CARIBBEAN EXAMINATIONS COUNCIL

Caribbean Advanced Proficiency Examination®

SYLLABUS
ECONOMICS

CXC A20/U2/*26*

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CAPE®

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NOTE TO TEACHERS AND LEARNERS

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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*, enabling 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) Choices *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 u*tility. (b) Total *u*tility *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 e*ffective 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 f*ixed 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,* equilibrium price *and* equilibrium quantity. (b) *Illustration and interpretation of market equilibrium.*

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

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.*

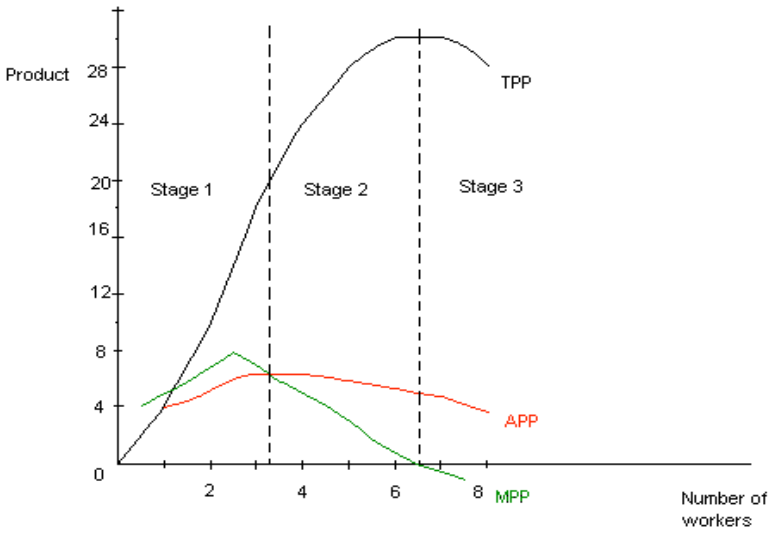
NOTE: *Each student in the group can monitor 1 or 2 issues only and then bring their findings together to compile their report.*

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 p*rivate 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: r*ent, interest, wages and profits.
2. explain the concept of derived demand;	*Definitions and examples of d*erived 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.*

UNIT 1
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.*

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

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:* *Basic needs;* *Poverty line;* *Head count;* *Undp human development index (HDI); and,* *Human poverty index (HPI).* ***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.*

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

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*: *Provision of education and health care leading to development of human capital;* *Improvement in well-being as measured by the UNDP HDI and HPI; and,* *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 f*lexibility 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^{o} 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 *E*fficiency of *C*apital *(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 *E*fficiency of *I*nvestment *(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.

UNIT 2
MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES

GENERAL OBJECTIVES

On completion of this Module, students should:

1. understand the reasons why an economy may be characterised by unemployment *and 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 t*he unemployment rate.
3. distinguish between unemployment and underemployment;	*Differences between u*nemployment 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.

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

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 m*otives for holding money (transactions, precautionary, speculative).

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

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.*

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

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.*

UNIT 2
MODULE 3: *GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS* (cont'd)

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. Candidates' performance on each Unit will be reported as an overall grade and a grade on each Module of the Unit. Grades will be awarded independently for each Unit.

Candidate assessment on each Unit will consist of three papers: Paper 01, multiple-choice paper, Paper 02, a structured paper and Paper 032 (the Alternate to the SBA).

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%
Paper 032 **(2 hours)**	*The paper will be research-based and will consists of three compulsory questions. 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.*	20%

ASSESSMENT DETAILS

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.

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

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.

GUIDELINES FOR THE ALTERNATE PAPER 032 (2 hours – 20% of Total Assessment)

RATIONALE

The Alternate Paper 032 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.

1. ***Composition of Paper***

The Paper will be based on a case study with issues that are likely to occur within an economic climate and will consists of three questions. *The three questions may be divided into sub-parts.*

2. ***Syllabus Coverage***

(a) *The paper is intended to test skills in research, analysis, evaluation and presentation.*

(b) *The topics to be assessed each year (2027–2036) are provided for Unit 1 and Unit 2.*

3. **Question Type**

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.*

4. **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.

5. **Award of Marks**

Marks are awarded for expression, organisation and content. The topics to be assessed each year will be provided in the syllabus.

TOPICS FOR PAPER 032 (2027-2036)

*The topics for the examination years for Paper **032** for Unit 1 and Unit 2 for the years 2027-2036 are listed below.*

UNIT 1: MICROECONOMICS

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

UNIT 2: MACROECONOMICS

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

In order to aid their preparation for the Paper 032, candidates are encouraged to complete the following formative project. While the project itself does not contribute to the final examination grade, it is useful to the development of the skills tested in the Paper 032.

The Formative Project

In this subject, the formative *project* 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. The guidelines for the project are outlined below.*

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) The teacher should offer guidance in the data collection process and the preparation of the report.

4. Project Reports

The project document should comprise:

(a) *T*itle *page*;

(b) *T*able of contents;

(c) *Introduction;*

(d) *A*im and *O*bjectives;

(e) *M*ethodology;

(f) *Literature Review;*

(g) *Presentation of Data;*

(h) *Analysis and Interpretation of Data;*

(i) Conclusion and Recommendations;

(j) References (APA Style); and,

(k) Appendix

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.

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 RESEARCH PROJECT	
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)*	

DETAILED MARK SCHEME FOR THE RESEARCH PROJECT	
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	
- *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*

DETAILED MARK SCHEME FOR THE RESEARCH PROJECT	
• *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).* - *Is correctly labelled and titles stated.* - *Are relevant to the objectives* of the project.	 *2* *2* *3*
Analysis and Interpretation (14 marks)	
• *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)	

DETAILED MARK SCHEME FOR THE RESEARCH PROJECT	
• *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**

♦ REGULATIONS FOR PRIVATE CANDIDATES

Private candidates must be entered for examination through the Local Registrar or private institutions in their respective territories and will be required to sit Papers 01, Paper 02, and the Alternate Paper 032.

♦ REGULATIONS FOR RESIT CANDIDATES

Resit candidates must *complete* Paper 01, Paper 02 and Paper 03 of the examination for the year for which they re-register.

CAPE® *candidates may reuse their Paper 032 score (for examinations starting May/June 2028) or 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 Paper 032 score or any moderated SBA score is less than 50 per cent in a particular Unit. Candidates reusing their Paper 032 or moderated 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	(%)
Paper 01 (1 hour 30 minutes)	*30 (15 raw)*	*30 (15 raw)*	*30 (15 raw)*	***90 (45 raw)***	***30***
Paper 02 (2 hour 30 minutes)	*50 (25 raw)*	*50 (25 raw)*	*50 (25 raw)*	***150 (75 raw)***	***50***
Paper 032 (2 hour)	*20*	*20*	*20*	***60***	***20***
Total (Weighted)	***100***	***100***	***100***	***300***	***100***

♦ 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
27 August 2026

CARIBBEAN EXAMINATIONS COUNCIL®

Caribbean Advanced Proficiency Examination®
CAPE®

ECONOMICS

Specimen Papers and Mark Schemes/Keys

Specimen Papers, Mark Schemes and Keys:

Unit 1
Paper 01
Paper 02
Paper 032

Unit 2
Paper 01
Paper 02
Paper 032

CANDIDATE – PLEASE NOTE!

PRINT your name on the line below and return this booklet with your answer sheet. Failure to do so may result in disqualification.

TEST CODE **02116010**

SPECIMEN 2026

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 1 – Paper 01

1 hour 30 minutes

SPECIMEN PAPER

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 45 items. You will have 1 hour and 30 minutes to answer them.

2. In addition to this test booklet, you should have an answer sheet.

3. Do not be concerned that the answer sheet provides spaces for more answers than there are items in this test.

4. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.

5. On your answer sheet, find the number which corresponds to your item and shade the space having the same letter as the answer you have chosen. Look at the sample item below.

   Sample Item

   Prime cost is calculated by adding direct factory expenses to the cost of

   (A) goods used
   (B) goods bought
   (C) materials used
   (D) materials produced

   Sample Answer

   The best answer to this item is "materials used", so (C) has been shaded.

6. If you want to change your answer, erase it completely before you fill in your new choice.

7. When you are told to begin, turn the page and work as quickly and as carefully as you can. If you cannot answer an item, go on to the next one. You may return to that item later.

8. You may do any rough work in this booklet.

9. You may use a silent, non-programmable calculator to answer items.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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1. A production possibility curve shows the quantities of two goods that a

(A) firm is willing to produce at various prices
(B) country is willing to produce at various prices
(C) firm is able to produce using some of its resources
(D) country is capable of producing using all resources

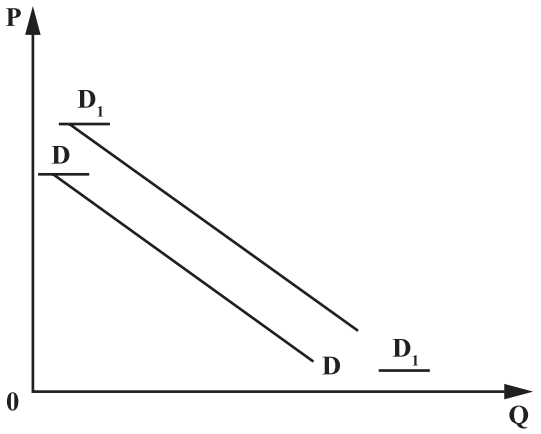
2. If a government wishes to regulate the housing market by preventing rents from rising, what action should it take?

(A) Set a price ceiling below the equilibrium price.
(B) Set a price ceiling above the equilibrium price.
(C) Impose a direct tax on landlords.
(D) Grant a subsidy to landlords.

3. Scarcity in economics can be described as a situation in which

(A) governments fail to distribute resources equally among all citizens
(B) consumers lack enough money to buy the products they want
(C) there is a temporary shortage of a specific luxury good
(D) human wants exceed the limited resources

Item **4** refers to the following diagram showing two demand curves representing ladies' trousers.



4. With reference to the diagram above, which of the following is MOST likely to have caused a shift of the demand curve from D to D_1?

(A) An increase in the population
(B) An increase in the price of trousers
(C) An increase in women's preference for skirts
(D) A decrease in the productivity of the garment workers

Items **5** and **6** refer to the following table which shows a production schedule for pizzas at Pedro's Pizzeria.

Number of Workers	Pizzas Produced
0	0
1	5
2	11
3	18
4	21

5. Pedro knows that when there are 4 workers on shift, the average production will be

(A) 3 pizzas
(B) 7 pizzas
(C) 21 pizzas
(D) 55 pizzas

6. Pedro knows that the pizzeria's diminishing marginal returns start at

(A) 1 worker
(B) 2 workers
(C) 3 workers
(D) 4 workers

Items **7–9** refers to the following table which shows the marginal utility derived from a student who enjoys beef burgers and tamarind balls which are sold at the school canteen. Her mother gives her $16 to spend every day. The canteen sells the beef burgers for $12 and a bag of tamarind balls for $2. Use the information in the table to answer the following questions.

Quantity of Beef Burgers	Marginal Utility of Burgers	Quantity of Bags of Tamarind Balls	Marginal Utility of Tamarind Balls
1	48	1	10
2	36	2	8
3	12	3	4
4	1	4	2

7. The consumer maximizes satisfaction from consuming

(A) 1 burger and 2 bags of tamarind balls
(B) 1 burger and 3 bags of tamarind balls
(C) 1 burger and 1 bag of tamarind balls
(D) 1 burger and 4 bags of tamarind balls

8. The student joins the athletic programme at school and the parent increases her allowance to $44. The new combination that maximizes the student's satisfaction is

(A) 1 burger and 4 bags of tamarind balls
(B) 2 burgers and 2 bags of tamarind balls
(C) 4 burgers and 4 bags of tamarind balls
(D) 3 burgers and 4 bags of tamarind balls

9. How would the impact of the increased allowance to the student affect the demand curve for beef burgers and tamarind balls?

(A) A change in demand for both beef burgers and tamarind balls
(B) A change in quantity demanded for both beef burgers and tamarind balls
(C) A change in demand for beef burgers and a change in quantity demanded for tamarind balls
(D) A change in quantity demanded for beef burgers and a change in demand for tamarind balls

10. The BEST factor combination for a firm operating at least cost would be

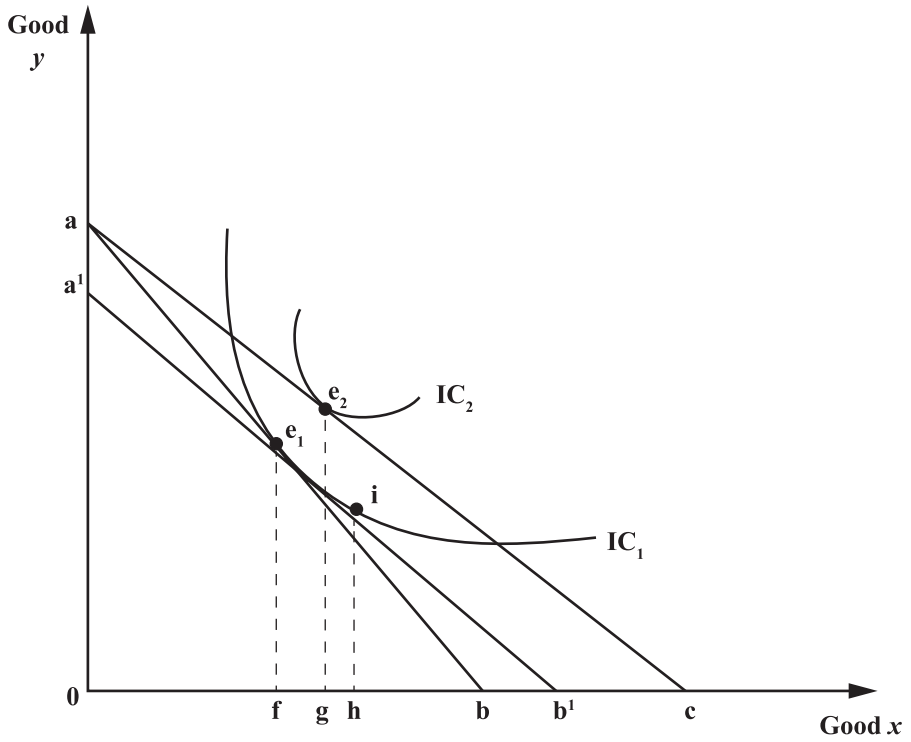
(A) $\frac{MPP_a}{P_a} = \frac{MPP_b}{P_b}$

(B) $\frac{P_a}{MRP_b} = \frac{P_b}{MRP_a}$

(C) $\frac{MPP_a}{P_b} = \frac{MPP_b}{P_a}$

(D) $\frac{MRP_a}{P_a} = \frac{MRP_b}{P_b}$

Item **11** refers to the following diagram which shows the total, average and marginal product curves for a particular firm.



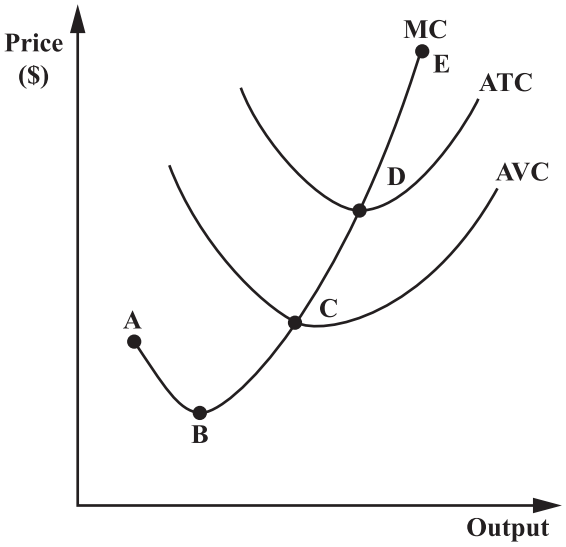
11. In the diagram, **ab** is the consumer's initial budget line. The price of ***x*** falls and the budget line pivots to **ac**. Which of the following is the income effect of this price change?

(A) fg
(B) fh
(C) hb
(D) hg

12. A young man enjoyed a sea bath, a jet ski ride and lunch on his day off. The three goods he enjoyed represent

(A) free goods
(B) private goods
(C) a private good and two free goods
(D) a free good and two private goods

Item **13** refers to the following diagram which represents a firm operating under perfect competition.



13. Which of the following segments represents the short-run supply of the firm?

(A) AE
(B) BE
(C) CE
(D) DE

14. Which of the following statements is the BEST representation of normative economics?

(A) The moonlight is a free good.
(B) An economy has resources to produce goods.
(C) Caribbean countries help each other during times of hardship.
(D) Countries that have an abundance of resources should help those who do not.

15. The United States of America and China represent different economic systems. Which of the following Caribbean territories BEST aligns with the way in which resources are allocated in these economic systems?

(A) Cuba allocates resources closer to the economic system of China.
(B) Trinidad allocates resources closer to the economic system of China.
(C) Cuba allocates resources closer to the economic system of the United States.
(D) Barbados allocates resources closer to the economic system of the United States.

16. Which of the following is NOT considered a goal of a firm?

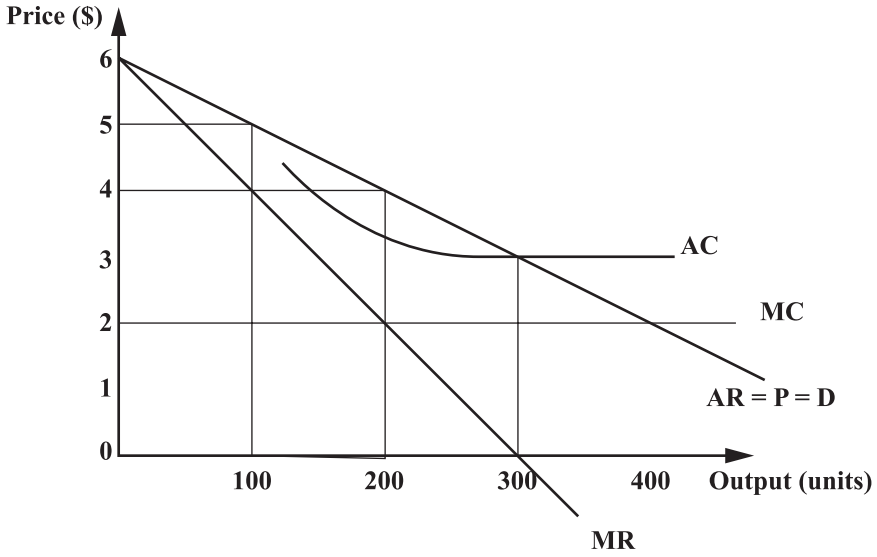
(A) Satisficing
(B) Profit maximization
(C) Welfare maximization
(D) Sales revenue maximization

17. Which of the following efficiencies MUST exist at the same time for economic efficiency to occur?

(A) Marketing and financial
(B) Technical and managerial
(C) Productive and allocative
(D) Managerial and productive

GO ON TO THE NEXT PAGE

Items **18** and **19** refer to the following diagram which shows the cost and revenue curves of a natural monopoly in the water distribution industry.



18. If the firm pursues breakeven pricing, which of the following combinations of price and output would be reflected?

	Price ($)	Output (Unit)
(A)	2	400
(B)	3	300
(C)	4	200
(D)	5	100

19. If the government now requires the firm to sell the product at the marginal price, which of the following would be the price and quantity of the output?

	Price ($)	Output (Unit)
(A)	2	400
(B)	3	300
(C)	4	200
(D)	5	100

20. Which of the following characteristics are true of a public good?

(A) Public goods are excludable and rivalrous.
(B) Public goods are non-excludable and non-rivalrous.
(C) Public goods are not affected by the free rider problem.
(D) Public goods are adequately provided by the market.

21. In total, there are 20 cars that operate a taxi service on a particular route each day. Each taxi transports an average of 30 passengers per day.

Which of the following options BEST describes the term 'industry' in relation to the route serviced by the taxis?

(A) Each taxi on the route
(B) The 20 taxis on the route
(C) Investments made to purchase the taxis
(D) The total number of passengers transported

Item **22** refers to the following table which shows the results of four firms (A, B, C and D) which opened for business on 1 January 2024.

	Firm A	**Firm B**	**Firm C**	**Firm D**
Total Revenue ($)	100 000	50 000	90 000	45 000
Total Cost ($)	70 000	60 000	90 000	60 000

22. Which of the firms made normal profits?

(A) Firm A
(B) Firm B
(C) Firm C
(D) Firm D

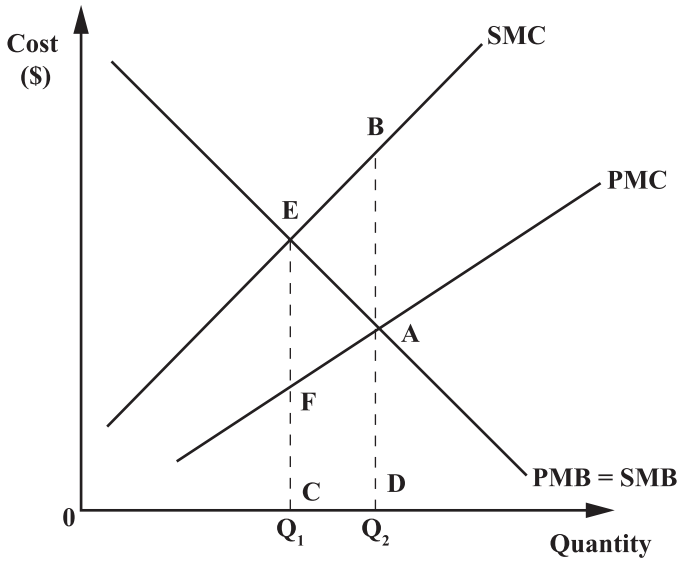
Item **23** refers to the following goods and services.

I. Bread sold by a bakery
II. Education provided by the government
III. Streetlighting provided by the government
IV. Soft drinks produced by a soft drink factory

23. Which of the following options correctly categorizes these goods and services?

	Private Good	Public Good	Merit Good	Demerit Good
(A)	II	III	IV	I
(B)	I	IV	III	II
(C)	IV	I	II	III
(D)	I	III	II	IV

Item **24** refers to the following diagram that shows costs and benefits for a firm.



24. At output Q_2, what distance shows external costs?

(A) A–B
(B) A–D
(C) B–D
(D) C–E

25. Which of the following measures would a country find MOST effective in reducing pollution from factories while maximizing the welfare of citizens?

(A) Ban the manufacture of products that cause the most pollution.
(B) Nationalize the factories that produce the products.
(C) Tax the products that cause the most pollution.
(D) Subsidize the products being produced.

26. The MAIN focus of an anti-trust policy is to

(A) reduce access to credit for customers that default on payments
(B) encourage firms to diversify their production
(C) encourage firms to grow and achieve
(D) reduce the monopoly power of firms

Item **27** refers to the following features of a firm in long-run equilibrium.

I. Price is above its marginal cost.
II. Average revenue exceeds average cost.
III. Produces on the decreasing portion of the average cost curve.

27. For which of the following market structures are all THREE statements above true?

(A) Perfect market
(B) Monopoly market
(C) Monopolistic market
(D) Common market economy

28. If the Herfindahl–Hirschman Index (HHI) has a value of 8000 and the four-firm concentration ratio is close to 90, then the industry is most likely to be a

(A) perfect market
(B) monopoly market
(C) high-priced market
(D) monopolistic market

29. A neighbour plants a flower garden which passers-by admire and bees get nectar from.

This is an example of a

(A) merit good
(B) public good
(C) market failure
(D) negative externality

30. In a Caribbean country, the coral reefs are being destroyed by human activity and pollution from tourists. Tour operators have held meetings with the tourism board and have decided to take measures to protect the reef before the government enacts more protection laws.

This action BEST describes

(A) a voluntary agreement
(B) the tragedy of the commons
(C) a corporate code of conduct
(D) corporate social responsibility

31. All of the payments received by owners for providing the resources used to produce goods and services to other businesses are called

(A) capital
(B) factor rewards
(C) entrepreneurship
(D) factors of production

32. In a competitive labour market, jobs vary in their degrees of unpleasantness, from terribly unpleasant to just a little unpleasant. The difference in pay between these two types of jobs is called

(A) wage variation
(B) wage equalization
(C) a compensating wage differential
(D) a compromising wage differential

33. If a country's income distribution table across households shows the same income percentage for each quintile, it means that

(A) all households have the same income
(B) the country has relative equality of income
(C) the country has a significant income inequality
(D) all the factors of production have the same income

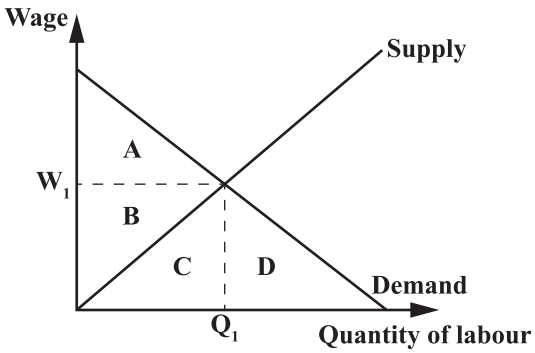
Item **34** refers to the following table which shows the production of meat pies, which are sold by a bakery for $5 each.

Number of Workers	Total Product
1	20
2	50
3	75
4	95
5	110
6	120
7	125
8	125
9	120
10	110

34. What is the marginal revenue product of labour if the bakery hires eight workers?

(A) $ 0
(B) $ 25
(C) $ 625
(D) $1000

Item **35** refers to the following diagram which shows the demand and supply of labour.



35. Which area represents the economic rent?

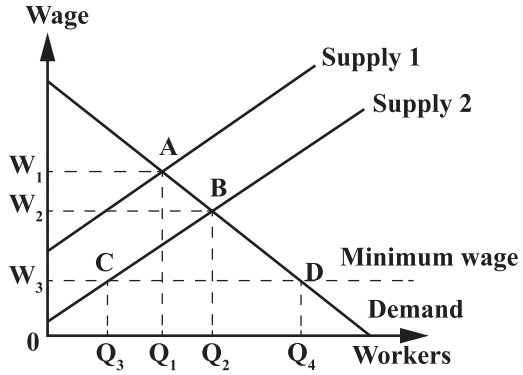
(A) Section A
(B) Section B
(C) Section C
(D) Section D

36. Imperfections on the demand side of the labour market include

I. a shortage of skills
II. the existence of monopsonies
III. marginal productivity differences

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

Items **37** and **38** refer to the following labour market diagram.



37. The government increases expenditure on training programmes. What would be the new equilibrium point in the labour market?

(A) Point A
(B) Point B
(C) Point C
(D) Point D

38. The government further decides to implement a minimum wage at W_3. The quantity demanded of workers is represented by the point

(A) Q_1
(B) Q_2
(C) Q_3
(D) Q_4

39. The Brunswick family can afford housing and food, but struggles to afford health care and educational opportunities for the children.

This is a case of

(A) income inequality
(B) wage differentials
(C) absolute poverty
(D) relative poverty

40. Which of the following are factors that contribute to poverty?

I. Single-parent families
II. Gender discrimination
III. Ownership of resources

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

41. Which of the following does NOT represent an environmental cost of poverty?

(A) Soil erosion
(B) Skin infection
(C) Water pollution
(D) Reduced biodiversity

42. Supply-side factors in the labour market include

I. the cost of living
II. the population size
III. training programmes

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

43. A Gini coefficient of 0 means that there is

(A) zero employment in the country
(B) zero unemployment in the country
(C) perfect equality in the distribution of income
(D) perfect inequality in the distribution of income

44. The basic needs measure of poverty does NOT account for which of the following?

(A) The ability to access food, clothing and shelter
(B) The differences in income levels among the poor
(C) The targeting of social support services to those in need
(D) The ability to access health care, education and transportation

45. Every August, Eastland's Member of Parliament offers scholarships to secondary school students in low-income households. This BEST describes

(A) transfer earnings
(B) transfer payments
(C) workforce diversification
(D) equal employment opportunities

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION

ECONOMICS — UNIT 1

SPECIMEN PAPER 2026

Item No.	Key	Specific Objective
1	D	1.1.1.4
2	A	1.1.4.4
3	D	1.1.1.2
4	A	1.1.2.11
5	B	1.1.3.4
6	C	1.1.3.6
7	A	1.1.2.3
8	D	1.1.2.3
9	A	1.1.2.11
10	A	1.1.4.3
11	D	1.1.4.6
12	D	1.1.1.2
13	C	1.1.3.15
14	D	1.1.1.7
15	A	1.1.1.8
16	C	1.2.1.2
17	C	1.2.2.1
18	B	1.2.1.8
19	A	1.2.1.8
20	B	1.2.2.2
21	B	1.2.1.1
22	C	1.2.1.4
23	D	1.2.2.2

Item No.	Key	Specific Objective
24	A	1.2.2.3
25	C	1.2.3.1
26	D	1.2.3.1
27	B	1.2.1.7
28	B	1.2.1.10
29	C	1.2.2.5
30	A	1.2.3.2
31	B	1.3.1.1
32	C	1.3.2.3
33	B	1.3.3.1
34	A	1.3.1.3
35	B	1.3.1.7
36	C	1.3.2.2
37	B	1.3.2.4
38	B	1.3.2.4
39	D	1.3.3.3
40	A	1.3.3.5
41	B	1.3.3.8
42	D	1.3.2.2
43	C	1.3.3.1
44	B	1.3.3.4
45	B	1.3.3.7

SPECIMEN 2026

TEST CODE 02116020

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CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 1 – Paper 02

SPECIMEN PAPER

2 hours 30 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of THREE questions, one from each module. Answer ALL questions.
2. Write your answers in the spaces provided in this booklet.
3. Do NOT write in the margins.
4. Draw ALL diagrams neatly and carefully, and clearly label ALL axes and curves.
5. ALL working must be clearly shown.
6. You may use a silent, non-programmable calculator to answer questions.
7. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
8. **If you use the extra page(s), you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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"*"Barcode Area"*"
Sequential Bar Code

Answer ALL questions.

MODULE 1: METHODOLOGY — DEMAND AND SUPPLY

1. (a) (i) Identify TWO assumptions of the production possibility frontier.

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[2 marks]

(ii) Define the concept 'increasing opportunity cost of production'.

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[2 marks]

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(b) Using a well-labelled cost curve diagram, explain the difference between the supply curve of a firm in the short-run and long-run.

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[12 marks]

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(c) Complete the table below and use the information to determine the THREE stages of production.

Quantity of Workers	Total Physical Product	Average Physical Product	Marginal Physical Product
0	0	0	0
1	10		
2	22		
3	39		
4	44		
5	40		
6	36		
7	21		

Stages of production

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[9 marks]

Total 25 marks

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MODULE 2: MARKET STRUCTURE, MARKET FAILURE AND INTERVENTION

2. (a) (i) Define the term 'market structure'.

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[2 marks]

(ii) Identify the TWO extreme market structures.

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[2 marks]

(b) (i) Distinguish between 'private costs' and 'social costs'.

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[4 marks]

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(ii) Using a well-labelled externality diagram, explain the concept of market failure when there is a positive externality in consumption.

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[8 marks]

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(c) Using an example of a merit good, evaluate how EACH of the following government measures could correct market failure.

(i) Subsidy

(ii) Government provision

Merit good .....

Subsidy

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Government provision

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[9 marks]

Total 25 marks

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MODULE 3: DISTRIBUTION THEORY

3. (a) (i) Define the term 'derived demand'.

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[2 marks]

(ii) Identify TWO examples of rewards in relation to the factors of production.

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[2 marks]

(b) Sweet Confectioners is a small bakery that specializes in custom donuts. Each donut is sold for $10. The following table shows the bakery's daily production.

Production	Number of Workers	Marginal Product of Labour	Marginal Revenue Product of Labour
1134	5	0	0
1167	6	33	.....
1317	7	.....	1500
1378	8	61	.....
1364	9	−14	.....
1340	10	.....	−240

(i) Complete the table above by inserting the correct values. **[5 marks]**

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(ii) Using the results from (b) (i) **on page 8**, advise the manager of Sweet Confectioners on the number of workers the bakery should employ if the wage rate is $610 per worker.

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[3 marks]

(iii) Explain how the immobility of land affects the bakery's supply.

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[4 marks]

(c) (i) Justify the role of trade unions in the Caribbean labour market.

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[3 marks]

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(ii) Evaluate the effectiveness of the following trade union strategies in improving members' wages.

Collective bargaining

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Industrial action

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[6 marks]

Total 25 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

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CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 1 - Paper 02

SPECIMEN PAPER

KEY AND MARK SCHEME

MAY-JUNE 2026

ECONOMICS
UNIT 1 - Paper 02
KEY AND MARK SCHEME

MODULE 1: METHODOLOGY: DEMAND AND SUPPLY

Question 1.

Specific Objectives: 1.1.1.4; 1.1.1.5; 1.1.3.15; 1.1.3.5; 1.1.3.6

(a) (i) Assumptions of the production possibility frontier

- The economy produces only two goods.
- Resources are fixed and constant.
- Technology remains unchanged.
- All resources are fully utilized.

Award 1 mark for each assumption, up to a maximum of 2 marks.

(ii) Definition for the concept 'increasing opportunity cost of production'.

The amount given up in the production of one good continues to increase **[1]** as each additional unit of the other good is produced **[1]**.

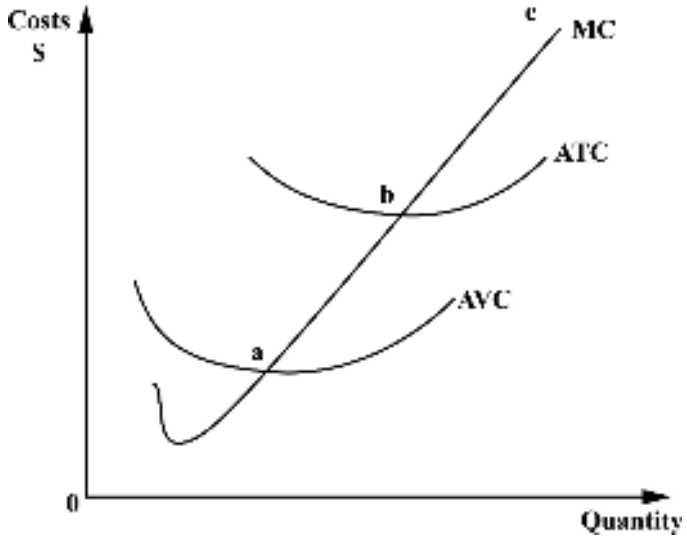
Award 2 marks for definition as outlined above.

Marks Summary: 4 marks total

(i) Assign 2 marks as outlined above.
(ii) Assign 2 marks as outlined above.

Question 1 cont'd

(b) A well-labelled cost curve diagram and explanation of the difference between the supply curve of a firm in the short-run and long-run



Mark Allocation for Diagram

Labels (both axes) – 1 mark
U-shaped AVC below ATC – 1 mark
U-shaped ATC above AVC – 1 mark
U-shaped MC cutting both AVC and ATC at a minimum – 1 mark
Labelling of the correct portion for the supply curve in the short-run – 1 mark
Labelling of the correct portion for the supply curve in the long-run – 1 mark

Mark Allocation for Explanation

In the short-run, the firm will continue producing if it is making losses **[1]** only if it can at least cover its variable cost (shutdown point) **[1]**. The marginal cost above the AVC represents the supply curve of the firm in the short-run **[1]**.
In the long-run, all costs are variable **[1]**. The firm will only continue if it is covering all costs **[1]**. The marginal cost above the long-run average cost curve represents the supply curve in the long-run **[1]**.

Marks Summary: 12 marks total

Assign 6 marks for diagram as outlined above.
Assign 6 marks for explanation as outlined above.

Question 1 cont'd

(c) Completed Table

Quantity of workers	Total Physical Product	Average Physical Product	Marginal Physical Product
0	0	**0**	**0**
1	10	**10**	**10**
2	22	**11**	**12**
3	33	**11**	**11**
4	40	**10**	**7**
5	45	**9**	**5**
6	36	**6**	**-9**
7	21	**3**	**-15**

Stages of Production and Mark Allocation for Stages

Stage 1 – 0 workers – 3 workers **(1 mark)**
Stage 2 – 3 workers – 5 workers **(1 mark)**
Stage 3 – 5 workers – 7 workers **(1 mark)**
Accurate determination of each stage – 1 mark each (3 marks)

Mark Allocation for Table

Fully accurate calculation of APP – 3 marks
1 - 2 errors - 2 marks
3 - 4 errors - 1 mark
More than 4 errors - 0 marks

Fully accurate calculation of MPP – 3 marks
1 - 2 errors - 2 marks
3 - 4 errors - 1 mark
More than 4 errors - 0 marks

Marks Summary: 9 marks total

Assign 6 marks for the table as outlined above.
Assign 3 marks for the stages of production as outlined above.

Total 25 marks

ECONOMICS
UNIT 1 - Paper 02
KEY AND MARK SCHEME

MODULE 2: MARKET STRUCTURE, MARKET FAILURE AND INTERVENTION

Question 2

Specific Objectives: 1.2.1.5; 1.2.2.4; 1.2.2.5; 1.2.3.1

(a) (i) Definition of the term 'market structure'.

A market structure is defined by those characteristics **[1]** that affect the firm's behaviour and performance in the industry in which it operates **[1]**.

Award 2 marks for definition as outlined above.

(ii) The TWO extreme market structures

- Perfect competition
- Monopoly

Award 1 mark for each market structure, up to a maximum of 2 marks.

Marks Summary: 4 marks total

(i) Assign 2 marks for definition as indicated above.
(ii) Assign 2 marks for market structure as indicated above.

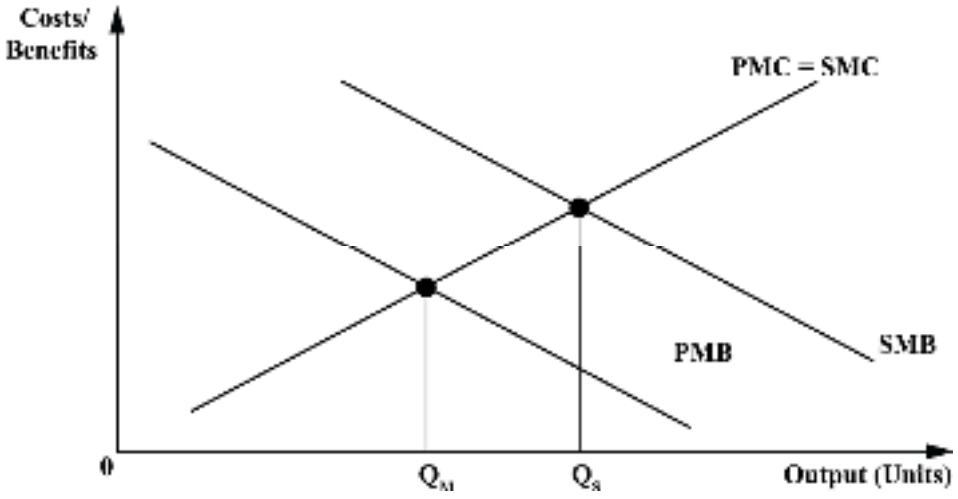
(b) (i) Distinguishing between 'private costs' and 'social costs'

Private costs are costs borne by the producer or consumer of a product **[1]** while social costs are the total costs borne by the society **[1]**. Since social costs include both the private costs and the external costs **[1]**, it is always greater than the private costs **[1]**.

Award 1 mark for each point as indicated above, up to a maximum of 4 marks.

Question 2 cont'd

(ii) A well-labelled externality diagram and explanation of the concept of market failure when there is a positive externality in consumption



Mark Allocation for Diagram

Labelling of the axes - 1 mark
Curves correctly drawn - 1 mark
Correct divergence of PMB and SMB curves, illustrates market failure - 1 mark
Profit maximizing output QM - 1 mark
Socially efficient output Qs occurs where SMB = SMC - 1 mark

Mark Allocation for Explanation

The profit maximizing output is Q_M where PMB is equal to PMC **[1]** whereas the socially efficient output Q_S occurs where SMB equals to SMC **[1]**. Therefore, the market failure occurs due to the underproduction of Q_M to Q_S units of this good **[1]**.

Marks Summary: 12 marks total

(i) Assign 4 marks as outlined above.
(ii) Assign 8 marks as outlined above.

Question 2 cont'd

(c) Merit goods and evaluation of how EACH of the following government measures could correct market failure

Identification of a merit good [1 mark for either]

- Education
- Health care

Government Provision

A merit good, such as education/health care, is not produced in sufficient quantity in the market **[1]**. Also, people cannot fully utilize the available educational opportunities or healthcare services **[1]**. Therefore, the government needs to provide adequate educational/healthcare facilities even though this is costly to the country **[1]**. The government also needs to encourage full utilization of these services **[1]**.

Subsidy

The private sector may not produce sufficient quantities of merit goods such as education/healthcare **[1]**. Government subsidies reduce the cost of production and increase firms' profitability **[1]**. These subsidies help the private sector to increase its provision of merit goods **[1]**. However, these subsidies increase government expenditure **[1]**.

Marks Summary: 9 marks total

Award 1 mark for any of the merit goods identified above.
Award 8 marks for each government measure as indicated above.

Total 25 marks

ECONOMICS
UNIT 1 - Paper 02
KEY AND MARK SCHEME

MODULE 3: DISTRIBUTION THEORY

Question 3

Specific Objectives: 1.3.1.2; 1.3.1.1; 1.3.1.4; 1.3.1.5; 1.3.2.4

(a) (i) Definition of the term 'derived demand'

Derived demand is the demand for a factor of production **[1]** resulting from the demand for a good or service that the factor is used to produce **[1].**

Award 2 marks for the definition as outlined.

(ii) Examples of rewards to the factors of production

- Rent
- Interest
- Wages
- Profits

Award 1 mark for each example, up to a maximum of 2 marks.

Marks Summary: 4 marks total

(i) Assign 2 marks as outlined above.
(ii) Assign 2 marks as outlined above.

(b) (i) Completed table of daily production at Sweet Confectioners' Bakery

Production	Number of Workers	Marginal Product of Labour	Marginal Revenue Product of Labour
1134	5	0	0
1167	6	(1167-1134)/(6-5) = 33	**33 × 10 = 330**
1317	7	**(1317-1167)/(7-6) = 150**	150 × 10= 1500
1378	8	(1378-1317)/(8-7) = 61	**61 × 10 = 610**
1364	9	(1364-1378)/(9-8) = -14	**-14 × 10 = -140**
1340	10	**(1340-1364)/(10-9) = -24**	-24 × 10 = -240

Award 1 mark for each correctly calculated value, up to a maximum of 5 marks.

Question 3 cont'd

(ii) Advice for the manager of Sweet Confectioners on the number of workers the bakery should employ if the wage rate is $610 per worker.

The optimal number of workers to be employed will occur when the marginal revenue product (MRP) is equal to the wage rate or marginal factor cost (MFC) **[1]**. This occurs at the eighth worker **[1]**. Therefore, Sweet Confectioners' manager should hire no more and no less than eight workers to maximize profits **[1]**.

Award 3 marks for advice as indicated above.

(iii) Explanation of how the immobility of land affects the bakery's supply.

Land's immobility restricts the bakery's supply **[1]**. This is because it cannot transport land to different locations as desired **[1]**. This immobility means the amount of land available in a specific location is predetermined/fixed **[1]**. Therefore, land cannot be increased or decreased in response to changing local demand shifts **[1]**.

Award 4 marks for explanation as indicated above.

Marks Summary: 12 marks total

(i) Assign 5 marks as outlined above.
(ii) Assign 3 marks as outlined above.
(iii) Assign 4 marks as outlined above.

Question 3 cont'd

(c) (i) Justification of the role of trade unions in the Caribbean labour market.

Trade unions negotiate on behalf of workers to determine higher wages **[1].** They also protect workers from unfair treatment **[1].** The activities of the trade unions improve workers' lives and productivity, contributing to sustainable development **[1].**

Award 3 marks for the justification as outlined above.

(ii) Evaluation of the effectiveness of the following trade union strategies in improving members' wages.

Collective Bargaining
Trade unions engage in collective bargaining to advocate for its members and is often effective in improving their wages and working conditions **[1].** Unionized workplaces offer better wages and benefits compared to non-unionized workplaces **[1].** However, higher wages could reduce firms' demand for labour, resulting in job losses **[1].**

Industrial Action
Industrial action, such as strikes, is often a last resort after negotiations fail and can improve members' wages **[1].** However, its effectiveness depends on various factors such as the type of action, the employer's response and the economic climate **[1].** While industrial action can lead to wage increases, it could also lead to disadvantages such as financial losses for members and costly business disruptions **[1].**

Assign 3 marks for each of the trade union strategies as outlined above.

Marks Summary: 9 marks total

(i) Assign 3 marks as indicated above.
(ii) Assign 6 marks as indicated above.

Total 25 marks

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ECONOMICS

UNIT 1 – Paper 032

SPECIMEN PAPER

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of a case study and THREE questions. Answer ALL questions.
2. Write your answers in the spaces provided in this booklet.
3. Do NOT write in the margins.
4. You may use a silent, non-programmable calculator to answer questions.
5. ALL working must be clearly shown.
6. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
7. **If you use the extra page(s), you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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"*"Barcode Area"*"
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INSTRUCTION: Read the case and answer the questions that follow.

CASE STUDY

Module 1: Topic 1 — Central Problem of Economics

The world is a global market comprising several countries. Each country is blessed with its own resources and must decide on the best way to allocate them.

Barbados and Cuba answer the three allocation decisions under different economic systems. Each country provides for its citizens who are unable to afford basic needs. However, the extent of this provision is based on the economic system being used by each country. Unlike Cuba, Barbados has a thriving private sector. Each system has pros and cons in relation to its allocation of resources.

Barbados and Cuba are known for tourism and the production of sugar; however, their governments must analyse research data on these products from the previous year to guide future production policies.

The following information shows the maximum capacity combinations for Cuba and Barbados in tourism arrivals and sugar production for the period in review.

CUBA ECONOMIC DATA (2024–2025)

Tonnes of Sugar	Tourist Arrivals
0	50 000
10 000	40 000
20 000	30 000
30 000	20 000
40 000	10 000
50 000	0

The data collected showed that Cuba produced 25 000 tonnes of sugar and had 20 000 tourist arrivals during the period 2024–2025.

BARBADOS ECONOMIC DATA (2024–2025)

Tonnes of Sugar	Tourist Arrivals
0	50 000
10 000	45 000
20 000	35 000
30 000	20 000
40 000	0

The data collected showed that Barbados produced 30 000 tonnes of sugar and had 20 000 tourist arrivals during the period 2024–2025.

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1. (a) (i) Write ONE research question that would guide this research.

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[2 marks]

(ii) State ONE aim for this research.

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[1 mark]

(iii) State TWO objectives that will guide this research.

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[4 marks]

(b) The researcher has determined that the quantitative research method is more appropriate for this research.

(i) Outline TWO reasons to support this decision.

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[4 marks]

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(ii) List THREE secondary data sources for this research study.

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[3 marks]

(iii) Suggest TWO reasons why the researcher would utilize secondary data sources instead of primary data sources for this research.

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[6 marks]

Total 20 marks

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2. (a) Create well-labelled production possibility frontier diagrams for Cuba and Barbados.

(i) Cuba

(ii) Barbados

[10 marks]

(b) On the diagrams illustrated above, show the actual production levels for Cuba and Barbados.
[2 marks]

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Sequential Bar Code

(c) Complete the following tables by calculating the opportunity cost of increasing the production of sugar for each country.

CUBA ECONOMIC DATA (2024–2025)

Tonnes of Sugar	Tourist Arrivals	Opportunity Cost of Sugar
0	50 000	
10 000	40 000	
20 000	30 000	
30 000	20 000	
40 000	10 000	
50 000	0	

BARBADOS ECONOMIC DATA (2024–2025)

Tonnes of Sugar	Tourist Arrivals	Opportunity Cost of Sugar
0	50 000	
10 000	45 000	
20 000	35 000	
30 000	20 000	
40 000	0	

[4 marks]

(d) Interpret the opportunity cost for EACH country.

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[4 marks]

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(e) Analyse the efficiency of the two countries in the production of tourism and sugar.

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[6 marks]

(f) Write TWO findings of the research based on the two objectives you formulated at 1 (a) (iii) **on page 3.**

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[4 marks]

Total 30 marks

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3. (a) Write a brief conclusion of the research study based on the aim formulated at 1 (a) (ii) **on page 3**.

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[2 marks]

(b) Recommend TWO strategies to the government of either Cuba OR Barbados that could be implemented to improve the level of production in that country.

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[8 marks]

Total 10 marks

END OF TEST

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CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 1 - Paper 032

SPECIMEN PAPER

KEY AND MARK SCHEME

MAY-JUNE 2026

ECONOMICS
UNIT 1 - Paper 032
KEY AND MARK SCHEME

MODULE 1: TOPIC 1 – CENTRAL PROBLEM OF ECONOMICS

Question 1.

Specific Objectives: 1.1.1.4; 1.1.1.5; 1.1.3.15; 1.1.3.5; 1.1.3.6

(a) (i) ONE research question that will guide this research

- An investigation into the allocation of resources **[1]** between Barbados and Cuba **[1]**.

Award 2 marks for the response as outlined.

NOTE: ***The research question (topic) should state 'the what' (what is being investigated) and 'the context' (who/where/when).***

(ii) ONE aim for this research

- To develop an understanding of how different economic systems influence the efficiency of production in Barbados and Cuba.

Award 1 mark for an appropriate aim.

NOTE: ***The aim should start with a verb and read as a broad outcome of the research.***

(iii) TWO objectives that will guide this research

1. To examine how the fundamental economic questions affect **[1]** the resource allocation of Barbados and Cuba **[1]**

2. To evaluate the economic efficiency of Barbados and Cuba **[1]** using their production possibility frontiers **[1]**

Award 2 marks for each objective as outlined.

NOTE: ***Each objective should start with an action verb and contain two variables.***

Marks Summary: 7 marks total

(i) Assign 2 marks as outlined above.
(ii) Assign 1 mark as outlined above.
(iii) Assign 4 marks as outlined above.

Question 1. cont'd

(b) (i) TWO reasons to support this decision

1. Quantitative research method was more appropriate for this research because it is measurable **[1]**. It relies on numerical data, allowing for calculation and analysis of variables **[1]**.

2. Quantitative research method is necessary for comparison and analysis of statistical data **[1]**. This enables analysis of countries' performance and patterns from the data gathered **[1]**.

3. This method allows for objectivity **[1]** because the results focus on facts rather than opinions, which leads to a more reliable and unbiased outcome **[1]**.

Award 2 marks for each reason as indicated above, up to a maximum of 4 marks.

(ii) THREE secondary data sources for this research study.

- Central Bank reports
- Economist magazines
- Statistical institutions
- World Bank reports
- United Nations reports
- IMF reports
- Peer-reviewed journal articles

Award 1 mark for each secondary data source, up to a maximum of 3 marks.

(iii) TWO reasons why the researcher would utilize secondary data sources instead of primary data sources for this research

- **Ease of access [1].** Data from secondary sources are easier to access because the data is already aggregated **[1]** while data from primary sources may require the researcher to actively collect and analyse data from each respondent **[1]**.

- **Cost [1].** Collecting data from secondary sources will be less costly because it can be collected using electronic sources such as email, data bases **[1]** while primary data is collected directly from individuals or firms and may require more time and resources which will come at a cost **[1]**.

Question 1. cont'd

- **Efficiency/Timeliness [1].** Collecting data from secondary sources will be less time-consuming because the researcher can collect all the data from fewer sources **[1]** while the data from primary sources will involve more individuals/firms to collect and collate the data hence more time-consuming and inefficient **[1].**

- **Validity [1].** The validity of data from secondary sources will be higher because firms would have to provide evidence of official sources **[1].** However, such evidence may not be required from primary sources to validate data collected **[1].**

Award 3 marks for each reason as indicated above, up to a maximum of 6 marks.

Marks Summary: 13 marks total

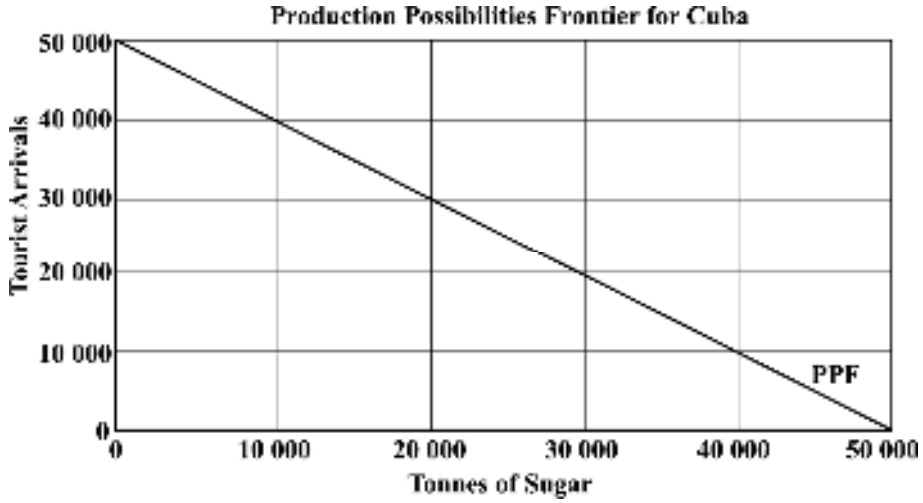
(i) Assign 4 marks as outlined above.
(ii) Assign 3 mark as outlined above.
(iii) Assign 6 mark as outlined above.

Total 20 marks

ECONOMICS
UNIT 1 - Paper 032
KEY AND MARK SCHEME

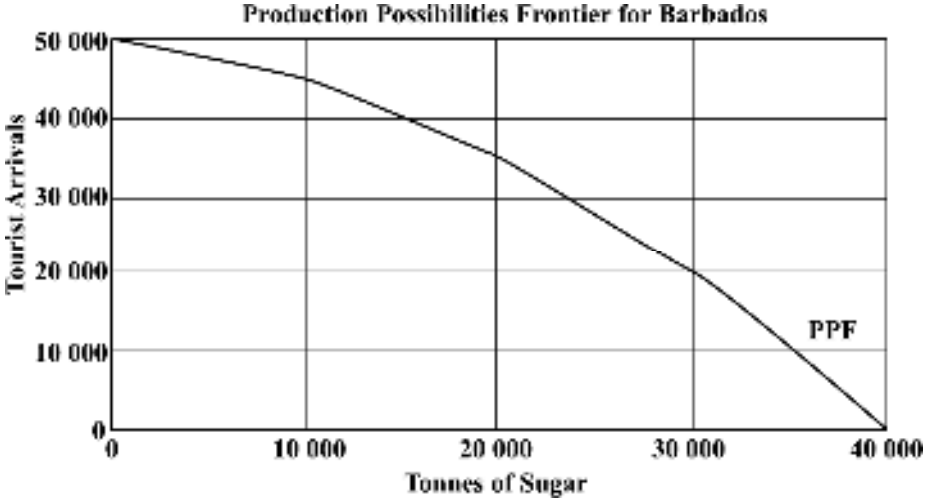
Question 2.

(a) Well-labelled production possibility frontier diagrams for Cuba and Barbados



Mark Allocation for Diagram

Labels (both axes) – 1 mark
Labelled PPF – 1 mark
Correctly plotted data points – 3 marks



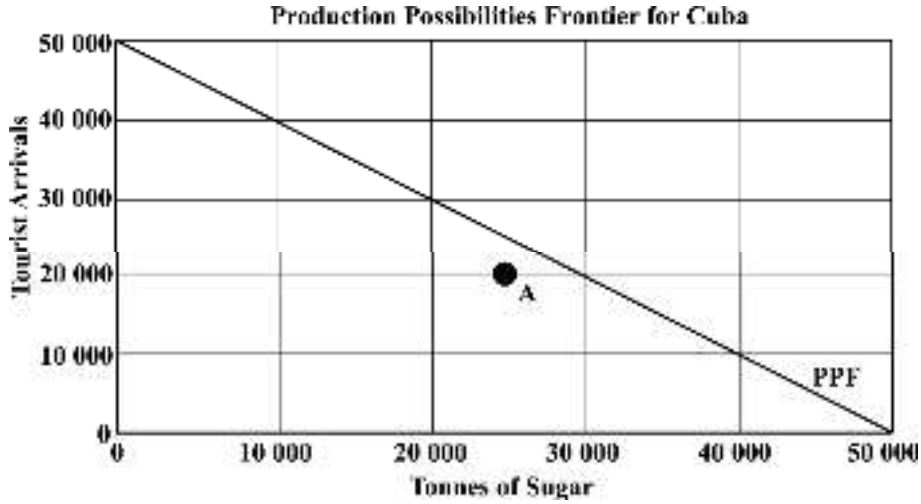
Mark Allocation for Diagram

Labels (both axes) – 1 mark
Labelled PPF – 1 mark
Correctly plotted data points – 3 marks

Question 2. cont'd

(b) Diagrams illustrating actual production levels for Cuba and Barbados

(i) Cuba



(ii) Barbados

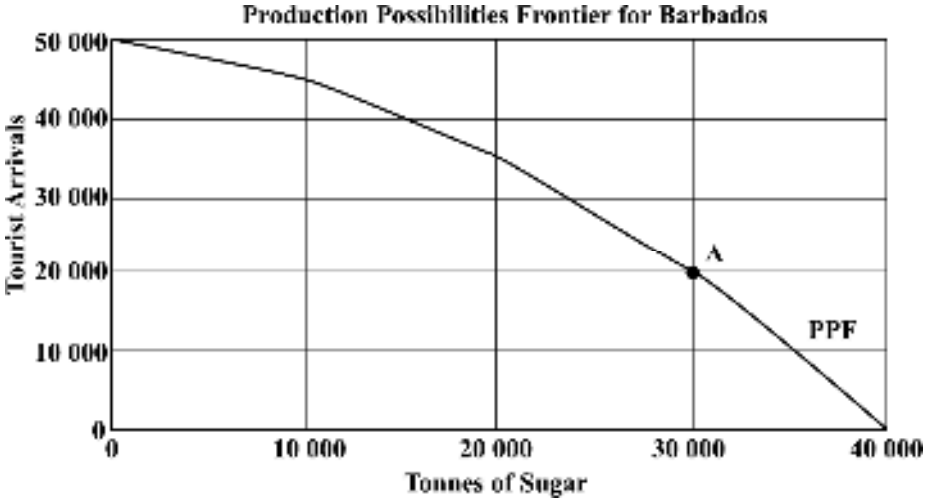


Diagram Marks Allocation

Correctly labelled actual production level for Cuba – 1 mark
Correctly labelled actual production level for Barbados – 1 mark

Question 2. cont'd

(c) Completed tables for the opportunity cost of increasing the production of sugar for each country

CUBA

Tonnes of Sugar	Tourist Arrivals	Opportunity Cost of Sugar
0	50,000	
10 000	40,000	**10 000/10 000 = 1**
20 000	30,000	**10 000/10 000 = 1**
30 000	20,000	**10 000/10 000 = 1**
40 000	10,000	**10 000/10 000 = 1**
50 000	0	**10 000/10 000 = 1**

Mark Allocation for Table (Barbados)

Award 2 marks for ALL correctly calculated values.
Award 1 mark for 2 correctly calculated values.

BARBADOS

Tonnes of Sugar	Tourist Arrivals	Opportunity Cost of Sugar
0	50 000	
10 000	45 000	**5 000/10 000 = 0.5**
20 000	35 000	**10 000/10 000 = 1**
30 000	20 000	**15 000/10 000 = 1.5**
40 000	0	**20 000/10 000 = 2**

Mark Allocation for Table (Cuba)

Award 2 marks for ALL correctly calculated values.
Award 1 mark for 2 correctly calculated values.

(d) Interpretation of the opportunity cost of EACH country

- The production possibility curve for Cuba shows constant opportunity cost **[1]** given that the PPF is a straight line **[1]**. The production possibility curve for Barbados shows increasing opportunity cost **[1]** given that the PPF is concave **[1]**.

Award 1 mark as indicated, up to a maximum of 4 marks.

Question 2. cont'd

(e) Analysis of the efficiency of the two countries in the production of the two main sectors of tourism and sugar

- The information shows that Barbados is operating efficiently **[1]** because it is currently producing on the production possibility curve **[1].** This means that Barbados is fully utilizing its resources with current technology **[1].** However, Cuba is operating inefficiently **[1]** because it is operating inside the production possibility curve **[1].** This means that Cuba has unemployed or idle resources **[1].**

Award 1 mark as indicated, up to a maximum of 6 marks.

(f) TWO findings of the research study based on the two objectives formulated at 1(a)(ii).

- The research reveals that in Barbados, the fundamental economic questions are answered by the public and private sectors **[1]** whereas in Cuba, the government undertakes these decisions **[1].**

- In terms of economic efficiency, the research reveals that Barbados is fully utilizing its available resources with its given technology **[1]** while there is underutilization of resources and technology in Cuba **[1].**

Award 1 mark as indicated, up to a maximum of 2 marks for each finding.

Marks Summary: 30 marks total

(a) Assign 10 marks as outlined above.
(b) Assign 2 marks as outlined above.
(c) Assign 4 marks as outlined above.
(d) Assign 4 marks as outlined above.
(e) Assign 6 marks as outlined above.
(f) Assign 4 marks as outlined above.

Total 30 marks

Question 3.

(a) Brief conclusion based on the aim formulated at 1(a)(ii) of the research study

- Based on the aim it can be concluded that Barbados experienced greater efficiency in production when compared to Cuba **[1],** as a result of the Barbados economic system **[1].**

Award 2 marks for the definition as outlined.

(b) TWO recommended strategies to the government of either Cuba OR Barbados that could be implemented to improve the level of production in their country.

1. **More efficient use of resources [1]** *(only applicable to CUBA)*. Since Cuba is operating inside of the PPF **[1],** it can produce more tonnes of sugar or have higher tourist arrivals or both with its current resources **[1].** This will allow Cuba to achieve productive efficiency on the PPF **[1].**

2. **Improve technology [1].** An improvement in technology would increase the production levels in both goods **[1]** this will shift the PPF to the right **[1].** Production combinations which were previously unattainable now become attainable **[1].**

3. **Improve productivity and re-skilling of the workforce [1].** Continuous upskilling of the workforce to use modern technology will increase their productivity **[1].** This will increase the production capacity of the economy **[1],** shifting the PPF to the right **[1].**

Award 4 marks for advice as indicated above.

Marks Summary: 10 marks total

(a) Assign 2 marks as outlined above.
(b) Assign 8 marks as outlined above.

Total 10 marks

CANDIDATE – PLEASE NOTE!

PRINT your name on the line below and return this booklet with your answer sheet. Failure to do so may result in disqualification.

TEST CODE **02216010**

SPECIMEN 2026

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 2 – Paper 01

1 hour 30 minutes

SPECIMEN PAPER

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 45 items. You will have 1 hour and 30 minutes to answer them.

2. In addition to this test booklet, you should have an answer sheet.

3. Do not be concerned that the answer sheet provides spaces for more answers than there are items in this test.

4. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.

5. On your answer sheet, find the number which corresponds to your item and shade the space having the same letter as the answer you have chosen. Look at the sample item below.

   Sample Item

   Prime cost is calculated by adding direct factory expenses to the cost of

   (A) goods used
   (B) goods bought
   (C) materials used
   (D) materials produced

   Sample Answer

   The best answer to this item is "materials used", so (C) has been shaded.

6. If you want to change your answer, erase it completely before you fill in your new choice.

7. When you are told to begin, turn the page and work as quickly and as carefully as you can. If you cannot answer an item, go on to the next one. You may return to that item later.

8. You may do any rough work in this booklet.

9. You may use a silent, non-programmable calculator to answer items.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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1. What is the name given to income earned before personal taxes are deducted?

(A) Personal income
(B) National income
(C) Per capita income
(D) Disposable income

2. Which of the following investments is independent of interest rates?

(A) Actual
(B) Planned
(C) Induced
(D) Autonomous

3. The Keynesian model of the macro-economy assumes that

(A) prices fluctuate
(B) wages are flexible
(C) aggregate demand is constant
(D) prices are inflexible downwards

4. In a four-sector circular flow of income model, which of the following leakages occur(s) between the country and other countries?

(A) Imports
(B) Savings
(C) Taxation
(D) Government spending

Item **5** refers to the following table which shows the agricultural sector's contribution to GDP over a three-year period.

Year	**1**	**2**	**3**
Agriculture as a percentage of GDP	25%	36%	28%

5. Which of the following is the BEST conclusion that could be drawn from the information given in the table?

(A) The level of GDP decreased in Year 3.
(B) There was an increase in the country's GDP in Year 2.
(C) The agricultural sector is the main contributor to the country's GDP.
(D) There was an increase in the contribution of the agricultural sector to GDP in Year 2.

6. Based on the classical view of the macro-economy, which of the following would determine the equilibrium level of output in the long-run?

(A) Income demand curve
(B) Aggregate supply curve
(C) Aggregate expenditure curve
(D) Income and expenditure curve

7. Which of the following would be responsible for maintaining the equilibrium level of income based on the classical view?

(A) Price controls
(B) Changes in taxation
(C) Flexibility of wages and prices
(D) Changes in government spending

8. In Keynesian analysis, if the economy is at full employment then an increase in aggregate expenditure will lead to

(A) a fall in economic growth
(B) an increase in the price level
(C) a fall in government spending
(D) an increase in the exchange rate

9. A country has been faced with a persistent output gap. It is operating below its full potential level of output.

Which of the following steps should be taken by the government to close this output gap?

(A) Increase taxation.
(B) Increase interest rates.
(C) Increase government spending.
(D) Decrease government spending.

10. One of the main differences between the investment demand curve and the investment curve is that the investment demand curve is

(A) affected by taxation
(B) a function of the expected rate of return
(C) concerned with the flow of investment
(D) determined by the cost of capital goods

11. Investment is said to be the most volatile of all the components of GDP.

Which of the following situations would NOT affect such volatility?

(A) The number of firms in the industry.
(B) Fluctuations in firms' profit for the last three years.
(C) An increase in household spending in the last six months.
(D) A prediction by the statistical institute that business confidence could fall in the next year.

Item **12** refers to the following table which shows the 2024 gross domestic product (GDP) and inflation rates for four countries.

Country	**Alpha**	**Beta**	**Gamma**	**Delta**
Nominal GDP in 2024	$3 000 000	$4 000 000	$4 000 000	$3 500 000
Inflation rate	8%	10%	15%	5%

12. Which of the following countries performed BEST in 2024?

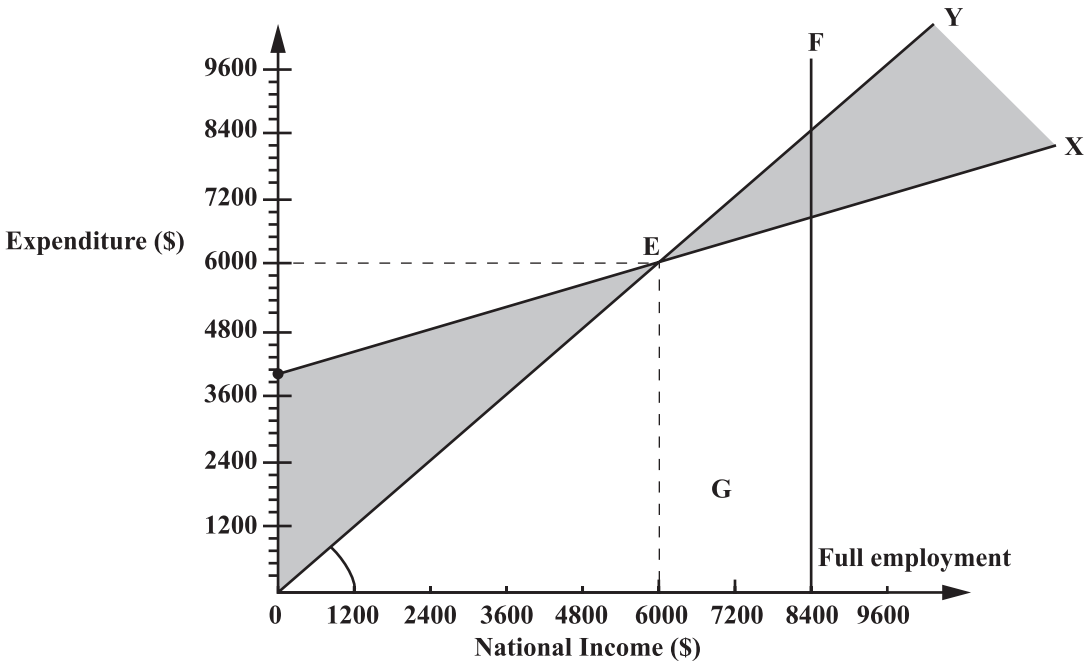
(A) Beta
(B) Delta
(C) Alpha
(D) Gamma

13. David is a very good carpenter who works with a construction company in Country Breeze. After the passage of a recent hurricane he decided to repair the roof of his family home by himself.

Which of the following describes the MOST likely impact of David's action?

(A) GDP and standard of living will increase.
(B) GDP and standard of living will decrease.
(C) GDP decreases but standard of living increases.
(D) GDP remains the same while standard of living rises.

Item **14** refers to the following diagram which shows the equilibrium level of national income.



14. By how much would aggregate desired expenditure have to be increased to close the output gap?

(A) $ 0
(B) $1200
(C) $2400
(D) $6000

Item **15** refers to the following table which shows the relationship among income, consumption and savings.

Income ($)	Consumption ($)	Savings ($)
5 000	5 000	0
10 000	9 000	1 000
15 000	13 000	2 000
17 500	15 000	2 500

15. At what level of income would the average propensity to save be equal to 0.13?

(A) $ 5 000
(B) $10 000
(C) $15 000
(D) $17 500

16. Which of the following options BEST defines a labour force?

(A) People employed full time and part time
(B) People employed and those actively seeking work
(C) People of working age who are actively seeking work
(D) People in the working age population who are employed

17. The general price level of a country's goods and services is increasing continuously. This phenomenon is known as

(A) inflation
(B) deflation
(C) stagflation
(D) disinflation

18. Which of the following is a characteristic of 'fiat money'?

(A) It is divisible.
(B) It cannot pay debts.
(C) It is gold and silver.
(D) It is decreed as legal tender.

19. John went to the school's canteen on Thursday to purchase lunch. He examined the menu to determine what he could purchase with the money he had in his wallet.

Which of the following functions of money is described in the scenario?

(A) Store of value
(B) Measure of value
(C) Medium of exchange
(D) Standard of deferred payment

Item **20** refers to the following table which shows the monetary aggregates at a central bank.

Data	Total Amount ($)
Currency in circulation	770 789
Demand deposits	544 220
Time deposits	245 670
Other deposits with the RBI	9 678
Banker's deposits	405 578

20. The calculated value of M1 is

(A) 1 325 687
(B) 1 315 009
(C) 1 176 367
(D) 1 195 458

Items **21** and **22** refer to the following situation.

Price increases for goods and services are dominating the news on various media platforms. People are frustrated that their disposable incomes are not keeping pace with the cost of living as they are struggling to purchase basic necessities.

21. Which of the following policies could be used by the central bank to address this situation?

(A) Expansionary fiscal policy
(B) Contractionary fiscal policy
(C) Expansionary monetary policy
(D) Contractionary monetary policy

22. Which of the following strategies should the central bank implement to mitigate this situation?

(A) Decrease the tax rate.
(B) Increase the discount rate.
(C) Repurchase government securities.
(D) Decrease the reserve requirement ratio.

23. How does the government use fiscal policy to fix a budget deficit?

(A) Print more money.
(B) Sell government bonds.
(C) Borrow from the World Bank.
(D) Borrow from the International Monetary Fund.

24. Which of the following would occur when the government increases expenditures to stimulate economic growth through increases in demand for loanable funds in the financial market?

(A) Interest rate effect
(B) Long-term growth effect
(C) Private investment effect
(D) Mechanism of crowding out effect

25. In 2021, Country Z had total exports earnings of 50 million and total debt service payments of 12 million.

The debt service ratio for Country Z is

(A) 4%
(B) 16%
(C) 24%
(D) 32%

26. Which of the following would be a possible cost of a large national debt to an economy?

(A) Crowding out of private investment
(B) Stronger currency and larger trade deficits
(C) Burden on future generations to pay off the debt
(D) Redistribution of income from taxpayers to bond holders

27. Which of the following is MOST likely to occur if an economy is operating at potential GDP after a huge decline in business confidence?

(A) Possibility of increase in political and social consequences
(B) Possibility of investment by firms to increase capital goods
(C) Possibility of a fall in investment and an increase in unemployment
(D) Possibility of investment and unemployment remaining unchanged

GO ON TO THE NEXT PAGE

28. In 2023, nominal GDP in Country G was 5 million and real GDP was 4 million.

Which of the following represents the GDP deflator and what it reflects?

(A) 0.8 and the prices for international trade
(B) 1.25 and the prices of imported goods
(C) 300 and average prices of goods globally
(D) 125 and the prices of goods and services produced domestically

29. Which of the following is the difference between debt forgiveness and debt rescheduling?

(A) Debt rescheduling involves reducing the interest rate only.
(B) Debt rescheduling involves cancellation of the interest rate only.
(C) Debt forgiveness involves renegotiations to make the debt more manageable.
(D) Debt forgiveness involves changing the currency in which the debt is denominated.

30. Fiscal policy could impact economic stability by influencing

(A) investment and trade balances
(B) foreign exchange rates and savings
(C) government administration and bureaucracy
(D) the level of aggregate demand and economic activity

31. Which of the following factors is LEAST important to a country's economic growth?

(A) The health and well-being of the labour force
(B) Sustainable use of the country's natural resources
(C) A well-developed infrastructure and transportation network
(D) Its ability to access loans from foreign financial institutions

32. Which of the following options BEST describes a significant benefit an exporting firm receives from trade?

(A) Increased tax revenue from tariffs imposed on imports
(B) A wider variety of goods and services available domestically
(C) Economies of scale that result from having access to a wider market
(D) Increased competition from international firms producing similar products

33. Which of the following correctly lists the stages of economic integration, from the least to the most integrated?

(A) Free trade area → customs union → common market → economic union
(B) Customs union → free trade area → economic union → common market
(C) Free trade area → common market → customs union → economic union
(D) Economic union → common market → free trade area → customs union

Item **34** refers to the following table which shows the HDI data for four countries in 2024.

Country	Life Expectancy (Years)	Mean Years of Schooling	GNI per Capita (PPP USD)	HDI Value
Arvonia	82.1	12.3	42 000	0.910
Bellara	75.4	10.1	25 000	0.810
Corvax	68.2	7.8	13 000	0.710
Deltara	62.5	5.6	6 500	0.590

34. Based on the table, which of the following statements is MOST accurate?

(A) The HDI value decreases consistently with higher GNI per capita across all countries.
(B) Deltara has the lowest HDI due to its low-income level even though its education indicators are the highest.
(C) Corvax has a higher HDI than Bellara, despite having a lower income, because it has a longer life expectancy.
(D) Arvonia's high HDI reflects strong performance across all three dimensions: income, education and life expectancy.

35. Which of the following BEST describe the structural characteristics common to most Caribbean economies?

(A) Highly diversified industrial bases, large domestic markets and surplus labour
(B) High dependence on primary exports, small population sizes and open economies
(C) Self-sufficiency in food production, low population density and low import dependence
(D) Large land masses, strong manufacturing sectors and high levels of technological innovation

36. Foreign exchange earnings are extremely important to the growth and development of CARICOM countries because

(A) foreign exchange is required for the importation of capital goods
(B) tourists need to have currency to spend when they visit our islands
(C) the IMF requires member countries to have foreign exchange to do business
(D) foreign exchange reserves have no influence on foreign investment decisions.

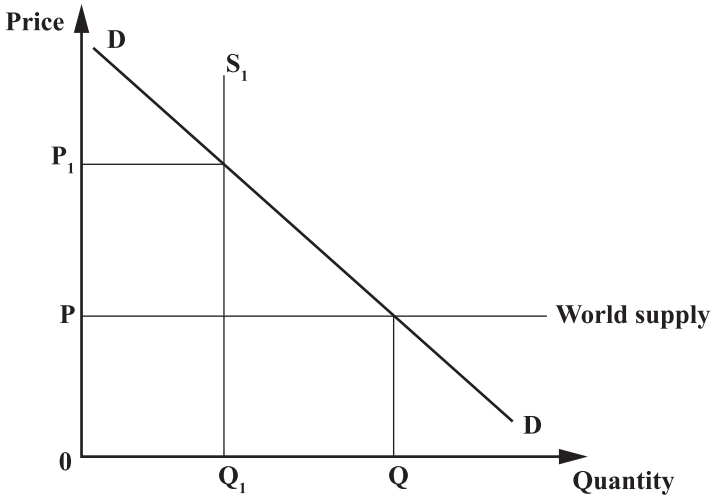
Item **37** refers to the following scenario.

In 2025, Kurdistan placed a ban on the importation of apples and grapes.

37. Which of the following methods of protection correctly describes the scenario above?

(A) Tariff
(B) Quota
(C) Embargo
(D) Special licences

Item **38** refers to the following diagram which shows the demand for imports of Good A into Country B.



38. Assuming a perfectly elastic world supply, which of the following would represent the effects on price and quantity imported should the government impose a quota at S_1?

(A) Price increases, quantity demanded decreases
(B) Price increases, quantity demanded increases
(C) Price decreases, quantity demanded increases
(D) Price decreases, quantity demanded decreases

Item **39** refers to the following data table which shows the balance of payments of a country.

Item	Millions ($)
Import of goods	10 000
Export of goods	8 000
Invisible balance	+600
Investment and other capital flows	+100

39. Which of the following represents the current account balance?

(A) $2700 m
(B) $2600 m
(C) –$1400 m
(D) –$1300 m

40. Which of the following scenarios BEST describes foreign direct investment in the CARICOM region?

(A) Canadian tourists travel to Trinidad and Tobago for carnival.
(B) Jamaican students receive scholarships to attend law school in Barbados.
(C) Nurses from Cuba migrate to the USA in search of better job opportunities.
(D) Shell Global, an international energy company, has resumed operations in Guyana.

Item **41** refers to the following information on key features of multinational corporations.

I. Repatriation of profits
II. Worsens environmental degradation
III. The use of labour-intensive production
IV. Hiring of expatriates for managerial positions

41. Which of the features above would be considered disadvantageous to the host country?

(A) I, II, III only
(B) I, II, IV only
(C) I, III, IV only
(D) II, III, IV only

42. At a recent heads of government meeting amongst CARICOM leaders, several key issues were addressed. These issues included climate change, technological innovation and renewable energy sources in the region.

Which of the following goals is BEST described by the scenario above?

(A) Globalization
(B) Economic growth
(C) Sustainable development
(D) Regional economic integration

43. The 'infant industry' argument commonly used to argue against trade liberalization.

Which of the following does NOT support this rationale?

(A) Competition fosters increased efficiency and improves product quality.
(B) Domestic firms are at risk of closing down, which will cause unemployment.
(C) Small firms do not have the benefits of economies of scale and hence face higher costs.
(D) Firms need sufficient time to establish themselves before they are exposed to competition.

44. Which of the following combinations BEST explains causes of a balance of payments disequilibrium in a developing country?

(A) Trade surplus, high foreign reserves and inflows from remittances
(B) Weak export base, overreliance on imported capital goods and declining terms of trade
(C) Fluctuating exchange rates, contractionary monetary policy and increased tourism revenue
(D) High levels of short-term capital inflows, speculative currency trading and rising interest rates

45. The introduction of a trade agreement between Countries X and Y allows Country X to import electronics from Country Y without incurring tariffs, even though Country Z produces electronics cheaper and more efficiently.

Which of the following statements describes the likely outcome of such a trade agreement?

(A) Country X will desist from the importation of electronics.
(B) Country X will continue to import from Country Z as it is the cheaper option.
(C) Country X will start to import from Country Y, causing trade diversion to occur.
(D) Country X will start importing more electronics from Country Y, leading to trade creation.

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION

ECONOMICS — UNIT 2

SPECIMEN PAPER 2026

Item No.	Key	Specific Objective
1	A	2.1.1.2
2	D	2.1.4.1
3	D	2.1.3.1
4	A	2.1.1.1
5	D	2.1.1.4
6	B	2.1.2.7
7	C	2.1.2.7
8	B	2.1.3.6
9	C	2.1.3.7
10	B	2.1.4.2
11	A	2.1.4.4
12	A	2.1.1.4
13	D	2.1.1.6
14	C	2.1.2.6
15	C	2.1.2.6
16	B	2.2.1.1
17	A	2.2.1.7
18	D	2.2.2.1
19	B	2.2.1.2
20	A	2.2.1.4
21	D	2.2.2.9
22	B	2.2.2.10
23	C	2.2.3.5

Item No.	Key	Specific Objective
24	D	2.2.3.7
25	C	2.2.4.5
26	A	2.2.4.3
27	C	2.2.1.5
28	D	2.2.1.9
29	B	2.2.3.2
30	B	2.2.4.4
31	C	2.3.1.3
32	C	2.3.2.1
33	A	2.3.4.1
34	D	2.3.1.5
35	B	2.3.1.6
36	A	2.3.2.3
37	C	2.3.2.7
38	A	2.3.3.3
39	C	2.3.3.4
40	D	2.3.5.4
41	B	2.3.5.4
42	C	2.3.1.4
43	A	2.3.2.6
44	B	2.3.3.2
45	C	2.3.4.2

TEST CODE **02216020**

SPECIMEN 2026

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 2 – Paper 02

SPECIMEN PAPER

2 hours 30 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of THREE questions, one from each module. Answer ALL questions.
2. Write your answers in the spaces provided in this booklet.
3. Do NOT write in the margins.
4. Draw ALL diagrams neatly and carefully, and clearly label ALL axes and curves.
5. You may use a silent, non-programmable calculator to answer questions.
6. ALL working should be clearly shown.
7. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
8. **If you use the extra page(s), you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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"*"Barcode Area"*"
Sequential Bar Code

Answer ALL questions.

MODULE 1: MODELS OF THE MACROECONOMY

1. (a) (i) Identify TWO factors that would cause an outward shift of the aggregate demand curve.

.....

.....

.....

[2 marks]

(ii) Outline ONE determinant of aggregate supply.

.....

.....

.....

[2 marks]

DO NOT WRITE IN THIS AREA
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"*"Barcode Area"*"
Sequential Bar Code

(b) Table 1 below shows the statistical data for Carib Isle for the year 2024.

TABLE 1: STATISTICAL DATA FOR CARIB ISLE

Details	Amount $ (billions)
Rental income	320
Transfer payments to persons	20
Corporate profits	15
Indirect taxes less subsidies	115
Compensation to employees	680
Social insurance payments	165
Net property income sent abroad	45
Depreciation	120
Net interest	80
Personal taxes	30

Using the data from Table 1, calculate the following values. Please note that extra rows have been provided in each table.

(i) Gross domestic product at market prices (GDP @ mp)

Details	$ (billions)

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(ii) Personal income

Details	$ (billions)

(iii) Disposable income

Details	$ (billions)

[12 marks]

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(c) Country Isle is experiencing an output gap. Currently, its actual output is greater than its full potential output. The citizens are very concerned and are calling on the government to address the issues being faced.

With the use of a well-lablled AD–AS diagram, analyse the impact of ONE strategy the government could use to correct the output gap being experienced by Country Isle.

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[9 marks]

Total 25 marks

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MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES

2. (a) Define the following types of unemployment, providing an example of EACH type.

Frictional unemployment

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Structural unemployment

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[4 marks]

(b) The table below shows the 2024 unemployment statistics for Country X.

TABLE 2: UNEMPLOYMENT STATISTICS FOR COUNTRY X

Data Items	Details of Data Items
Employed	161.4 m
Unemployed	8.8 m
Working age population	257.5 m
Out of the labour force	96.4 m
In the labour force	165.1 m

(i) Using the information provided in Table 2, calculate the unemployment rate for Country X.

[2 marks]

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(ii) Discuss the interrelationship between unemployment and underemployment.

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[6 marks]

(iii) Country X is developing plans to reduce its unemployment rate. Explain to the Government of Country X why it is important to depend on a non-discretionary fiscal policy instead of a discretionary fiscal policy in planning for a reduction in unemployment.

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[4 marks]

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(c) The Central Bank of Country X has implemented a monetary policy strategy to manage the country's economic fluctuations. Examine THREE limitations of monetary policy with respect to Country X.

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[9 marks]

Total 25 marks

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MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS

3. (a) Study Table 3 which presents scenarios regarding economic growth and development, and answer the question that follows.

For each of the scenarios provided in Table 3, indicate whether the scenario can BEST be classified as economic growth (EG) or economic development (ED).

TABLE 3: SCENARIOS OF GROWTH AND DEVELOPMENT

Scenarios	EG or ED
The Housing Development Corporation (HDC) in Trinidad and Tobago distributed 1000 homes in 2021 to low-income earners. These homes were built under the HDC's small and medium contractors project, to improve the living conditions of individuals and to give them access to cleaner and safer spaces to reside.	.....
Guyana's recent discovery of natural resources has resulted in greater output and revenue for the country.	.....
A slowdown in global economic activity has negatively impacted tourism and the economy of many Caribbean countries.	.....
Medical advancements have led to an increase in life expectancy and an ageing population in many countries in the region.	.....

[4 marks]

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(b) Agrona is a developing country in the Caribbean that recently entered into a free trade agreement with Technovia, a more industrialized nation. Agrona exports agricultural products like coffee while Technovia exports high-tech machinery. Over time, Agrona's economy has benefited from Technovia's exports as this has allowed for innovation and industrial expansion.

Discuss THREE rationales for Agrona's decision to engage in international trade with Technovia.

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(c) Caribbean countries often have difficulty achieving economic growth and development because of their unique characteristics.

Using the following features, explain how growth and development is hindered in the Caribbean region.

(i) Poverty

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(ii) Small population size

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(iii) Composition of exports

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[9 marks]

Total 25 marks

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C A R I B B E A N E X A M I N A T I O N S C O U N C I L

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 2 - Paper 02

SPECIMEN PAPER

KEY AND MARK SCHEME

MAY-JUNE 2026

ECONOMICS
UNIT 2 - Paper 02
KEY AND MARK SCHEME

MODULE 1: MODELS OF THE MACROECONOMY

Question 1.

Specific Objectives: 2.1.2.4; 2.1.2.5; 2.1.4.2; 2.1.1.3

(a) (i) Factors that would cause an outward shift of the aggregate demand curve

- Increase in consumption
- Increase in government spending
- Increase in investments
- Increase in net exports
- Decrease in taxation

Award 1 mark each for any of the correct factors outlined above, up to a maximum of 2 marks.

(ii) Determinants of aggregate supply

- **Input (resource) prices [1]:** An increase or decrease in input prices will raise or lower cost of production and decrease or increase aggregate supply **[1].**

- **Productivity [1]:** Changes in the level of productivity, labour or machinery will increase or decrease the level of overall production **[1].**

- **Government Regulation (taxation) [1]:** Any action by government that raises or decreases taxation will affect the cost of production of the firm and will decrease or increase aggregate supply **[1].**

Award 1 mark for identifying the determinant.
Award 1 mark for explanation of the determinant as outlined above.

Marks Summary: 4 marks total

(i) Award 2 mark as outlined above.
(ii) Award 2 marks as outlined above.

Question 1. cont'd

(b) The following 2024 statistical data for Carib Isle was used to make the following calculations.

TABLE 1: STATISTICAL DATA FOR CARIB ISLE

Details	**Amount $ (billions)**
Rental income	320
Transfer payments to persons	20
Corporate profits	15
Indirect taxes less subsidies	115
Compensation to employees	680
Social insurance payments	165
Net property income sent abroad	45
Depreciation	120
Net interest	80
Personal taxes	30

(i) Gross domestic product at market prices (GDP @mp)

Calculation of GDP using the Income Approach		***Marks***
Details	***$ (billions)***	
Rental income	*320*	1
Compensation to employees	*680*	1
Net interests	*80*	1
Corporate profit	*15*	1
National income	*1 095*	
+ Depreciation	*120*	1
Gross national product	*1 215*	
+ Net property income sent abroad	*45*	1
Gross domestic product @fc	*1 260*	
+ Indirect taxes less subsidies	*115*	1
Gross domestic product @mp	*1 375*	
		7 marks

Award 1 mark for each correct value as outlined above, up to a maximum of 7 marks.

Question 1. cont'd

(ii) Personal income

Details	***$ (billions)***	**Marks**
National income	1 095	
Less social insurance payments	-165	1
	930	
+ Transfer payments	20	1
Personal income	950	1
		3 marks

Award 1 mark for each correct value as outlined above, up to a maximum of 3 marks.

(iii) Disposable income

Details	**$ billions**	**Marks**
Personal income	950	
Less personal taxes	30	1
Disposable income	920	1
		2 marks

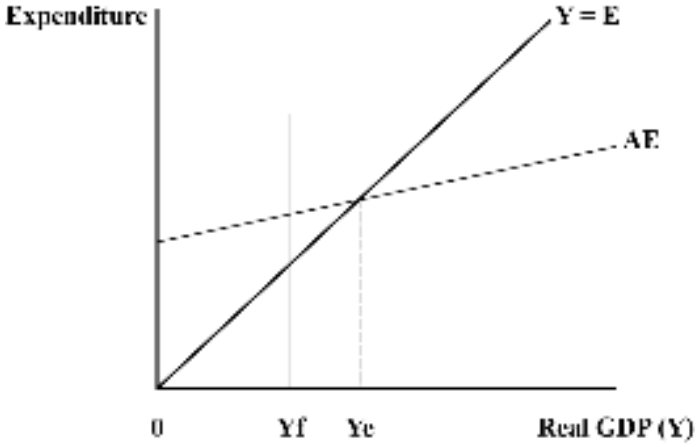
Award 1 mark for each correct value as outlined above, up to a maximum of 2 marks.

Marks Summary: 12 marks total

(i) Award 7 mark as outlined above.
(ii) Award 3 marks as outlined above.
(iii) Award 2 marks as outlined above.

Question 1. cont'd

(c) Well-labelled AD-AS diagram and analysis of the impact of ONE strategy the government could use to correct the output gap being experienced by Country Isle



Mark Allocation for Diagram

Labels (both axes) – 1 mark
Correct Y – 1 mark
Correct AE Curves – 1 mark
Correct position of Yf – 1 mark
Correct position of Ye – 1 mark

Mark Allocation for Explanation

To correct an inflationary gap, the government could implement a contractionary fiscal policy (increase taxation or decrease government spending) **[1]**. Such policy would result in a decrease in consumer spending **[1]** and shift the AE curve downward **[1]**. As aggregate demand falls, a new lower equilibrium will be established at full potential, effectively closing the output gap **[1]**.

Marks Summary: 9 marks total

(i) Assign 5 marks as outlined above.
(ii) Assign 4 marks as outlined above.

Total 25 marks

ECONOMICS
UNIT 2 - Paper 02
KEY AND MARK SCHEME

MODULE 2: MACROECONOMIC PROBLEMS AND POLICIES

Question 2.

Specific Objectives: 2.2.1.4; 2.2.1.2; 2.2.1.3; 2.2.3.6

(a) Definition of the following types of unemployment with an example of each type

Fictional unemployment
This type of unemployment exists as workers search for jobs to enter the labour market **[1]**, for example, present graduates who have completed high school and are looking for a job **[1]**.

Structural unemployment
This type of unemployment occurs when there are changes in the patterns of demand, resulting in the displacement of labour **[1]**, for example, a restaurant or cafeteria begins to use robots to serve customers **[1]**.

Award 1 mark for each definition.
Award 1 mark for each correct example.

Marks Summary: 4 marks total

Assign 4 marks as outlined above.

(b) (i) Calculation of the unemployment rate for Country X.

To determine the unemployment rate: Divide the number of unemployed persons (8.8 m) by the labour force (165.1 m) all times 100% **[1]**
8.8 /165.1 * 100 = 5.3% **[1]**

Award 1 mark as indicated, up to a maximum of 2 marks.

Question 2. cont'd

(ii) Discussion on the interrelationship between unemployment and underemployment

Unemployment is where persons are actively seeking a job **[1],** whereas underemployment describes a situation where a person is employed regardless of the number of hours or the skill level **[1].** However, unemployment and underemployment are interrelated, as underemployment often occurs due to unemployment **[1].** To meet their financial obligations and manage other responsibilities **[1],** individuals may accept any available job irrespective of the skill required **[1].** The setback in skills and career development due to underemployment can result in individuals losing their desire in a particular field of interest and being unemployed for a period of time until modern training is garnered for new job availability **[1].**

Award 1 mark as indicated, up to a maximum of 6 marks.

(iii) Explanation to the government of Country X regarding why it is important to depend on a non-discretionary fiscal policy instead of a discretionary fiscal policy in planning for a reduction in unemployment

Discretionary fiscal policy is planned government intervention where increases in government spending would lead to higher levels of output and employment due to a multiplier effect **[1].** Non-discretionary fiscal policy is designed to deal with any fluctuations in economic activity where an increase in government spending is automatic and so is the decline in taxation **[1].** However, discretionary fiscal policy is mistrusted because of the time lags involved in the process; the time between implementation and the visible effects of the policy on the economy **[1];** and the political influences or interferences in the economy in the misappropriation of tax revenues or funds **[1].**

Award 1 mark as outlined, up to a maximum of 4 marks.

Marks Summary: 12 marks total

(i) Assign 2 marks as outlined above.
(ii) Assign 6 marks as outlined above.
(iii) Assign 4 marks as outlined above.

Question 2. cont'd

(c) Examination of THREE limitations of monetary policy with respect to Country X

Supply Side Shocks [1]
Disruptions in production, such as a rise in global oil prices, can affect the supply of goods and services. As production costs rise there is a decline or shortage in production levels, resulting in higher prices for consumers **[1].** Businesses become hesitant about borrowing more, even at lower interest rates, as the focus is on managing cost rather than expanding production. The policy objective therefore becomes ineffective **[1].** In addition, the increase spending by consumers due to lower interest rates spirals inflation further, resulting in stagflation in the economy **[1].**

Magnitude and Timing of the Impact [1]
The manipulation of the money supply within the economy may not be effective due to The Central Bank's lack of capacity to control the reactions of households and business **[1].** The deposits of households and firms at commercial banks may not meet the expectations of the desired outcome of the policy **[1].** This will result in much more complications in the economy as more uncertainty arises for The Central Bank **[1].**

State of the economy (Speculation problems) [1]
Monetary policy can be ineffective when the Central bank attempts to reduce the interest rates close to zero, resulting in high saving rates. However, consumers can avoid the purchasing of treasury securities with the optimism that interest rates will soon rise **[1].** This can cause bond prices to decline **[1].** More complications can also result from vigilantes in the bond market as they can reduce their demand for long-term bonds, resulting in a rise in yields which would make it more difficult for the monetary policy to be effective **[1].**

Award 3 marks for each limitation as outlined, up to a maximum of 9 marks.

Marks Summary: 9 marks total

Assign 9 marks as outlined above.

Total 25 marks

ECONOMICS
UNIT 2 - Paper 02
KEY AND MARK SCHEME

MODULE 3: GROWTH, SUSTAINABLE DEVELOPMENT AND GLOBAL RELATIONS

Question 3.

Specific Objectives: 2.3.1.1; 2.3.1.2; 2.3.2.1; 2.3.2.2; 2.3.2.3; 2.3.1.7

(a) Classification of each scenario as economic growth or economic development

TABLE 2: SCENARIOS OF GROWTH AND DEVELOPMENT

Scenarios	**EG or ED**
The housing development corporation in Trinidad and Tobago distributed 1000 homes in 2021 to low-income earners. These homes were built under the HDC's small and medium contractors project, to improve the living conditions of individuals and to give them access to cleaner and safer spaces to reside.	**ED**
Guyana's recent discovery of natural resources has resulted in greater output and revenue for the country.	**EG**
A slowdown in global economic activity has negatively impacted tourism and the economy of many Caribbean countries.	**EG**
Medical advancements have led to an increase in life expectancy and an ageing population in many countries in the region.	**ED**

Assign 1 mark for each correct classification up to a maximum of 4 marks.

Marks Summary: 4 marks total

Assign 4 marks as outlined above.

Question 3. cont'd

(b) Rationales for Agrona's decision to engage in international trade with Technovia

1. **Comparative Advantage [1]**
Agrona likely engaged in international trade because of its comparative advantage in agricultural production, particularly in crops like coffee. Due to favourable climate, fertile soil, and a workforce skilled in farming, Agrona can produce these goods more efficiently and at a lower opportunity cost than Technovia **[1].** By focusing on exporting these products, Agrona can specialize in what it does best **[1]** and import goods that are more costly or difficult for it to produce domestically, such as high-tech machinery or pharmaceuticals **[1].**

2. **Access to Advanced Technology and Capital Goods [1]**
Agrona's trade relationship with Technovia is to gain access to capital-intensive goods and modern technologies that may not readily be available or affordable to produce locally **[1].** By importing high-tech machinery, Agrona can improve productivity in sectors such as manufacturing and agriculture **[1].** This access can also promote the development and modernization of infrastructure, leading to long-term economic growth **[1].**

3. **Expansion of Markets and Economic Growth Opportunities [1]**
International trade allows Agrona to access a larger consumer market beyond its relatively small domestic economy **[1].** Exporting to Technovia opens up opportunities for higher sales volumes, increased foreign exchange earnings, and job creation within its agricultural sector **[1].** This expanded market can stimulate local businesses, attract foreign investment and enhance overall economic development in the country **[1].**

Question 3. cont'd

4. **Differences in endowment of resources [1]**
Agrona is endowed with rich soil that allows agricultural produce such as cocoa to grow while Technovia is endowed with technological advancements that allow the economy to manufacture high-tech machinery **[1].** As both countries have differences in resources and are able to manufacture varying products, **[1]** trade between both countries is useful as it now gives both countries access to both agricultural goods and high-tech machinery instead of just the one for which they have been endowed with the resource to produce **[1].**

Award 1 mark for each correct rationale, up to a maximum of 3 marks.

Award 3 marks for explanation of each rationale as outlined above.

Marks Summary: 12 marks total

Assign 12 marks as outlined above.

(c) Explanation of how growth and development is hindered in the Caribbean region using the following features

(i) **Poverty**
High levels of poverty in Caribbean economies can result in citizens having limited access to education and skills training **[1].** This means that a large portion of the population cannot reach their full potential in the workforce. This leads to a reduction in labour productivity which lowers overall output, hence slowing economic growth and development **[1].** Poverty also means that government must spend more on social welfare. This can limit the amount available for expenditure in areas such as education and health care which can put a strain on public resources and lower the level of development in Caribbean economies **[1].**

(ii) **Small population size**
A small population size for Caribbean economies means fewer workers. This constrains the size and diversity of the workforce **[1].** This means that there are limited people to fill specialized roles, leading to limited technological expansion and diversion of production **[1].** As a result the level of growth and development is hindered as less people working means less output and less revenue generated from that output **[1].**

OR

Question 3. cont'd

A small population size means a limited workforce which ultimately leads to a small tax base **[1].** This hinders economic growth since a small population size means that there is a reduction in the quantity of goods and services produced due to a small labour force **[1].** Economic development is negatively impacted as resources are extremely limited and governments have a limited number of people that they can tax to generate revenue, hence making it more difficult for the governments to fund infrastructure, education, health care, and social programs **[1].**

(iii) **Composition of exports**

Caribbean economies are mainly monocrop economies. For most Caribbean economies, the dependency is on the primary sector **[1].** For example, Guyana and Jamaica depend heavily on agricultural produce such as bananas, sugar, coffee and cocoa while Trinidad and Tobago relies on crude oil and natural gas (energy sector). Reliance on a narrow export base makes Caribbean economies vulnerable to changes in external prices and shocks, leaving the economies susceptible to drastic declines in revenues as prices or demand for their monocrop falls **[1].** As prices and demand fall, there is a fall in the production of the commodity which signals a fall in economic growth and the level of development **[1].**

Question 3. cont'd

OR

For the minority of Caribbean countries dependency is on the services sector, for example, tourism in Barbados **[1].** Caribbean countries that depend on tourism and are prone to natural disasters can be severely affected as these disasters can wipe out major export earners such as hotels, parks and beaches, leading to sudden losses in income and lengthy recovery times **[1].** This then results in the inability to generate revenues and leads to a decline in economic growth for Caribbean economies. The fall in revenue can lead to a worsening of the standard of living **[1].**

Award 3 marks for each explanation as outlined above.

Marks Summary: 9 marks total

Assign 9 marks as outlined above.

Total 25 marks

TEST CODE **02216032**

SPECIMEN 2026

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 2 – Paper 032

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of a case study and THREE questions. Answer ALL questions.
2. Write your answers in the spaces provided in this booklet.
3. Do NOT write in the margins.
4. You may use a silent, non-programmable calculator to answer questions.
5. ALL working should be clearly shown.
6. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
7. **If you use the extra page(s), you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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INSTRUCTION: Read the case and answer the questions that follow.

CASE STUDY

Module 3: Topic 1 — Growth and Sustainable Development

Barbados is a small island nation in the Eastern Caribbean and is often regarded as one of the more developed economies in the region. Nevertheless, it shares many of the structural economic challenges common to Small Island Developing States (SIDS). With a population of just under 300 000 and a land area of 440 km², Barbados' economic structure has been shaped by its historical reliance on a single agricultural crop; however, in more recent years, the economy has been dominated by the services sector. Barbados is characterized by high levels of brain drain, significant susceptibility to climate hazards such as hurricanes, droughts and rising sea levels, and a limited natural resource base, with no major mineral or fossil fuel reserves.

However, Barbados is a perfect example of how a small country can work toward economic growth while striving for sustainable development and improving human development simultaneously. Through the implementation of smart policies, education, and environmental protection, Barbados' economy shows how development could benefit both people and planet.

One of the main concerns expressed by some members of society is the limited evidence of trickle-down effect. As a result, a team from the statistical department was assigned to conduct research on the present and long-term effect of the country's economic fortunes on households in Barbados.

The following table shows the growth rates of GDP per capita and Human Development Index (HDI) for Barbados over the period 2018 to 2023.

ECONOMIC AND HUMAN DEVELOPMENT INDICATORS FOR BARBADOS (2018–2023)

Years	GDP per capita (%)	HDI
2018	–1.17	0.804
2019	0.65	0.806
2020	–15.05	0.803
2021	–0.25	0.803
2022	17.83	0.790
2023	4.09	0.811

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1. (a) (i) Write ONE possible research question that would guide the team in conducting this research.

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[2 marks]

(ii) State ONE possible aim for this research.

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[1 mark]

(iii) Write TWO objectives which are aligned with the aim of the case.

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[4 marks]

(b) (i) As a member of the research team, you are asked to provide a suitable methodology for conducting this research among 20% of the population (60% of the sample represents females and 40% represents males). Complete the following areas.

a) Research design and justification of your choice

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[4 marks]

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b) Sample size

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[3 marks]

(ii) Identify TWO instruments the researcher would use to collect primary data for this research study.

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[2 marks]

(iii) Suggest ONE possible question that the researcher would include on the data collection instrument to address EACH research objective.

Objective 1

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Objective 2

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[4 marks]

Total 20 marks

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2. (a) The table shows the growth rates of GDP per capita and Human Development Index (HDI) for Barbados over the period 2018 to 2023.

ECONOMIC AND HUMAN DEVELOPMENT INDICATORS FOR BARBADOS (2018–2023)

Years	GDP per capita (%)	HDI
2018	–1.17	0.804
2019	0.65	0.806
2020	–15.05	0.803
2021	–0.25	0.803
2022	17.83	0.790
2023	4.09	0.811

(i) Create a well-labelled line diagram to represent EACH of the following.

GDP per capita growth rate

Human Development Index (HDI)

[10 marks]

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(ii) Identify the year during the research period when the lowest growth rate took place.

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[1 mark]

(iii) Identify the **highest** HDI for the research period.

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[1 mark]

(b) The table below shows the raw data for one of the items in the research instrument.

Income Levels	Number of Respondents	Percentage of Sample Represented
Lower income	10 000	
Lower middle income	30 000	
Upper middle income	15 000	
Upper income	5 000	

(i) Calculate the percentage of the sample represented in EACH category of income level. Round each percentage to the nearest whole number. **[4 marks]**

(ii) Using a well-labelled bar chart, illustrate the income level percentages calculated at (b) (i).

[6 marks]

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(c) Interpret the opportunity cost for EACH country.

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[4 marks]

(d) Write TWO findings of the research study based on the two objectives formulated at 1 (a) (iii) **on page 3**.

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[4 marks]

Total 30 marks

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3. (a) Write a brief conclusion of the research study based on the aim formulated at 1 (a) (ii) **on page 3**.

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[2 marks]

(b) Suggest TWO recommendations that the Government of Barbados could implement to promote sustainable development.

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(c) Information for this research was collected from the following source. Use the information provided to generate a reference for this research utilizing the current APA format.

Author	Mr Edward Bahaw
Name of Resource	Comprehensive Economics for CAPE Unit 2
Year of Resource	2011, Second Edition
Information Source/Publishers	Caribbean Educational Publishers

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[2 marks]

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

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Sequential Bar Code

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ECONOMICS

UNIT 2 - Paper 032

SPECIMEN PAPER

KEY AND MARK SCHEME

MAY-JUNE 2026

ECONOMICS
UNIT 2 - Paper 032
KEY AND MARK SCHEME

MODULE 3: TOPIC 1 – Growth and Sustainable Development

Question 1.

Specific Objectives: 2.3.1.1; 2.3.1.2; 2.3.1.3; 2.3.1.5

(a) (i) ONE research question that will guide the team assigned to conduct this research

- To what extent has the level of growth in Barbados economy **[1]** impacted the standard of living of households during the period 2018 to 2023 **[1].**

Award 2 marks for the response as outlined.

NOTE: ***The research question (topic) should state 'the what' (what is being investigated) and 'the context' (who/where/when)***

(ii) ONE aim for this research

- To develop an understanding of how economic growth could affect both current and future generations

Award 1 mark for an appropriate aim.

(iii) TWO objectives which are aligned with the focus of the case

1. To evaluate how Barbados economic performance affected **[1]** the livelihood of households during the period **[1]**

2. To examine how the current economic growth rate **[1]** may impact sustainable development **[1]**

Award 2 marks for each objective as outlined, up to a maximum of 4 marks.

NOTE: ***Each objective should start with an action verb and contain two variables.***

Marks Summary: 7 marks total

(i) Assign 2 marks as outlined above.
(ii) Assign 1 mark as outlined above.
(iii) Assign 4 marks as outlined above.

Question 1. cont'd

(b) (i) As a member of the research team, you are asked to provide a suitable methodology for conducting this research among 20% of the population (60% of the sample represents females and 40% represents males). Completed areas are below.

a) Research design and justification of choice

- A mixed method approach will be most appropriate for this research which would include both the qualitative **[1]** and quantitative research methods **[1]**. The qualitative approach will provide the descriptive data needed **[1]** and the quantitative will provide the numerical data **[1]** for analysis.

Award 2 marks as indicated for the research design.
Award 2 marks as indicated for the justification.

b) Sample size

- Total sample size: 20% of 300 000 = 60 000 **[1]**
- Females: 60% of 60 000 = 36 000 **[1]**
- Males: 40% of 60 000 = 24 000 **[1]**

Award 1 mark for each correct sample size amount calculated.

(ii) Instruments the research would use to collect primary data for this research study

- Questionnaire
- Interview
- Census

Award 1 mark for each primary data source, up to a maximum of 2 marks.

Question 1. cont'd

(iii) Possible question that the researcher would include on the data collection instrument to address EACH research objective.

Objective 1 - To evaluate how Barbados economic performance affected the livelihood of households during the period.

1. In which of the following income brackets (per annum) have you been paid between 2018 and 2023? (If numerical values are used, they should be appropriate for your territory.)
   - Lower income
   - Lower middle income
   - Upper middle income
   - High income

2. By what percentage has your income increased over the research period?
   - 0% to 2%
   - 2.1% to 4%
   - 4.1% to 6%
   - Above 6%

3. Has your purchasing power improved over the research period?
   - Yes
   - No

   Please give a reason for your response.

   _____

   _____

Question 1. cont'd

Objective 2 - To examine how the current economic growth rate may impact sustainable development.

1. The current economic growth rate has had a negative impact on the environment.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

2. Using a scale of 0 to 4, with 4 being the highest, rate the improvement in the quality of health care provisions over the research period.

- 0
- 1
- 2
- 3
- 4

4. Do you think you are better off economically now compared to 2018?

- Yes
- No

Please give a reason for your response.

_____

_____

Award 2 marks for each question, up to a maximum of 4 marks (1 mark for the appropriate stem; 1 mark for the relevant options).

NOTE: ***Each question provided should be relevant to its respective research objective.***

Marks Summary: 13 marks total

(i) Assign 7 marks as outlined above.
(ii) Assign 2 marks as outlined above.
(iii) Assign 4 marks as outlined above.

Total 20 marks

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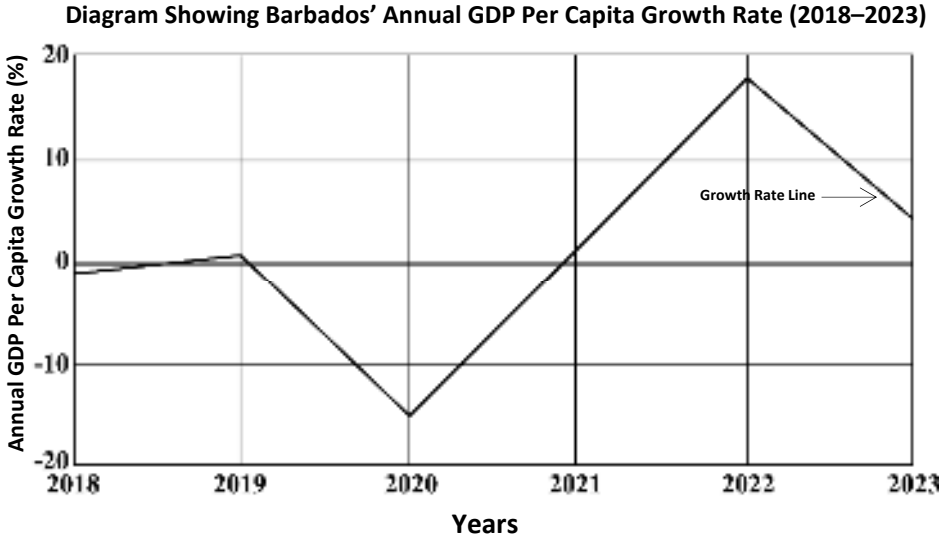
Question 2.

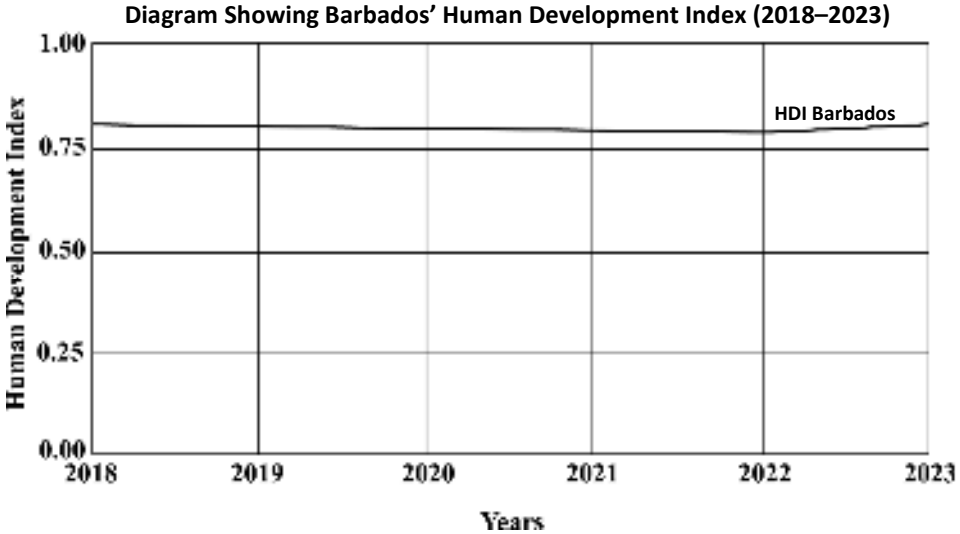
(a)

(i) Well-labelled line diagrams for GDP per capita growth rate and Human Development Index (HDI)



Mark Allocation for Diagram (GDP)

Labels (both axes) – 1 mark
Labelled line for GDP per capita growth rate – 1 mark
Correctly plotted data points – 3 marks



Mark Allocation for Diagram (HDI)

Labels (both axes) – 1 mark
Labelled line for HDI – 1 mark
Correctly plotted data points – 3 marks

Question 2. cont'd

(ii) Year during the research period when the lowest growth rate took place

- 2020

Award 1 mark for the correct answer.

(iii) Highest HDI for the research period

- 0.811

Award 1 mark for the correct answer.

(b) (i) Percentage of the sample represented in EACH category of income level (Percentage rounded to the nearest whole number)

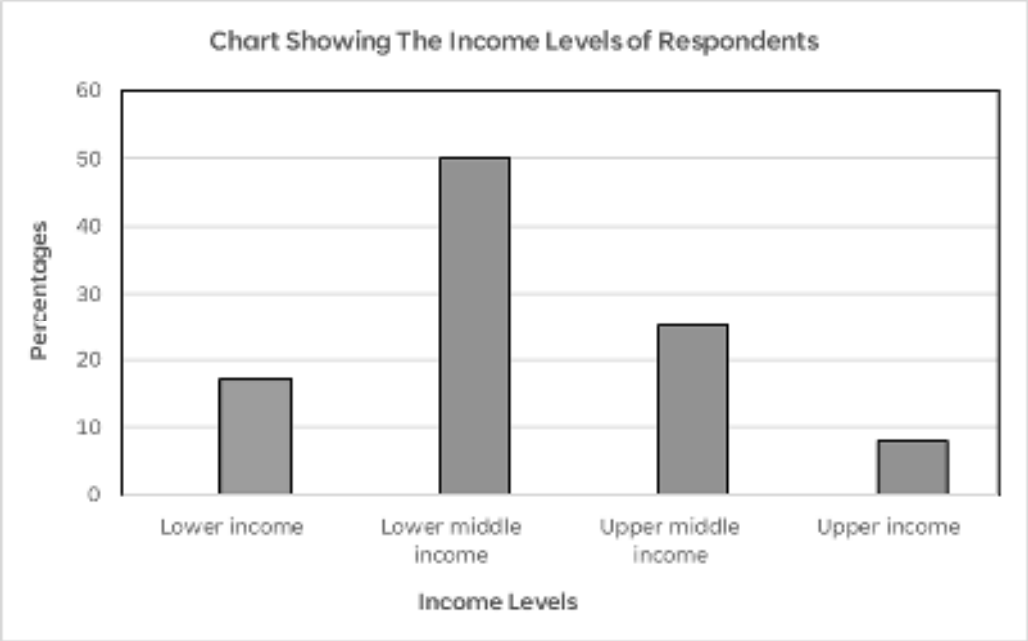
Income Levels	Number of Respondents	Percentage of sample represented
Lower income	10 000	17% **[1]**
Lower middle income	30 000	50% **[1]**
Upper middle income	15 000	25% **[1]**
Upper income	5 000	8% **[1]**

Mark Allocation for Table

Award 1 mark for each correctly calculated value, up to a maximum of 4 marks.

Question 2. cont'd

(ii) Well-labelled bar chart illustrating the income level percentages calculated at (b) (i) above



Mark Allocation for Bar Chart

Labels (both axes) – 1 mark
Labelled bars – 1 mark
Correctly plotted bars – 4 marks

Question 2. cont'd

(c) Interpretation of the opportunity cost of each country.

- The production possibility curve for Cuba shows constant opportunity cost **[1]** given that the PPF is a straight line **[1]**. The production possibility curve for Barbados shows increasing opportunity cost **[1]** given that the PPF is concave **[1]**.

Award 1 mark as indicated, up to a maximum of 4 marks.

(d) TWO findings of the research study based on the two objectives formulated at 1(a)(iii).

- The research reveals that the fundamental economic questions were answered by the public and private sectors in Barbados **[1]** whereas in Cuba the government undertook these decisions **[1]**.

- In terms of economic efficiency, the research reveals that Barbados was fully utilizing its available resources with its given technology **[1]** while there was underutilization of resources and technology in Cuba **[1]**.

Award 1 mark as indicated, up to a maximum of 2 marks for each finding.

Marks Summary: 30 marks total

(a) Assign 12 marks as outlined above.
(b) Assign 10 marks as outlined above.
(c) Assign 4 marks as outlined above.
(d) Assign 4 marks as outlined above.

Total 30 marks

Question 3.

(a) Brief conclusion of the research study based on the aim formulated at 1 (a) (ii).

- The growth rate can impact on the livelihood of the current and future generations. This is because the current generation has more goods and services available **[1].** However, the future generations' production capacity could increase especially where resources are used to foster sustainable development **[1].**

Award 2 marks for the conclusion as outlined.

(b) Recommendations that the Government of Barbados could implement to promote sustainable development

1. **Protect the environment [1]**
   Protect the environment through the implementation of laws and regulations **[1]** to prevent indiscriminate waste disposal and destruction of the environment **[1].**

   Sensitize the public to the importance of environmental health **[1]** through various media campaigns to develop best practices that maintain sustainable development **[1]**

2. **Promote economic growth [1]**
   Promote economic growth through policies such as the diversification of the economy and the application of modern technologies **[1],** while ensuring efficiency in the use of resources **[1].**

3. **Promote social development [1]**
   Grant access to quality education and health care through government provisions and subsidization **[1].** This will ensure that the most vulnerable in society can obtain services that can improve their livelihood **[1].**

Question 3. cont'd

(c) Reference for this research using the current APA format

Bahaw, E. (2011). *Comprehensive Economics for Cape Unit 2*. (2nd Edition). Caribbean Educational Publishers.

Author's surname, initial. (year) **[1]**; Title in italics and correctly placed with book edition; Publisher **[1]**

Award 2 mark for correct reference as indicated above.

Marks Summary: 10 marks total

(a) Assign 2 marks as outlined above.
(b) Assign 6 marks as outlined above.
(c) Assign 2 marks as outlined above.

Total 10 marks

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