) *Drivers of* globalisation*, including but not limited to:* (i) technological innovation*;* (ii) trade liberalisation*;* and, (iii) liberalisation of capital markets.
6. *evaluate* the effects of globalisation on *Caribbean* countries.	*The impact* of globalisation *on Caribbean* countries *including but not limited to:* (a) greater competition*;* (b) access to markets*;* (c) access to technology*;* (d) *lower* prices*;* (e) greater variety of goods*;* and, (f) 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 the teaching and learning activities listed below.

1. *Have students collaborate to research relevant concepts explored in the Module and add them to the glossary of terms created for Modules1 and 2. These should be added to their physical or virtual classroom space.*

2. *Have students engage* in examining the *statistics of two or more Caribbean* economies *and analyse the concepts below:*

   (a) Terms of Trade;

   (b) Balance of Trade; and,

   (c) Balance of Payments.

Suggested Teaching and Learning Activities

3. *Have students collaborate to engage in research on the context and historical background of Caribbean economic integration for example Federation, CARIFTA. Students will creatively share their findings with the class.*

4. *Have students collaborate to engage in research and creatively present on the impact of Human,* economic, social and environmental *factors including climate change on sustainable development.*

5. *Have students work collaboratively to research the implications of the region's structural characteristics on sustainable economic development.*

6. *Have students engage in research and assess the effects of foreign exchange earnings on small open economies.*

7. *Have students present arguments for and against protectionism. This may be done as a debate, advertisement, panel discussion, using presentation tools or any other creative strategy.*

8. *Have different groups of students research the objectives of CARICOM and the rationale for the CARICOM Single Market and Economy (CSME) and the implications of international integration arrangements for Caribbean economies. The findings should be presented to the class.*

9. *Have students research and present the role of the Caribbean Development Bank (CDB), International Monetary Fund (IMF) and World Bank in the development of Caribbean economies*.

10. *Have students examine cases that focus on economic issues faced by Caribbean countries, such as current account imbalances and tourism dependence, assess the challenges presented and propose solutions.*

11. Encourage students to engage in research to prepare a paper on the impact of globalization on the Caribbean region.

12. *Have students view videos relevant to specific topic areas and complete and creatively present the information to the class. The approved content may also be posted on the class online space.*

RESOURCES

Bahaw, E.	*Comprehensive Economics for CAPE-Unit 2, Caribbean Educational Publishers, 2011.*
Baumol, W. and Blinder, A.	*Macroeconomics Principles and Policy, 13th Edition, Florida: Harcourt Brace and Company, 2019.*
Begg, D., Fisher, S. and Dornbusch, R.	*Economics, 12th Edition, London: McGraw-Hill International (UK) Limited, 2020.*
Hosein, R., and Gookool, R.	*Caribbean Examinations Council Economics Study Guide Unit 2, Nelson Thorne, 2012.*
Lipsey, R. and Chrystal, K.	*Principles of Economics, 14th Edition, New York: Oxford University Press Inc., 2020.*
McConnell, C. and Brue, S.	*Economics: Principles, Problems and Policies, 20th Edition, New York: McGraw-Hill Inc., 2014.*
Ramsingh,D.	*Collins Economics for CAPE, 2015.*
Sloman, J. et. al.	*Economics, 11th Edition, Pearson Publishers, 2024.*

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 newspapers 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.

ELECTRONIC RESOURCES

NOTE: *The integration of educational videos and websites from reputable sources to support the teaching and learning of the content is highly encouraged.*

♦ 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:

1. 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.*

2. *School Based* Assessment undertaken throughout the course of the Unit. This contributes 20% to the candidate's overall grade.

EXTERNAL ASSESSMENT (80%)

Paper 01 (1 hour 30 minutes)	*This Paper will consist of* forty-five multiple-choice items, fifteen (15) on each Module. *Each item is worth 1 mark (weighted up to 2).*	30%
Paper 02 (2 hours 30 minutes)	The paper consists of three (3) *compulsory questions, (one from each Module* in the Unit.) *Each question is worth 25 marks (weighted up to 50).*	50%

SCHOOL BASED ASSESSMENT FOR EACH UNIT (20%)

Paper 031

The School Based Assessment component is intended for candidates registered through schools or other approved institutions. The 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 *76–79*.

Paper 032
(2 hours)

This paper is an alternative to the Paper 031, the School-Based Assessment and is intended for private candidates. The paper will be research-based and will consists of three compulsory questions. It will test skills and competencies similar to those assessed in the School-Based Assessment. The Paper 032 will, as far as possible, mirror the SBA in content and types of tasks. Further details can be found on page 76.

*The topics for the examination years, 2027–2036, for the **Paper 032** Unit 1 and Unit 2 are listed on page 84–85.*

MODERATION OF SCHOOL-BASED ASSESSMENT

School-Based Assessment Record Sheets are available online via the **CXC®**'s website www.cxc.org.

All School-Based Assessment Record Sheets and sample 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*

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

Copies of the students' assignments 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**

   This paper consists of forty-five multiple choice items, fifteen on each module.

2. ***Syllabus Coverage***

   (a) *Knowledge of the entire syllabus is required.*

   (b) *The intention of this paper is to assess candidates' knowledge across the breadth of the syllabus.*

3. **Mark Allocation**

   (a) *Each item is allocated 1 mark, which will be weighted to 2 marks.*

   (b) *Each Module is allocated 15 marks, which will be weighted to 30 marks.*

   (c) *The total number of marks available for this paper is 45, which will be weighted to 90 marks.*

   (d) *This paper contributes 30 per cent towards the total assessment.*

4. **Question Type**

(a) Paper 01 comprises forty-five multiple choice items.

(b) Some of the questions will be based on sets of economic data which will be provided with the relevant questions.

(c) *Questions may be presented using words, symbols, tables, diagrams or a combination of these.*

5. **Use of Calculators**

(a) Candidates may use silent non-programmable calculators.

(b) Calculators must not be shared during the examination.

<u>Paper 02 – (2 hours 30 minutes – 50% of Total Assessment)</u>

1. **Composition of Paper**

The paper consists of three (3) compulsory questions, one from each Module in the Unit.

2. ***Syllabus Coverage***

The intention of this paper is to assess 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.

3. **Mark Allocation**

(a) *Each question is worth 25 marks.*

(b) *Each Module is allocated 50 marks.*

(c) *The total marks available for this paper is 150.*

(d) *The paper* contributes 50% to the candidate's final grade.

4. **Question Type**

(a) Paper 02 comprises *three compulsory* essay-type questions which require candidates to provide extended responses.

(b) Questions may use stimulus material, for example, tables, graphs, reports, diagrams or prose.

(c) *Candidates will be asked to illustrate diagrams and provide analysis of these diagrams. Full marks will be awarded for correct, labelled diagrams with the presence of correct analysis.*

5. **Use of Calculators**

(a) Candidates may use silent non-programmable calculators.

(b) Calculators must not be shared during the examination.

Paper 032 – (2 hours – 20% of Total Assessment)

Private candidates are required to write an Alternative Paper – Paper 032. This is the alternative to the School-Based Assessment (SBA).

1. ***Composition of Paper***

(a) The Paper will be based on a case study and will consists of three questions. *The three questions may be divided into parts.*

2. ***Syllabus Coverage***

(a) *The paper is intended to test skills in research, analysis, evaluation and presentation, similar to those assessed in the School-Based Assessment (Paper 031).*

(b) *The topics to be assessed each year (2027–2036 have be provided and can be found on page 84–85.*

3. **Question Type**

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

(b) *The questions may be divided into sub-parts.*

4. **Mark Allocation**

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

5. **Award of Marks**

Marks are awarded for expression, organisation and content.

Paper 01, Paper 02, Paper 032 and *Paper 031,* the *School-Based* Assessment will test the candidate's ability to demonstrate the skills and competencies critical to the study of Economics *as outlined on Page 02–03.*

GUIDELINES FOR THE CONDUCT OF *SCHOOL-BASED* ASSESSMENT

School-Based 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. *Students are encouraged to work in groups to complete the School-Based Assessment.* ***(Groups should not exceed 5 persons).***

During the course of study of the subject students obtain marks for the competence they develop and demonstrate in undertaking their *School-Based* 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 *School-Based* 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 *School-Based* Assessment assignments marked by each *centre*.

School-Based 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. *School-Based* Assessment further facilitates the development of essential research skills that allow the student to function more effectively in his or her chosen vocation. *School-Based* 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.

School-Based Assessment

The Project-Paper *031*

Presentation of Project

In this subject, the *School-Based* Assessment for each Unit will be a *research* project. *The project will focus on economic issues in the students' context. It should be derived from the objectives and content of one, two or all three modules in the Unit being studied. The research may be quantitative and/or qualitative in its design and should* ***NOT*** *exceed 1,500 words. The guidelines for the project are outlined below.*

NOTE: *If the project is completed in groups, there should be* ***no more than 5*** *members in the group.*

1. **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;

(f) develop a disposition for independent research.

2. **Sources of Data and Information**

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

(a) *Surveys.*

(b) *Interviews.*

(c) *Observations.*

(d) Academic, professional and trade journals.

(e) International news magazines such as Fortune, Business Week, Newsweek and Forbes.

(f) The business section of local newspapers.

(g) 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.

(h) Annual reports of firms in the region.

(i) The economic information available on the internet.

(j) Budget speeches of Ministers of Finance.

(k) Reviews of estimates of income and expenditure from Ministries of Finance.

3. **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.

4. Project Reports

The candidate(s) report should be presented in a soft folder bearing the candidate(s) *name(s)* and *number(s), centre* number, name of subject and *the unit, teacher's name,* the date *and territory. It* ***MUST*** *be* submitted *electronically*. The project document should comprise:

(a) Title *page*;

(b) Table of contents;

(c) *Introduction;*

(d) Aim and Objectives;

(e) Methodology;

(f) *Literature Review;*

(g) *Presentation of Data;*

(h) *Analysis and Interpretation of Data;*

(i) Conclusion and Recommendations;

(j) References (APA Style); and,

(k) Appendix

The report, not exceeding 1500 words, (excluding cover page, title page, table of contents, diagrams and tables, references and appendices) should be typed double-spaced (font size 12pt, Times New Roman).

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.

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.

Students and teachers must ensure that the report contains the required components and address the skills identified on Page 2–*3* of the syllabus.

5. Skills and Abilities to be tested

1.	*Knowledge and Comprehension:*	*Candidate's ability to demonstrate thorough knowledge of relevant economic concepts, principles theories, and methods.*
2.	*Application:*	*Candidate's ability to apply appropriate economic principles theories, and methods to actual economic problems.*
3.	*Analysis:*	*Candidate's ability to exhibit analyses of economic problems being investigation based on economic models and evidence. Distinguish relationships among economics components to solve economic problems of investigations.*
4.	*Evaluation and Reasoned Judgement:*	*Candidate's ability to interpret, make judgement and recommendations appropriate to the economic problem under investigation.*
5.	*Presentation:*	*Candidate's ability to present the report observing international conventions of reporting economic data.* *Candidate's ability to utilise effective language skills and other tools of communication to present data logically and where necessary, relevant charts, tables and graphs.*

MARKING SCHEME FOR *SCHOOL-BASED* ASSESSMENT

1.	*Introduction*	*10*
2.	*Methodology*	*9*
3.	*Literature Review*	*6*
4.	*Presentation of Data*	*7*
5.	*Analysis and Interpretation*	*14*
6.	*Conclusion and Recommendations*	*5*
7.	*References and Citations*	*3*
8.	*Presentation of Written Report and Communication*	*6*
	Total	***60***

DETAILED MARK SCHEME FOR THE SCHOOL-BASED ASSESSMENT	
Introduction (9 marks)	
Title • The title of the project is *aligned to the unit* of the syllabus being studied and is clearly stated. (2 marks) • *The title is within the scope of the unit of the syllabus being studied but is not clearly stated.* (1 mark) • Title of the project is outside the scope of the *unit of the* syllabus *being studied.* *(*0 marks)	*2*
Background of the Problem ***Background provides information about the economic issue being investigated, states the problem and provides the relevance of the research topic to economics or the wider society.***	*4*
• *Background* ○ *provides a description of the problem/issue (ensure evidence of the problem/issue is included in your description) (2 marks),* ○ *implication of the problem/issue on economic agent(s) or the economy (1 mark),* ○ *benefit of the study to the economic community/wider society (1 mark).*	
Aim and Objectives ***Candidates are to provide one Aim and three Objectives which will guide the project.***	*4*
• Aim of the project *is clearly stated* and relevant *to the project* (*1 mark)* • *Objectives are SMART, relevant to the project and variables clearly defined (3 marks)*	
Methodology (9 marks) ***Describes the process taken to conduct the research highlighting the research design; population and sample; data collection procedure, data collection instrument and any limitations.***	
• *Research design (qualitative, quantitative, …)* ○ research design is realistic in its scope. ○ *justification for selection of this design*	 *1* *1*
• *Population and Sample* ○ *Population identified and sample clearly described*	*1*
• *Data Collection Procedure* ○ *Steps are clearly described*	*1*
• *Data Collection Instruments* ***OR*** *Sources of Data*	*3*
○ *Instruments(s) identified is/are relevant to the type of research. (1 mark)* ○ *Justification of the instrument(s) selected should be relevant to the study, research design and sample group and include one advantage and disadvantage or two advantages. (2 marks)*	
OR in the case of secondary research	

DETAILED MARK SCHEME FOR THE SCHOOL-BASED ASSESSMENT	
○ *Data sources are credible and relevant to research design of the study. (1 mark)*	
○ *Justification of the source(s) selected should be relevant to the study, research design and include one advantage and disadvantage or two advantages. (2 marks)*	
• *Limitations of the study.* *The weaknesses or shortcomings of the research design or methodology that may affect the interpretation and generalisability of the findings.*	*2*
○ *Two limitations as it pertains to the process of carrying out the research with justification. (2 marks)*	
○ *Two limitations as it pertains to the process of carrying out the research without justification. (1 mark)*	
Literature Review (6 marks) ***Provides a summary developed from two relevant and reliable academic sources making connection to the economic issue being investigated. (sources within 10 years of submission year with the exception of seminal work).***	
• *Provides understanding and insights into the key economic concepts being studied.* ○ *Provides accurate and adequate definition of the key economic concepts being studied. (2 marks)* ○ *Provides vague, inadequate definition of key concepts being studied. (1 mark)*	*2*
• *Use of at least two academic sources that are related to the objectives.*	*1*
Literature review provides a thorough treatment of academic works related to the research objectives. ○ *Discussion of the sources provides a fully developed theoretical framework for understanding the problem being investigated. (3 marks)* ○ *Discussion of the sources provides a partially developed theoretical framework for understanding the problem being investigated. (2 marks)* ○ *Discussion of the sources provides a poorly developed theoretical framework for understanding the problem being investigated. (1 mark)* ○ *Discussion of the sources does not provide a theoretical framework for understanding the problem being investigated. (0 marks)* ***Note: The framework includes – economic concepts, principles and theories***	*3*
Presentation of Data (7 marks)	
• *Data Presented* ○ *Using at least two different forms (tables, charts and graphs).*	*2*
○ *Is correctly labelled and titles stated.*	*2*
○ *Are relevant to the objectives* of the project.	*3*
Analysis and Interpretation (14 marks)	

DETAILED MARK SCHEME FOR THE SCHOOL-BASED ASSESSMENT	
• *Analysis of Data* ○ *Clear description of data presented using descriptive statistics.* ○ Accurate *and relevant* calculations.	*3* *2*
• *Interpretation of Results* ○ *Interpretations of data for objectives is supported by the literature review.* ○ *Findings stated for each objective one mark each. (3 mark)* ○ *Interpreted findings for each objective one mark each. (3 marks)* ○ *Findings compared to literature review one mark each. (3 marks)*	*9*
Conclusion and Recommendations (5 marks) ***Candidates are to present Conclusion and TWO Recommendations.***	
• Conclusion ○ Conclusion is *logical, theoretically sound*, plausible (reasonable) and based on the findings of the research. (2 marks)	*2*
• *Recommendations* ○ *Recommendations are realistic and informed by findings. Provides solutions to the problem found in the research OR suggested ways to improve or enhance current practice. (1 mark each)* ○ *Recommendations are logical but lack theoretical soundness and outside the scope of the findings of the research. (1 mark)*	*2*
• *Implication of the recommendations for any economic agent.*	*1*
References and Citations (3 marks) ***References should be presented in APA Style and intext citations should be included throughout the project.***	
• Acknowledges sources throughout the project *(citation must be correctly done).* (1 mark) • *References* for publications *written in alphabetical order and include* names of author(s), place of publication, publishers, and *dates of publication. The APA format should be used. (1 mark)* • *References* for internet sites *include title of article,* address of website, names of authors or organization. *The APA format should be used. (1 mark)*	
Presentation of Written Report & Communication (6 marks)	
• *Word limit of 1500 words maintained, excluding cover page, title page, table of contents, diagrams and tables, references, appendices.* ***(Note Penalty: 10 per cent of the score awarded will be deducted for exceeding the word limit)***	*2*
• *Layout of the report follows a logical sequence (aims to recommendations). (1 mark)* • *Includes cover page and table of contents with relevant information. (1 mark)*	*2*
• *Consistently used correct spelling and grammar throughout the report. (1 mark)* • *Expression of ideas clear, concise and coherent ideas flow in a logical sequence. (1 mark)*	*2*
Total	**60**

UNIT 1 and 2 Paper 032 (2 hours) The Alternative Paper to the SBA- 20 per cent of Total Assessment

The paper will be research-based and will test skills similar to those assessed in the School-Based Assessment. The Paper 032 will, as far as possible, mirror the SBA in content and type of tasks being assessed. The duration of the paper is 2 hours.

1. *Question Type*

Candidates will be required to respond to a case with issues that are likely to occur within an economic climate.

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

Candidates would be expected to:

(a) *develop a topic/research question for the case being investigated;*

(b) *formulate aims and SMART objectives;*

(c) *apply relevant considerations in the preparation of a literature review focusing on issues such as; purpose, sources, citations, paraphrasing information versus using direct quotes, writing in the third person;*

(d) *create a research design, methodology and procedures (including the necessary justification for each selection):*

(i) *identification of approach/design, (for example, quantitative, descriptive, observation study, survey);*

(ii) *sample (for example, size and characteristics, description, location, department);*

(iii) *sampling techniques (for example, random, convenience, purposive);*

(iv) *design of data collection instruments, (for example, questionnaire, observation schedule, checklist, interview schedule); and,*

(v) *data collection methods.*

(e) *present data in tables or charts/graphs;*

(f) *discuss, analyse and interpret data relevant to the research objectives;*

(g) *draw conclusions and make recommendations based on the case; and,*

(h) *write appropriate reference list using the APA format.*

2. Mark Allocation

The paper is worth 60 marks (20 marks per question) and contributes 20 per cent towards the final assessment. The marks for questions 1, 2 and 3 will be allocated to Modules 1, 2 and 3 respectively.

3. **Award of Marks**

Marks are awarded for content, expression and organisation.

The topics to be assessed each year will be provided in the syllabus.

TOPICS FOR PAPER 032

*The topics for the examination years for Paper **032** for Unit 1 and Unit 2 for the years 2027—2036 are listed below. The following identifies the examination year and the topics to be investigated.*

CAPE ECONOMICS
UNIT 1 — PAPER 032
TABLE OF SPECIFICATIONS
2027—2036

YEAR	MODULE	TOPIC	
2027	1	2	Theory of Consumer Demand
2028	3	3	Income Inequality, Poverty and Poverty Alleviation
2029	1	4	Market Equilibrium
2030	2	1	Market Structure
2031	3	1	The Demand for and Supply of Factors
2032	1	1	Central Problem of Economics
2033	2	2	Market Failure
2034	3	2	Wage Differentials
2035	2	3	Intervention
2036	1	3	Theory of Supply

CAPE ECONOMICS
UNIT 2 — PAPER 032
TABLE OF SPECIFICATIONS
2027—2036

YEAR	MODULE	TOPIC	
2027	2	1	Unemployment and Inflation
2028	1	3	Basic Keynesian Models
2029	3	1	Growth and Sustainable Development
2030	2	2	Monetary Theory and Policy
2031	3	2	International Trade
2032	1	2	Classical Models of the Macroeconomy
2033	2	3	Fiscal Policy
2034	3	5	International Economic Relations
2035	1	4	Investment
2036	3	4	Economic Integration

♦ REGULATIONS FOR PRIVATE CANDIDATES

Private candidates will be required to write Papers 01, 02 and *032, the Alternative to the SBA.* Paper *032* takes the form of a written examination taken at the end of the academic year. The details of the examination are given *above*.

♦ REGULATIONS FOR RESIT CANDIDATES

Re-sit candidates must *complete* Paper 01 and *Paper* 02 of the examination for the year for which they re-register.

CAPE® *candidates may reuse any moderated SBA score within a two-year period. In order to assist candidates in making decisions about whether or not to reuse a moderated SBA score, the Council will continue to indicate on the preliminary results if a candidate's moderated SBA score is less than 50 per cent in a particular Unit. Candidates reusing SBA scores should register as "Resit candidates" and must provide the previous candidate number when registering.*

Resit candidates must be entered through a school, recognised educational institution or the local Registrar's office.

♦ 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	(%)
External Assessment *Paper 01* *(1 hour 30 minutes)*	*15 (30)*	*15 (30)*	*15 (30)*	***45 (90)***	***30***
Paper 02 *(2 hour 30 minutes)*	*25 (50)*	*25 (50)*	*25 (50)*	***75 (150)***	***50***
Paper 032 ***(Alternative to the SBA)***	*20*	*20*	*20*	***60***	***20***
OR					
Internal Assessment *Paper 031* ***(SBA)***	*20*	*20*	*20*	***60***	
Total	***100***	***100***	***100***	***300***	***100***

(Weighted scores are in brackets)

♦ GLOSSARY

WORD	*DEFINITION/MEANING*
Account for	*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.*
Analyse	*Study in depth, identifying and describing in detail the main characteristics.*
Assess	*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.*
Comment	*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.*
Compare	*Look for qualities or characteristics that resemble each other. Emphasise similarities but be aware also of points of differences.*
Contrast	*Stress the dissimilarities and differences between the items in question, but do not ignore points of similarities.*
Criticise	*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.*
Define	*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.*
Describe	*Recount, characterise, sketch or relate in sequence or story form.*
Discuss	*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.*
Enumerate	*State in list or outline form, giving points concisely one by one.*
Evaluate	*Carefully appraise the matter in hand, citing both advantages and limitations. Emphasise the views of authorities as well as your personal estimation.*
Explain	*Clarify, interpret and spell out the material you present. Give reasons for important features or developments and try to analyse causes.*

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, analysing 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
22 April 2025