

# **Economics**

## **Singapore-Cambridge General Certificate of Education Advanced Level Higher 1 (2021) (Syllabus 8823)**

(Updated for examination from 2021)

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## INTRODUCTION

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### Desired Outcomes of Education and Learning of Economics in Singapore

The Desired Outcomes of Education (DOE) are attributes that educators aspire for every Singaporean to possess upon the completion of his formal education. These outcomes establish a common purpose for educators, and drive the Ministry of Education's policies and programmes.

The person who is schooled in the Singapore Education system embodies the Desired Outcomes of Education. He has a good sense of self-awareness, a sound moral compass, and the necessary skills and knowledge to take on challenges of the future. He is responsible to his family, community and nation. He appreciates the beauty of the world around him, possesses a healthy mind and body, and has a zest for life. In sum, he is

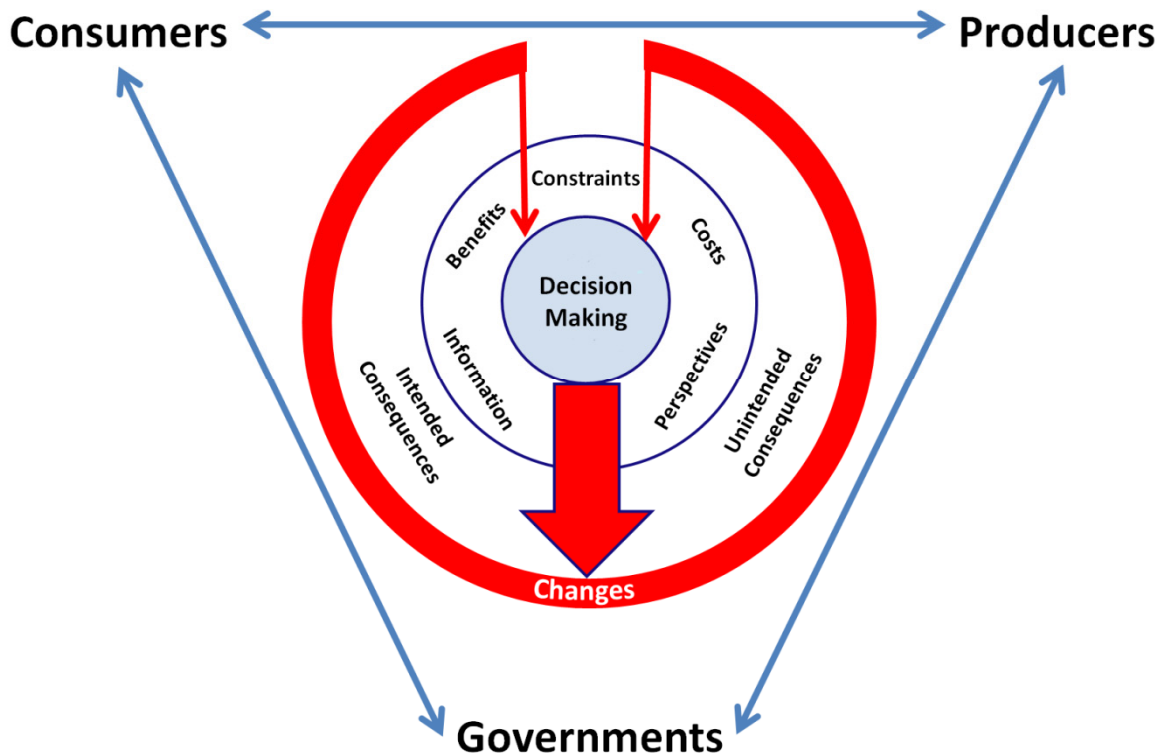
- a **confident person** who has a strong sense of right and wrong, is adaptable and resilient, knows himself, is discerning in judgment, thinks independently and critically, and communicates effectively
- a **self-directed learner** who questions, reflects, perseveres and takes responsibility for his own learning
- an **active contributor** who is able to work effectively in teams, is innovative, exercises initiative, takes calculated risks and strives for excellence
- a **concerned citizen** who is rooted to Singapore, has a strong sense of civic responsibility, is informed about Singapore and the world, and takes an active part in bettering the lives of others around him.

The learning of Economics is aligned with the Desired Outcomes of Education. Through the application of economic concepts, theories and principles, candidates develop the capacity to assess the role of economic agents in the allocation of scarce resources and adopt multiple perspectives in understanding real-world economic issues. Candidates recognise trade-offs and consequences that result from decision-making, to arrive at well-reasoned decisions. Candidates thus develop a set of knowledge, skills and values that will encourage them to take an active interest in the domestic and global economy as contributing and concerned citizens.

### Disciplinary Thinking in A-Level Economics

Globalisation, changing demographics and technological advancements are some of the key driving forces of the future. To help candidates thrive in a fast-changing world, one of the key 21st Century Competencies emphasised in the Economics Curriculum is Sound Reasoning and Decision Making, under the domain of Critical and Inventive Thinking.

Given the importance of decision-making skills, the decision-making approach through an economic lens will be used to front disciplinary thinking in A-Level Economics, with the visual representation and outline as follows.

**A Framework for Disciplinary Thinking in A-Level Economics**

In light of the central economic problem of scarcity, decision-making is fundamental. Scarcity leads to the inevitability of choices and trade-offs. In the context of the Economics syllabus, decision-making is framed as a process where candidates analyse how decisions are made from the perspectives of different economic agents (consumers, producers and governments), adjusting for dynamic changes where appropriate. Candidates will have to take account of the benefits, constraints, costs, perspectives and other necessary information, while recognising the impact of the intended and unintended consequences arising from the decisions made and the corresponding trade-offs. Candidates will also recognise that decision-making by economic agents can have multifaceted implications, where decisions made by an economic agent can have an impact on other economic agents.

## AIMS

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The syllabus is intended to provide the basis for a broad understanding of economics, within half the curriculum time of the H2 Economics syllabus. Specifically, the syllabus aims to develop in candidates:

1. an understanding of fundamental economic concepts, theories and principles, and of the tools and methods of analysis used by economists
2. the ability to use the tools and methods of economic reasoning to explain and analyse economic issues, and to evaluate perspectives and decisions of economic agents
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 well-reasoned economic arguments to arrive at rational and considered decisions.

## ASSESSMENT OBJECTIVES

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Candidates are expected to:

### AO1: Knowledge and Understanding

- Demonstrate knowledge and understanding of economic concepts, theories and principles.

### AO2: Interpretation and Evaluation of Information

- Interpret economic information presented in textual, numerical or graphical form.
- Make valid inferences from information presented and evaluate the reliability of information given.

### AO3: Application and Analysis

- Apply relevant economic concepts, theories and principles to analyse contemporary issues, perspectives and policy choices.
- Construct coherent economic arguments.

### AO4: Evaluation

- Evaluate critically contemporary issues, perspectives and policy choices.
- Recognise unstated assumptions and evaluate their relevance.
- Synthesise economic arguments to arrive at well-reasoned judgements and decisions

## SCHEME OF ASSESSMENT

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### Specification grid

The assessment comprises one compulsory written examination paper: Paper 1 (Case Studies).

| H1 Economics   | Description  | Overall Marks (Weighting) | Duration |
|--|--|---------------------------|----------|
| <b>Paper 1<br/>Case Studies</b>  | <p>There will be two compulsory case studies.</p> <p>Candidates are required to answer all questions for each case study.</p> <p>Each case study carries 45 marks and constitutes 50% of the total marks. About 18 marks of each set of case study questions will be for data response questions, and about 27 marks will be for higher-order questions.</p> | 90 marks<br><br>(100%)    | 3 hours  |
| <p>For Paper 1, questions testing AO1 + AO2 + AO3 will comprise about 40% of the marks and questions testing AO1 + AO2 + AO3 + AO4 will comprise about 60% of the marks.</p> |  |                           |          |

## **Description of Component**

### **Paper 1 (Case Studies)**

The paper will include two case studies. Each of these will consist of two to three pages of data presented in textual, numerical or graphical form. Each will present contemporary multifaceted economic issues or policies, which may be from one or more themes in the syllabus.

The data for each case study will be followed by six to eight part-questions, including sub-parts. These questions will require candidates to apply relevant economic concepts, theories and principles in analysing, synthesising and evaluating economic issues, perspectives or policies, with reference to the data provided.

About 18 marks of each set of case study questions will be for data response questions, and about 27 marks will be for higher-order questions.

### **Use of calculators**

The use of a calculator as approved by the Singapore Examinations and Assessment Board is allowed.

## SYLLABUS CONTENT

The syllabus provides candidates with a broad understanding of basic economic concepts and tools of analysis so that they are able to appreciate Economics from the perspectives of different economic agents. Candidates will also better appreciate the economic issues and policy considerations which they encounter in their everyday life. The syllabus content provides a thematic approach to the understanding of Economics.

The syllabus content comprises three core themes:

- Theme 1: The Central Economic Problem
- Theme 2: Markets
- Theme 3: The National Economy

Using the disciplinary thinking framework in A-Level Economics which focuses on decision-making, candidates will have the opportunity to explain, analyse and apply economic concepts, theories and principles through the above themes. Candidates will also evaluate economic issues and policy choices in a real-world context and appreciate the interconnectedness across the themes.

### Theme 1: The Central Economic Problem

Theme 1 introduces candidates to the Central Economic Problem of unlimited wants and limited resources. Scarcity of resources necessitates choice and leads to decision-making. Through examining how the concepts of scarcity, choice and opportunity cost are faced by economic agents (consumers, producers and governments), candidates will be able to understand the Central Economic Problem facing societies, and how economic agents use available information, consider perspectives, constraints, costs and benefits in their decision-making. Candidates will also understand that decisions made by economic agents often have both intended and unintended consequences.

This theme provides the foundation for the study of microeconomic and macroeconomic topics in Markets (Theme 2) and The National Economy (Theme 3) respectively where the decision-making approach and concepts of scarcity, choice and opportunity cost recur.

#### Theme 1.1 Scarcity as the Central Economic Problem

##### Economics Content

#### 1.1 Scarcity as the Central Economic Problem

##### 1.1.1 Scarcity, choice and resource allocation

- a. Concept of scarcity and the inevitability of choices by economic agents (consumers, producers and governments)
- b. Concept of opportunity cost and the nature of trade-offs in the allocation of resources

##### 1.1.2 Rational decision-making process by economic agents

- a. Understanding objectives of economic agents
  - Consumers – maximisation of utility
  - Producers – maximisation of profits
  - Governments – maximisation of social welfare
- b. Recognising constraints
- c. Gathering information and considering perspectives
- d. Weighing costs and benefits in decision-making\*
- e. Recognising trade-offs
- f. Recognising intended and unintended consequences

*Note:*

*\*A marginalist approach to weighing costs and benefits is the expected approach. Cost-Benefit Analysis (CBA) is not required.*

**Theme 1.1 Scarcity as the Central Economic Problem****Concepts and Tools of Analysis**

- Positive and normative economics\*
- Microeconomics and macroeconomics\*
- Scarcity, choice and opportunity cost
- Production possibility curve (PPC)
- Marginal cost, marginal benefit and marginalist principle
- Maximisation of utility#
- Maximisation of profits: Marginal Revenue=Marginal Cost#
- Maximisation of social welfare: Marginal Social Benefit=Marginal Social Cost

*Notes:*

*\*An awareness of the meaning of positive and normative economics, microeconomics and macroeconomics will suffice.*

*#An awareness of how consumers allocate resources to maximise utility and how producers maximise profits will suffice. Technical analyses of utility maximisation and maximisation of profits are not required.*

## Theme 2: Markets

In Theme 2, candidates examine how markets deal with the Central Economic Problem and how decisions are made by economic agents in markets. Theme 2 provides candidates with a microeconomic analysis of how markets function and how markets may fail to achieve efficient and equitable outcomes. Candidates will be able to understand how market forces of demand and supply interact to bring about market equilibrium. In addition, candidates will be able to understand that while decisions made by consumers and producers are necessary for the functioning of markets, these decisions may lead to inefficient and inequitable outcomes. Candidates will be able to discuss how governments may intervene through public policy measures to improve efficiency and equity while recognising limitations, unintended consequences and possible trade-offs of government intervention. This theme provides candidates with insights into real-world microeconomic issues and opportunities to deepen economic reasoning, analysis and application of microeconomic concepts to both Singapore and the global economy.

Microeconomic concepts and theories in Themes 1 and 2 provide the foundation for candidates to extend their understanding of the micro-economy to the macro-economy in Theme 3.

### Theme 2.1 Price Mechanism and its Applications

#### Economics Content

#### 2.1 Price Mechanism and its Applications

##### 2.1.1 Price mechanism and its functions

- a. Resource allocation in a free market

##### 2.1.2 Interaction of demand and supply

- a. Determinants of demand and supply
- b. Equilibrium price and equilibrium quantity
- c. Changes in demand and supply leading to changes in market equilibrium

##### 2.1.3 Applications of demand and supply analysis to real-world markets\*

- a. Responsiveness of consumers and/or producers
  - Price elasticity of demand
  - Price elasticity of supply
- b. Impact of market outcomes on consumers and producers#
  - Consumer expenditure and producer revenue^
- c. Rationale and impact of government intervention on consumers and producers
  - Taxes and subsidies
  - Price controls – maximum and minimum prices
  - Quantity controls – quotas

**Notes:**

*\*The focus is on the application of demand and supply analysis to any market. With reference to labour markets, Marginal Revenue Productivity theory of labour is not required.*

*#Knowledge of consumer and producer surpluses is not required.*

*^An awareness of how changes in producer revenue may affect producer profits will suffice.*



| Theme 2.1 Price Mechanism and its Applications  |
|---|
| <b>Concepts and Tools of Analysis</b>   |
| <ul style="list-style-type: none"> <li>• Price mechanism</li> <li>• Consumer sovereignty</li> <li>• Ceteris paribus</li> <li>• Effective demand</li> <li>• Law of diminishing marginal utility*</li> <li>• Demand curve</li> <li>• Change in demand vs change in quantity demanded</li> <li>• Supply curve</li> <li>• Change in supply vs change in quantity supplied</li> <li>• Determinants of demand – non-price factors</li> <li>• Determinants of supply – non-price factors</li> <li>• Market equilibrium – equilibrium price and quantity</li> <li>• Market disequilibrium – shortage and surplus</li> <li>• Price elasticity of demand and supply</li> <li>• Consumer expenditure and producer revenue</li> <li>• Taxes and subsidies</li> <li>• Price controls – maximum and minimum prices</li> <li>• Quantity controls - quotas</li> </ul> <p><i>Note:</i><br/>*Technical analysis of the law of diminishing marginal utility is not required. Knowledge of the law of equi-marginal utility is not required.</p>  |
| Theme 2.2 Market Failure  |
| <b>Economics Content</b>  |
| <p><b>2.2 Market Failure</b></p> <p>2.2.1 Efficiency and equity in relation to markets</p> <p>2.2.2 Market failure and its causes</p> <ol style="list-style-type: none"> <li>a. Public goods <ul style="list-style-type: none"> <li>• Characteristics of non-excludability and non-rivalry</li> </ul> </li> <li>b. Positive and negative externalities in consumption and production <ul style="list-style-type: none"> <li>• Divergence between private cost/benefit and social cost/benefit</li> </ul> </li> <li>c. Merit and demerit goods</li> </ol> <p>2.2.3 Government intervention in markets</p> <ol style="list-style-type: none"> <li>a. Policy measures including taxes and subsidies, quotas and tradeable permits, joint and direct provision, rules and regulation, and public education in addressing market failure</li> <li>b. Effectiveness of policy measures</li> </ol> <p><i>Note:</i><br/>*Market dominance, factor immobility and government failure are not required. Knowledge of information failure in relation to merit and demerit goods will suffice. Detailed knowledge of information failure (such as asymmetric information, adverse selection and moral hazard) is not required.</p> |

**Theme 2.2 Market Failure****Concepts and Tools of Analysis**

- Market failure
- Allocative efficiency
- Equity
- Deadweight loss
- Marginal private benefit and cost
- Marginal external benefit and cost
- Marginal social benefit and cost
- Social versus private (market) optimum
- Over-consumption and production
- Under-consumption and production
- Public goods
  - Non-excludability and non-rivalry
- Positive and negative externalities
- Merit and demerit goods

### Theme 3: The National Economy

In Theme 3, candidates will use the concepts, theories and principles from Themes 1 and 2 to examine the problem of scarcity of resources and the concept of trade-offs at the level of the national economy. In particular, candidates will examine how governments make policy choices at the national level in order to improve living standards. In doing so, candidates will discuss how governments consider competing needs, weigh costs and benefits, recognise trade-offs and consequences in order to make policy decisions. Candidates will first gain an understanding of the concepts of aggregate demand and aggregate supply, the basic tools of macroeconomic analysis and an extension of the tools used for economic analysis in Markets (Theme 2). With an understanding of aggregate demand and aggregate supply, Theme 3 provides many opportunities for candidates to apply these concepts to analyse standard of living and government decisions at the national level. Candidates will understand the concept of standard of living and its significance for countries. Candidates will also examine domestic and external factors that influence economic growth, price stability, and employment, with a focus on how these factors affect a country's standard of living. In addition, candidates will also discuss the different policy options available to governments (namely discretionary fiscal policy, monetary policy and supply-side policies) and their effectiveness in achieving higher living standards.

#### Theme 3.1 Introduction to Macroeconomic Analysis

##### Economics Content

#### 3.1 Introduction to Macroeconomic Analysis

- 3.1.1 Aggregate demand (AD) and aggregate supply (AS)\*
- a. Factors affecting AD and AS
  - b. Equilibrium level of national output and general price level

*Note:*

\* An awareness of an increase in AD having a multiplied effect on national income will suffice.

#### Theme 3.1 Introduction to Macroeconomic Analysis

##### Concepts and Tools of Analysis

- Aggregate demand and factors affecting aggregate demand
- Aggregate supply and factors affecting aggregate supply
- National output
- General price level

| Theme 3.2 Standard of Living   |
|--|
| Economics Content  |
| <p><b>3.2 Standard of Living</b></p> <p>3.2.1 Standard of living and its indicators*</p> <p>a. Material and non-material aspects</p> <p>3.2.2 Factors affecting standard of living#</p> <p>a. Economic growth</p> <ul style="list-style-type: none"> <li>• Sustainable growth</li> <li>• Inclusive growth (case of Singapore)</li> </ul> <p>b. Price stability</p> <ul style="list-style-type: none"> <li>• Inflation and deflation</li> </ul> <p>c. Employment</p> <ul style="list-style-type: none"> <li>• Full employment and unemployment</li> </ul> <p>3.2.3 Macroeconomic policies to improve standard of living</p> <p>a. Discretionary fiscal policy</p> <ul style="list-style-type: none"> <li>• Government expenditure and revenue^</li> </ul> <p>b. Monetary policy</p> <ul style="list-style-type: none"> <li>• Centred on interest rates~</li> <li>• Centred on exchange rates (case of Singapore)</li> </ul> <p>c. Supply-side policies</p> <ul style="list-style-type: none"> <li>• Policies to improve quantity, quality and mobility of factors of production</li> </ul> <p><i>Notes:</i></p> <p><i>*Interpretation of economic information presented in textual, numerical or graphical form is required. Derivation of index numbers and computation of national income is not required.</i></p> <p><i>#An understanding of net exports as a component of AD affecting standard of living is required.</i></p> <p><i>^National debt and methods of budget deficit financing are not required.</i></p> <p><i>~Determination of interest rates and exchange rates are not required. A broad understanding of the managed float in the Singapore context and flexible exchange rates will suffice.</i></p> |

| <b>Theme 3.2 Standard of Living</b>  |
|--|
| <b>Concepts and Tools of Analysis</b>  |
| <ul style="list-style-type: none"> <li>• Standard of living           <ul style="list-style-type: none"> <li>– Material and non-material well-being</li> <li>– Gross Domestic Product (GDP) and Gross National Income (GNI)</li> <li>– Human Development Index (HDI)</li> </ul> </li> <li>• Income distribution           <ul style="list-style-type: none"> <li>– Income inequality</li> <li>– Gini coefficient</li> </ul> </li> <li>• Economic growth           <ul style="list-style-type: none"> <li>– Actual and potential growth</li> <li>– Sustainable growth</li> <li>– Inclusive growth</li> </ul> </li> <li>• Full employment and unemployment           <ul style="list-style-type: none"> <li>– Types of unemployment</li> </ul> </li> <li>• Price stability           <ul style="list-style-type: none"> <li>– Inflation and deflation</li> <li>– Consumer price index (CPI)</li> </ul> </li> <li>• Nominal and real concepts</li> <li>• Discretionary fiscal policy</li> <li>• Government budget surplus and deficit</li> <li>• Monetary policy           <ul style="list-style-type: none"> <li>– Interest rates</li> <li>– Exchange rates</li> </ul> </li> <li>• Supply-side policies</li> </ul> |

## APPENDIX: RECOMMENDED READING

| <b>1. General Texts</b>   | <b>Title</b>   | <b>Publisher</b>             | <b>Year</b> |
|---|--|------------------------------|-------------|
| Begg, David; Fischer, Stanley; Dornbusch, Rudiger and Vernasca, Gianluigi | Economics, 11th Edition                                    | McGraw Hill Higher Education | 2014        |
| Case, Karl E; Fair, Ray C and Oster, Sharon E                             | Principles of Economics, 12th Edition                      | Pearson                      | 2016        |
| Frank, Robert H; Bernanke, Ben; Antonovics, Kate and Heffetz, Ori         | Principles of Economics, 6th Edition                       | McGraw-Hill Education        | 2015        |
| Mankiw, N Gregory   | Principles of Economics, 8th Edition                       | Cengage Learning             | 2018        |
| McEachern, William A  | Economics: A Contemporary Introduction, 11th Edition       | Cengage Learning             | 2016        |
| McConnell, Campbell R; Brue, Stanley and Flynn, Sean                      | Economics: Principles, Problems & Policies, 21st Edition   | McGraw-Hill Education        | 2017        |
| Miller, Roger   | Economics Today, 19th Edition                              | Pearson                      | 2017        |
| O'Sullivan, Arthur; Sheffrin, Steven M and Perez, Stephen                 | Economics: Principles, Applications and Tools, 9th Edition | Pearson                      | 2016        |
| Parkin, Michael   | Economics, 12th Edition                                    | Pearson                      | 2015        |
| Quah, Euston; Wilson, Peter and Mankiw, N Gregory                         | Principles of Economics: An Asian Edition, 2nd Edition     | Cengage Learning             | 2013        |
| Sexton, Robert  | Exploring Economics, 7th Edition                           | Cengage Learning             | 2015        |
| Sloman, John, Garratt, Dean and Wride, Alison                             | Economics, 10th Revised Edition                            | Pearson Education Limited    | 2018        |
| Sloman, John and Garratt, Dean  | Essentials of Economics, 7th Edition                       | Pearson Education Limited    | 2016        |

| <b>2. Supplementary Text</b> | <b>Title</b>                                       | <b>Publisher</b>             | <b>Year</b> |
|------------------------------|--|------------------------------|-------------|
| Tan, Say Tin et al.          | Economics in Public Policies – The Singapore Story | Marshall Cavendish Education | 2009        |

| <b>3. Reference Sources</b>                        | <b>Title</b>                                    | <b>Publisher</b> |
|--|---|------------------|
| Pearce, David W                                    | MIT Dictionary of Modern Economics, 4th Edition | MIT Press        |
| Pass, Christopher; Lowes, Bryan and Davies, Leslie | Collins Dictionary: Economics, 2nd Edition      | Harper Collins   |

| <b>4. Journal</b> | <b>Frequency</b> | <b>Publisher</b>    |
|-------------------|------------------|---------------------|
| Economic Review   | Quarterly        | Philip Allan        |
| Economics Today   | Quarterly        | Economics Today Ltd |