

# **ECONOMICS**

## **HIGHER 1 (2017)**

### **(Syllabus 8819)**

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## **AIMS**

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The syllabus is intended to provide the basis for a broad understanding of economics. Specifically, the syllabus aims to develop in candidates:

1. an understanding of fundamental economic principles, theories and concepts, and of the methods of analysis used by an economist;
2. the ability to use the tools of economic reasoning to explain, analyse and resolve economic issues, and evaluate policy decisions;
3. the habit of reading critically, from a variety of sources, to gain information about the changing economic activities and policies at the national and international levels;
4. the ability to use evidence in making rational arguments in economic context and understand the roles of various economic agents.

## **ASSESSMENT OBJECTIVES**

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Candidates are expected to demonstrate:

### *Understanding of*

1. the main concepts, principles and theories employed within the field of economics
2. methods of analysis in economics

### *Ability to*

3. understand and interpret economic information presented in textual, numerical or graphical form
4. select and apply economic concepts and principles to explain and analyse contemporary events at the micro and macro levels
5. recognise unstated assumptions
6. make interpretations and valid inferences from information presented and evaluate the reliability of information given
7. evaluate alternative theoretical explanations and perspectives of economic problems, issues and policy decisions
8. organise and communicate economic ideas and arguments in a clear, logical and appropriate form.

## SYLLABUS CONTENT

The theme for the H1 syllabus is **Markets and Governments**. The emphasis of the syllabus is on the application of economic concepts and principles to explain, analyse and evaluate economic situations and policy decisions in a real-world context.

### 1. Microeconomics

This section provides an introduction to the basic terminology and concepts of economics. It enables candidates to consider what markets and governments can and cannot do. It provides candidates with the opportunity to explain economic phenomena through the use of diagrams, data analysis and the evaluation of economic materials. It is intended to make candidates aware of the role of economics in real-world situations. It is expected that these concepts and principles are applied throughout the syllabus.

Syllabus Content	Candidates should be able to:
<p><b>1.1 How the Microeconomy Works</b></p> <ul style="list-style-type: none"> <li>● Central Economic Problem               <ul style="list-style-type: none"> <li>– The rationale for resource allocation: scarcity and the inevitability of choice</li> </ul> </li>   <li>● Price as a rationing and allocative mechanism</li>   <li>● Demand, Supply and the Market               <ul style="list-style-type: none"> <li>– The individual and market demand curves as representations of intentions to consume</li> <li>– The firm and market supply curves as representations of intentions to supply</li> <li>– Changes in demand and supply</li> <li>– Shifts vs movements in demand and supply</li> <li>– Equilibrium price and quantity</li>   <li>– Price elasticities of demand and supply</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Explain the central economic problem</li>   <li>● Illustrate the concepts of scarcity, choice and opportunity cost, and the nature of trade-offs through the use of examples and production possibility curves</li>   <li>● Explain how the price mechanism allocates scarce resources among competing needs in a free market</li>   <li>[A broad understanding of the concept of economic efficiency is required. Diagrammatic and/or mathematical explanation is not required.]</li>   <li>● Explain that demand reflects consumers' satisfaction and recognise the inverse relationship between price and quantity demanded</li>   <li>● Explain that supply reflects opportunity costs and recognise the direct relationship between price and quantity supplied</li>   <li>● Discuss the factors affecting demand and supply and the implications of the ceteris paribus condition</li>   <li>● Differentiate between shifts and movements along the demand and supply curves</li>   <li>● Explain the determination of market equilibrium price and quantity through the interaction of demand and supply</li>   <li>● Analyse the effects of changes in demand and supply on equilibrium price and output</li>   <li>● Explain the concepts of price elasticities of demand and supply</li>   <li>● Explain the factors affecting price elasticities of demand and supply</li> </ul>

<p><b>1.2 Why Markets Fail</b></p> <ul style="list-style-type: none"> <li>• Market failure             <ul style="list-style-type: none"> <li>– Positive and negative externalities</li>   <li>– Public, merit and demerit goods</li> </ul> </li>   <li>• Policies to correct market failure             <ul style="list-style-type: none"> <li>– Direct provision</li> <li>– Taxes and subsidies</li> <li>– Tradeable permits</li> <li>– Rules and regulations</li> </ul> </li>   <li>• Effectiveness of policies</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss real-world applications of demand and supply analysis</li> </ul> <p>[Applications of price controls are not required.]</p> <ul style="list-style-type: none"> <li>• Explain the meaning of market failure</li> <li>• Analyse why externalities arising from the divergence between private and social costs/benefits lead to market failure (including discussions on environmental issues and congestion as examples of negative externalities)</li>   <li>• Explain the characteristics of public goods and why public goods are not provided by the market</li> <li>• Explain the characteristics of merit and demerit goods and why they result in under- and over-consumption</li> </ul> <p>[Discussion of imperfect information and markets, and inequity is not required.]</p> <ul style="list-style-type: none"> <li>• Explain why governments intervene in the market with regard to the provision of public, merit and demerit goods, positive and negative externalities</li> <li>• Analyse how governments intervene through direct provision of goods and services, imposition of taxes, subsidies, tradeable permits, rules and regulations</li>   <li>• Discuss the effectiveness of these policies in correcting market failure and their limitations</li> </ul> <p>[Diagrammatic analyses of market failure and corrective measures using private and social marginal cost and benefit curves are not required. Concepts of consumer and producer surpluses are not required. Discounting, measurement and determination of present value in cost-benefit analysis (CBA) are not required.]</p>
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## 2. Macroeconomics

The emphasis of this section is on government objectives and policies relating to economic growth, employment, stability of prices and the balance of payments. It emphasises the use of the **AD-AS approach** as a tool for the analysis of fiscal, monetary and supply-side policies, and their impact at the micro and macro levels. Candidates should be able to acquire a good knowledge of recent economic trends and developments, with a focus on the Singapore economy. Candidates should also be able to appreciate the possible underlying causes of these trends and developments and to evaluate the effectiveness of government policies in the light of these events.

Syllabus Content	Candidates should be able to:
<p><b>2.1 How the Macroeconomy Works</b></p> <ul style="list-style-type: none"> <li>● The Circular Flow of Income</li> <li>● Aggregate Demand (AD) and Aggregate Supply (AS) Analysis               <ul style="list-style-type: none"> <li>– Key determinants of AD and AS</li> <li>– Determination of general price level and national output</li> <li>– Changes in AD and AS</li> </ul> </li> </ul> <p><b>2.2 Macroeconomic Aims, Problems/Issues, Consequences and Policies</b></p> <p><b>Macroeconomic Aims</b></p> <ul style="list-style-type: none"> <li>● Sustained rate of economic growth</li> <li>● Low inflation rate</li> <li>● Full employment</li> <li>● Favourable balance of payments</li> </ul> <p><b>Macroeconomic Problems and their causes</b></p> <ul style="list-style-type: none"> <li>● Undesirable rates of economic growth</li> <li>● High inflation rate</li> <li>● High unemployment rate</li> <li>● Persistent or large balance of payments deficit</li> </ul>	<ul style="list-style-type: none"> <li>● Explain the circular flow of income amongst households, firms, government and international economy</li> <li>● Explain AD and AS, and their key determinants</li> <li>● Explain the determination of the general price level and national output through the interaction of AD and AS</li> <li>● Analyse the effects of changes in AD and AS on general price level and national output</li> </ul> <ul style="list-style-type: none"> <li>● Explain the main macroeconomic aims, economic performance and living standards of a country</li> <li>● Explain the meaning of a sustained rate of economic growth, real and nominal GDP/GNP per capita, low inflation rate, full employment and favourable balance of payments</li> </ul> <p>[Interpretation of the above economic information presented in textual, numerical or graphical form is required. Derivation of index numbers is not required. Computation of national income and balance of payments accounts is not required.]</p> <ul style="list-style-type: none"> <li>● Explain the meaning of undesirable rates of economic growth, high inflation rate, high unemployment rate and persistent or large balance of payments deficit</li> <li>● Analyse the causes and consequences of the macroeconomic problems</li> </ul>

<p><b>Macroeconomic Policies</b></p> <ul style="list-style-type: none"> <li>● Monetary policy and its effectiveness</li>   <li>● Fiscal policy and its effectiveness</li>   <li>● Supply-side policies and their effectiveness</li>   <p><b>2.3 International Economy</b></p> <ul style="list-style-type: none"> <li>● Free trade and its benefits</li>   <li>● Globalisation and its impact</li> </ul> </ul>	<ul style="list-style-type: none"> <li>● Explain monetary policy in a broader international context where interest rates and exchange rates are alternative instruments</li> <li>● Explain the domestic and external effects of changes in exchange rates and interest rates</li> <li>● Discuss Singapore's choice of using exchange rates (rather than interest rates) in an exchange rate-based monetary policy</li> <li>● Evaluate the effectiveness of monetary policy in achieving macroeconomic aims</li> </ul> <p>[Determination of interest rates is not required. A broad understanding of flexible exchange rates and managed float will suffice.]</p> <ul style="list-style-type: none"> <li>● Explain discretionary fiscal policy</li> <li>● Analyse the effects of fiscal policy on the economy. Understand the concept of the simple multiplier process</li> </ul> <p>[A detailed explanation of the multiplier process using numerical illustration and analysis is not required.]</p> <ul style="list-style-type: none"> <li>● Evaluate the effectiveness of fiscal policy in achieving macroeconomic aims</li> <li>● Explain supply-side policies</li> <li>● Analyse the effects of supply-side policies on the economy</li> <li>● Evaluate the effectiveness of supply-side policies in achieving macroeconomic aims</li> </ul> <ul style="list-style-type: none"> <li>● Explain the basis for trade using the concept of opportunity cost</li> <li>● Explain the benefits of free trade and the reasons for protectionism</li> </ul> <p>[Knowledge of the theory of absolute advantage is not required. A brief explanation of the principle of comparative advantage using the concept of opportunity cost is sufficient. Detailed discussion and analysis of the principle of comparative advantage using numerical illustration is not required. Explanation and analysis of the various forms of protectionism are not required.]</p> <ul style="list-style-type: none"> <li>● Examine the economic impact of globalisation on the Singapore economy</li> </ul>
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## ASSESSMENT FORMAT

The assessment format for the H1 syllabus comprises 1 paper with 2 sections:

<b>H1 Economics (3 hours) (100%)</b>	
<p><b>Section A</b> 2 hrs 15 min (70%)</p>	<p><b>Case Study Questions</b></p> <p>Candidates will be given 2 sets of questions based on 2 condensed write-up of about 2–3 pages each on a multi-faceted economic issue or policy decision, including a set of data. Questions pertaining to each of the cases will comprise data response type questions based on quantitative data and higher order type questions which will require candidates to apply economic principles in analysing, synthesising, evaluating or solving the economic problem. Each set of case study questions will consist of 35% of the total marks, of which 14% of this will be allocated to data response type questions and 21% will be allocated to higher order type questions. Candidates may also be asked to assume a role in resolving the economic problem of the case.</p> <p>Each set of questions will carry 30 marks.</p>
<p><b>Section B</b> 45 min (30%)</p>	<p><b>Essay Questions</b></p> <p>Candidates are required to answer 1 out of 2 essay questions. Each question will carry 25 marks.</p>

**Note:**

Section A and Section B, taken as a whole, should incorporate a good balance of questions on microeconomics and macroeconomics.



Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<ul style="list-style-type: none"> <li>• Demand, Supply and the Market               <ul style="list-style-type: none"> <li>– The individual and market demand curves as representations of intentions to consume</li>   <li>– The firm and market supply curves as representations of intentions to supply</li> </ul> </li> </ul>	<p>[A broad understanding of the concept of economic efficiency is required. Diagrammatic and/or mathematical explanation is not required.]</p> <ul style="list-style-type: none"> <li>• Explain that demand reflects consumers' satisfaction and recognise the inverse relationship between price and quantity demanded</li>   <li>• Explain that supply reflects opportunity costs and recognise the direct relationship between price and quantity supplied</li> </ul>	<p>[A broad understanding of the concept of economic efficiency as comprising productive and allocative efficiency is sufficient. An understanding that productive efficiency refers to the production of goods and services at the lowest possible cost will suffice, detailed mathematical and graphical analysis is not required. An understanding that allocative efficiency refers to the allocation of resources to produce the combination of goods and services most wanted by society (i.e. optimal product mix) will suffice. Detailed graphical and mathematical analysis involving pricing and production costs is not required. Knowledge and derivation of marginal cost pricing to illustrate allocative efficiency is not required. Knowledge of the types of economic systems is not required.]</p> <ul style="list-style-type: none"> <li>• Understand the law of demand i.e. the inverse relationship between price and quantity demanded. Changes (decreases/increases) in price of the good itself lead to changes (increases/decreases) in the quantity demanded, as shown by movements along the demand curve</li> </ul> <p>[Derivation of the demand curve and the underlying explanation of consumer equilibrium or utility theory are not required.]</p> <ul style="list-style-type: none"> <li>• Understand the law of supply i.e. the direct relationship between price and quantity supplied. Changes (decreases/increases) in price of the good itself lead to changes (decreases/increases) in the quantity supplied, as shown by movements along the supply curve</li> </ul> <p>[Derivation of the supply curve and explanation of the theory of production costs are not required.]</p>

Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<ul style="list-style-type: none"> <li>– Changes in demand and supply</li> <li>– Shifts vs. movements in demand and supply</li> <li>– Equilibrium price and quantity</li> <li>– Price elasticities of demand and supply</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss the factors affecting demand and supply and the implications of the ceteris paribus condition</li> <li>• Differentiate between shifts and movements along the demand and supply curves</li> <li>• Explain the determination of market equilibrium price and quantity through the interaction of demand and supply</li> <li>• Analyse the effects of changes in demand and supply on equilibrium price and output</li> <li>• Explain the concepts of price elasticities of demand and supply</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss the factors affecting market demand and supply and their effects on demand and supply, resulting in shifts of the demand and supply curves:               <ul style="list-style-type: none"> <li>– Demand factors include prices of related goods, expected future prices, incomes, tastes and preferences, population, government policies, climate and weather, etc</li> <li>– Supply factors include costs of factors of production, expected future prices, technology, government indirect taxes and subsidies, climate and weather, etc</li> </ul> </li> <li>• Distinguish conceptually and graphically between changes in quantity demanded/supplied (movements along curves) and changes in demand/supply (shifts of curves)</li> <li>• Explain the interaction of demand and supply curves graphically, disequilibrium position with surplus/shortage and the market equilibrium position with equilibrium price and quantity</li> </ul> <p>[Knowledge of unstable equilibrium is not required.]</p> <ul style="list-style-type: none"> <li>• Analyse how changes in market demand and/or supply affect market equilibrium price and quantity – illustrate cases where there is no change, increase, decrease or indeterminate change in equilibrium price and quantity</li> <li>• Define price elasticity of demand (supply) as the degree of responsiveness of quantity demanded (supplied) to changes in price</li> <li>• Use the formula for price elasticity of demand (supply)</li> <li>• Interpret the sign of price elasticity of demand (supply) and relate to the law of demand (supply)</li> <li>• Interpret the magnitude of absolute value of price elasticity of demand (supply) and explain the meaning of price-elastic, price-inelastic, unitary elastic, perfectly elastic and perfectly inelastic demand (supply)</li> </ul>



Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<b>1.2 Why Markets Fail</b>		
<ul style="list-style-type: none"> <li>● Market Failure</li> </ul>	<ul style="list-style-type: none"> <li>● Explain the meaning of market failure</li> </ul>	<ul style="list-style-type: none"> <li>● Explain why markets may not operate ideally and may fail in terms of non-provision of goods and services by the market, or non-socially optimal production and/or consumption</li> <li>● Identify possible sources and consequences of market failure: <ul style="list-style-type: none"> <li>– Externalities: positive and negative</li> <li>– Public, merit and demerit goods</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>– Positive and negative externalities</li> <li>– Public, merit and demerit goods</li> <li>● Policies to correct market failure <ul style="list-style-type: none"> <li>– Direct provision</li> <li>– Taxes and subsidies</li> <li>– Tradeable permits</li> <li>– Rules and regulations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Analyse why externalities arising from the divergence between private and social costs/benefits lead to market failure (including discussions on environmental issues and congestion as examples of negative externalities)</li> <li>● Explain the characteristics of public goods and why public goods are not provided by the market</li> <li>● Explain the characteristics of merit and demerit goods and why they result in under- and over-consumption</li> </ul> <p>[Discussion of imperfect information and markets, inequity is not required.]</p> <ul style="list-style-type: none"> <li>● Analyse how governments intervene through direct provision of goods and services, the imposition of taxes and subsidies, tradeable permits, rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>● Explain positive externalities and illustrate through examples. Discuss the divergence between private and social benefits leading to under-consumption/production in the market and inefficient allocation of resources</li> <li>● Explain negative externalities and illustrate through examples. Discuss the divergence between private and social costs leading to over-consumption/production in the market and inefficient allocation of resources</li> </ul> <p>[Environmental issues and traffic congestion are included as examples of negative externalities in real-world context.]</p> <ul style="list-style-type: none"> <li>● Explain the characteristics of public goods (non-excludability and non-rivalry in consumption) and the non-provision by the market</li> </ul> <p>[Diagrammatic analysis of the optimal provision of public goods is not required.]</p> <ul style="list-style-type: none"> <li>● Explain the characteristics of merit and demerit goods in terms of its social desirability and the divergence between private and social benefits leading to under- and over-consumption</li> </ul> <p>[Discussion of market failure is limited to externalities, public, merit and demerit goods only.]</p> <ul style="list-style-type: none"> <li>● Analyse how the various policy measures impact the achievement of the socially optimal consumption/production level</li> </ul>

Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<ul style="list-style-type: none"> <li>Effectiveness of policies</li> </ul>	<ul style="list-style-type: none"> <li>Discuss the effectiveness of these policies in correcting market failure and their limitations</li> </ul> <p>[Diagrammatic analyses of market failure and corrective measures using private and social marginal cost and benefit curves are not required. Concepts of producer and consumer surpluses are not required. Discounting, measurement and determination of present value in cost-benefit analysis (CBA) are not required.]</p>	<ul style="list-style-type: none"> <li>Discuss how effective these policies are in correcting market failure and their limitations – for example, administrative, implementation and monitoring costs, imperfect or inaccurate information, lack of public support</li> </ul>
<b>2. Macroeconomics</b>		
<b>2.1 How the Macroeconomy Works</b>		
<ul style="list-style-type: none"> <li>The Circular Flow of Income</li> <li>Aggregate Demand (AD) and Aggregate Supply (AS) Analysis <ul style="list-style-type: none"> <li>Key determinants of AD and AS</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Explain the circular flow of income amongst households, firms, government and international economy</li> <li>Explain AD and AS, and their key determinants</li> </ul>	<ul style="list-style-type: none"> <li>Explain the circular flow of income and expenditure amongst households, firms, government and the foreign sector. Understand that income equals expenditure from the flow</li> <li>Explain AD as the total quantity of goods and services demanded in an economy at a given price level. Understand that the components of AD comprise consumption expenditure, investment expenditure, government expenditure and net export expenditure</li> <li>Explain the key determinants of AD: <ul style="list-style-type: none"> <li>Determinants of consumption expenditure – for example, disposable incomes, expected future price changes, availability of credit, interest rates</li> <li>Determinants of investment expenditure – for example, interest rates, level of technology, business outlook or expectations</li> <li>Determinants of government expenditure – discussed under fiscal policy</li> <li>Determinants of net exports – for example, foreign income levels (affecting exports), domestic income levels (affecting imports), exchange rates, relative price levels</li> </ul> </li> <li>Explain AS as the total quantity of goods and services produced in an economy at a given price level</li> <li>Explain the key determinants of AS – for example costs of production, level of technology</li> </ul> <p>[Detailed explanation and analysis of the determinants of AD and AS are not required.]</p>

Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<ul style="list-style-type: none"> <li>• Determination of general price level and national output</li> <li>• Changes in AD and AS</li> </ul>	<ul style="list-style-type: none"> <li>• Explain the determination of the general price level and national output</li> <li>• Analyse the effects of changes in AD and AS on general price level and national output</li> </ul>	<ul style="list-style-type: none"> <li>• Explain the determination of the general price level and national output through the interaction of AD and AS</li> <li>• Analyse how changes in AD and AS lead to changes in the general price level and national output. Recognise that changes in government policies (discussed at 2.2) can lead to changes in AD and AS</li> </ul>

Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<b>2.2 Macroeconomic Aims</b>		
<ul style="list-style-type: none"> <li>● Sustained rate of economic growth</li> <li>● Low inflation rate</li> <li>● Full employment</li> <li>● Favourable balance of payments</li> </ul> <p><b>Macroeconomic Problems and their causes</b></p> <ul style="list-style-type: none"> <li>● Undesirable rates of economic growth</li> <li>● High inflation rate</li> <li>● High unemployment rate</li> <li>● Persistent or large BOP deficit</li> </ul>	<ul style="list-style-type: none"> <li>● Explain the main macroeconomic aims, economic performance and living standards of a country</li> <li>● Explain the meaning of a sustained rate of economic growth, real and nominal GDP/GNP per capita, low inflation rate, full employment and favourable balance of payments</li> <li>● Explain the meaning of undesirable rates of economic growth, high inflation rate, high unemployment rate and persistent or large balance of payments deficit</li> </ul>	<ul style="list-style-type: none"> <li>● Explain the main macroeconomic aims – a sustained rate of economic growth to imply positive and stable growth, full employment to indicate non-zero low rate of unemployment compatible with price stability, low inflation rate to indicate price stability and favourable balance of payments to indicate avoidance of large or persistent balance of payments deficit</li> <li>● Explain economic performance (as measured broadly by key economic indicators such as GDP/GNP, inflation rate, unemployment rate, balance of payments)</li> </ul> <p>[Interpretation of the above economic information presented in textual, numerical or graphical form is required. Derivation of index numbers is not required. Computation of national income and balance of payments accounts is not required.]</p> <ul style="list-style-type: none"> <li>● Explain the meaning of living standards in terms of quantitative and qualitative aspects – as measured by real GDP/GNP per capita, taking into account income distribution, leisure time, externalities, quality of life, etc</li> </ul> <p>[Comparison and discussion of living standards over time and between countries is not required. Computation of GDP deflator is not required. Discussion of Purchasing Power Parity Theory is not required.]</p> <ul style="list-style-type: none"> <li>● Explain undesirable rates of economic growth and its causes – for example lack of AD, structural rigidities, insufficient resources, excessive demand. Analyse their domestic and external consequences – for example on price levels, output and employment, balance of payments</li> </ul>

Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<p><b>Macroeconomic Policies</b></p> <ul style="list-style-type: none"> <li>• Monetary policy and its effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Analyse the causes and consequences of the macroeconomic problems</li> <li>• Explain monetary policy in a broader international context where interest rates and exchange rates are alternative instruments</li> <li>• Explain the domestic and external effects of changes in exchange rates and interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• Explain high inflation rate and its main causes – demand pull and cost push factors. Analyse their consequences – for example on output and employment, redistribution of income, balance of payments, exchange rates</li> <li>• Analyse the types of unemployment – for example cyclical, frictional and structural unemployment. Analyse their consequences – for example, on output, price levels</li> </ul> <p>Explain persistent or large BOP deficit and its main causes – for example, changes in global demand, competitiveness, interest rates and exchange rates. Analyse their domestic and external consequences – for example, on output and employment, price levels, exchange rates</p> <ul style="list-style-type: none"> <li>• Explain monetary policy in a broader international context where interest rates and exchange rates are alternative instruments</li> <li>• Explain the domestic and external impact of changes in interest rates on output and employment, price levels and balance of payments</li> </ul> <p>[Detailed analysis of interest rates as a monetary policy tool is not required. Determination of interest rates is not required. Detailed knowledge of the financial markets and institutions is not required. Discussion of other monetary policy tools and their limitations is not required. Description and discussion of the credit creation process and operation are not required.]</p>

Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<ul style="list-style-type: none"> <li>Fiscal policy and its effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Discuss Singapore's choice of using exchange rates (rather than interest rates) in an exchange rate-based monetary policy</li> <li>Evaluate the effectiveness of monetary policy in achieving macroeconomic aims</li> <li>Explain discretionary fiscal policy</li> <li>Analyse the effects of fiscal policy on the economy. Understand the concept of the simple multiplier process</li> <li>[A detailed explanation of the multiplier process using numerical illustration and analysis is not required.]</li> <li>Evaluate the effectiveness of fiscal policy in achieving macroeconomic aims</li> </ul>	<ul style="list-style-type: none"> <li>Discuss Singapore's choice of using exchange rates in an exchange-rate based monetary policy – of maintaining price and macroeconomic stability to achieve sustained economic growth</li> </ul> <p>[Understand monetary policy framework in a small open economy such as Singapore. A broad understanding of the managed float in the Singapore context and flexible exchange rates will suffice. Knowledge of fixed exchange rates is not required. Detailed discussion of the different types of exchange rate systems is not required. Discussion of Real Effective Exchange Rate is not required. Detailed discussion of exchange rate policies is not required.]</p> <ul style="list-style-type: none"> <li>Explain the domestic and external impact of changes in exchange rates on price levels, output and employment, balance of payments</li> </ul> <p>[The Marshall-Lerner condition is not required but an understanding of the importance of price elasticity concepts in determining the effectiveness of exchange rate change in correcting BOP deficit is required.]</p> <ul style="list-style-type: none"> <li>Evaluate the effectiveness of monetary policy as a whole – for example, time lags, accuracy and availability of information, political acceptability</li> </ul> <p>[Evaluation of interest rate and exchange rate policies is not required.]</p> <ul style="list-style-type: none"> <li>Explain government expenditure and taxation as tools of discretionary fiscal policy</li> </ul> <p>[Only discretionary fiscal policy is required when discussing fiscal policy as a tool for macroeconomic stability. Automatic stabilisers are not required. Detailed discussion of the types and examples of taxation are not required.]</p> <ul style="list-style-type: none"> <li>Discuss how discretionary fiscal policy is used to influence output and employment, price levels and balance of payments</li> </ul> <p>[A broad understanding of the simple multiplier concept – an increase in AD will have a multiplied effect on output – will suffice. Mathematical analysis involving the derivation and use of the multiplier formula is not required. Balanced budget multiplier and deficit financing are not required.]</p> <ul style="list-style-type: none"> <li>Evaluate the effectiveness of discretionary fiscal policy – for example, accuracy of forecast, availability of information, time lags, crowding-out effect, policy acceptability</li> </ul>

Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<ul style="list-style-type: none"> <li>Supply-side policies and their effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Explain supply-side policies</li> <li>Analyse the effects of supply-side policies on the economy</li> <li>Evaluate the effectiveness of supply-side policies in achieving macroeconomic aims</li> </ul>	<ul style="list-style-type: none"> <li>Explain the various types of supply-side policies – for example, supply-side tax cuts, deregulation and competition policies, elimination of structural bottlenecks, promoting labour mobility and productivity</li> <li>Discuss how supply-side policies are used to influence output and employment, price levels and balance of payments</li> <li>Evaluate the effectiveness of supply-side policies – for example, accuracy and availability of information, time lags, uncertainty of outcomes, policy acceptability</li> </ul>
<b>2.3 International Economy</b>		
<ul style="list-style-type: none"> <li>Free trade and its benefits</li> </ul>	<ul style="list-style-type: none"> <li>Explain the basis for trade using the concept of opportunity cost</li> <li>Explain the benefits of free trade and the reasons for protectionism</li> </ul> <p>[The theory of absolute advantage is not required. A brief explanation of the principle of comparative advantage using the concept of opportunity cost is sufficient. A detailed explanation of the principle of comparative advantage using numerical illustration is not required. Explanation and analysis of the various forms of protectionism are not required.]</p>	<ul style="list-style-type: none"> <li>Explain broadly the principle of comparative advantage, how trade is possible based on differences in opportunity costs and beneficial exchange ratio (terms of trade) between countries</li> </ul> <p>[Detailed discussion and analysis of comparative advantage using numerical tables is not required. Theory of absolute advantage is not required. Measurement and detailed knowledge of terms of trade are not required.]</p> <ul style="list-style-type: none"> <li>Explain the benefits of free trade – for example consumption gains and lower prices, larger variety of goods and services, economies of scale, economic growth, social, political and cultural ties</li> </ul> <p>[Knowledge of the types of economies of scale is not required.]</p> <ul style="list-style-type: none"> <li>Explain the reasons for protectionism – to protect domestic employment, correct balance of payments deficit</li> </ul> <p>[Detailed knowledge, explanation and analysis of the various forms of protectionism such as tariffs, quotas, etc, and their effectiveness are not required. Diagrammatic analysis of tariffs and quotas illustrating redistributive effects and changes in consumer and producer surpluses are not required.]</p>

Syllabus Content	Learning Outcomes Students should be able to:	Remarks
<ul style="list-style-type: none"> <li>Globalisation and its impact</li> </ul>	<ul style="list-style-type: none"> <li>Examine the economic impact of globalisation on the Singapore economy</li> </ul>	<ul style="list-style-type: none"> <li>Explain the trend towards globalisation and discuss how economic globalisation impacts on trade in goods and services and foreign direct investment with respect to the Singapore economy</li> </ul> <p>[A broad understanding of competitiveness is required. Detailed mathematical and graphical analyses of the above impacts are not required. Detailed discussion of free trade agreements (FTAs) is not required. Discussion of the types of globalisation is not required.]</p>

**RECOMMENDED READING**

S/N	Author	Title	Publisher	Year
<b><i>General Texts</i></b>				
1	Bamford, Colin; Grant, Sue	Cambridge International AS and A Level Economics	Cambridge University Press	2010
2	Begg, David; Fischer, Stanley and Dornbusch, Rudiger	Economics, 8th Edition	McGraw Hill	2005
3	Case, Karl E and Fair, Ray C	Principles of Economics, 9th Edition	Pearson	2008
4	Ekelund, Robert; Ressler, Rand and Tollison, Robert	Economics: Private Markets and Public Choice, 7th Edition	Pearson	2006
5	Frank, Robert H and Bernanke, Ben	Principles of Economics, 3rd Edition	McGraw Hill	2007
6	Grant, Susan J	Stanlake's Introductory Economics, 8th Edition	Pearson	2009
7	Ison, Stephen and Wall, Stuart	Economics, 4th Edition	Pearson	2007
8	Lipsey, Richard and Chrystal, Alec	Economics, 11th Edition	Oxford University Press	2007
9	Mankiw, N Gregory	Principles of Economics, 5th Edition	Cengage Learning	2008
10	McEachern, William A	Economics, 8th Edition	Cengage Learning	2008
11	McConnell, Campbell R and Brue, Stanley	Economics: Principles, Problems & Policies, 17th Edition	McGraw Hill	2006
12	Miller, Roger	Economics Today, 15th Edition	Pearson	2009
13	O'Sullivan, Arthur; Sheffrin, Steven M; Lim, K L and Seevaratnam, Vijayakala	Principles of Economics	Pearson	2007
14	O'Sullivan, Arthur and Sheffrin, Steven M	Economics: Principles and Tools, 6th Edition	Pearson	2006
15	Parkin, Michael	Economics, 8th Edition	Pearson	2007

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S/N	Author	Title	Publisher	Year
16	Quah, Euston; Wilson, Peter and Mankiw, N Gregory	Principles of Economics: An Asian Edition	Cengage Learning	2007
17	Sexton, Robert	Exploring Economics, 5th Edition	Cengage Learning	2010
18	Sloman, John	Economics, 7th Edition	Pearson	2009
19	Sloman, John	Essentials of Economics, 5th Edition	Pearson	2009
<b>Supplementary Text</b>				
20	Tan, Say Tin et al	Economics in Public Policies – <i>The Singapore Story</i>	Marshall Cavendish Education	2009
<b>Journals</b>				
1	–	Economic Review (quarterly)	Philip Allan	–
2	–	Economics Today (quarterly)	Economics Today Ltd	–