

# Economics

## Singapore-Cambridge General Certificate of Education Ordinary Level (2021) (Syllabus 2286)

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## AIMS

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The aims describe the purposes of a course based on this syllabus. They are not listed in order of priority.

The aims are to enable students to:

- know and understand economic terminology, concepts and theories
- use basic economic numeracy and interpret economic data
- use the tools of economic analysis
- express economic ideas logically and clearly in a written form
- apply economic understanding to current economic issues.

## ASSESSMENT OBJECTIVES

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### **AO1** *Knowledge and understanding*

Candidates should be able to:

- show knowledge and understanding of economic definitions, formulas, concepts and theories
- use economic terminology.

### **AO2** *Analysis*

Candidates should be able to:

- select, organise and interpret data
- use economic information and data to recognise patterns and to deduce relationships
- apply economic analysis to written, numerical, diagrammatic and graphical data
- analyse economic issues and situations, identifying and developing links.

### **AO3** *Evaluation*

Candidates should be able to:

- evaluate economic information and data
- distinguish between economic analysis and unreasoned statements
- recognise the uncertainties of the outcomes of economic decisions and events
- communicate economic thinking in a logical manner.

**Weighting for assessment objectives**

The approximate weightings allocated to each of the assessment objectives (AOs) are summarised below.

<b>Assessment objectives as a percentage of the qualification</b>	
<b>Assessment objective</b>	<b>Weighting %</b>
AO1 Knowledge and understanding	40
AO2 Analysis	40
AO3 Evaluation	20

<b>Assessment objectives as a percentage of each component</b>		
<b>Assessment objective</b>	<b>Weighting in components %</b>	
	<b>Paper 1 30%</b>	<b>Paper 2 70%</b>
AO1 Knowledge and understanding	50	35
AO2 Analysis	50	35
AO3 Evaluation	0	30

# CONTENT

Teachers and students are encouraged to focus learning of the following subject content around real, relevant and up-to-date economic events that affect the whole world and students' own countries. Such events might include but are certainly not limited to:

- (a) how large immigration movements may impact on economic growth/living standards in countries affected
- (b) the impact that changes in oil prices and the effect that drilling/fracking may have on world trade
- (c) the impact that a significant recession in one country may have on its trading partners
- (d) how changes in corporation tax between countries may impact on where multinational companies (MNCs) locate their head office.

<b>1 The basic economic problem</b>	
<b>1.1 The nature of the economic problem</b>	
<i>Topic</i>	<i>Guidance</i>
1.1.1 finite resources and unlimited wants	Definition and examples of the economic problem in the contexts of: consumers; workers; producers; and governments.
1.1.2 economic and free goods	The difference between economic goods and free goods.
<b>1.2 The factors of production</b>	
<i>Topic</i>	<i>Guidance</i>
1.2.1 definitions of the factors of production and their rewards	Definitions and examples of land, labour, capital and enterprise. Examples of the nature of each factor of production.
1.2.2 mobility of the factors of production	The influences on the mobility of the various factors.
1.2.3 quantity and quality of the factors of production	The causes of changes in the quantity and quality of the various factors.
<b>1.3 Opportunity cost</b>	
<i>Topic</i>	<i>Guidance</i>
1.3.1 definition of opportunity cost	Definition and examples of opportunity cost in different contexts.
1.3.2 the influence of opportunity cost on decision making	Decisions made by consumers, workers, producers and governments when allocating their resources.

<b>1 The basic economic problem continued</b>	
<b>1.4 Production possibility curve diagrams (PPC)</b>	
<i>Topic</i>	<i>Guidance</i>
1.4.1 definition of PPC	Definition, drawing and interpretation of appropriate diagrams.
1.4.2 points under, on and beyond a PPC	The significance of the location of production points.
1.4.3 movements along a PPC	Movements along a PPC and opportunity cost.
1.4.4 shifts in a PPC	The causes and consequences of shifts in a PPC in terms of an economic growth.

<b>2 The allocation of resources</b>	
<b>2.1 Microeconomics and macroeconomics</b>	
<i>Topic</i>	<i>Guidance</i>
2.1.1 microeconomics	The difference between microeconomics and macroeconomics and the decision makers involved in each.
2.1.2 macroeconomics	
<b>2.2 The role of markets in allocating resources</b>	
<i>Topic</i>	<i>Guidance</i>
2.2.1 the market system	How a market system works; including buyers, sellers, allocation of scarce resources, market equilibrium, and market disequilibrium.
2.2.2 key resources allocation decisions	Establishing that the economic problem creates three key questions about determining resource allocation – what to produce, how, and for whom.
2.2.3 introduction to the price mechanism	How the price mechanism provides answers to these key allocation questions.
<b>2.3 Demand</b>	
<i>Topic</i>	<i>Guidance</i>
2.3.1 definition of demand	Definition, drawing and interpretation of appropriate diagrams.
2.3.2 price and demand	A demand curve to be drawn and used to illustrate movements along a demand curve with appropriate terminology, for example extensions and contractions in demand.
2.3.3 individual and market demand	The link between individual and market demand in terms of aggregation.
2.3.4 conditions of demand	The causes of shifts in a demand curve with appropriate terminology, for example increase and decrease in demand.

<b>2 The allocation of resources continued</b>	
<b>2.4 Supply</b>	
<i>Topic</i>	<i>Guidance</i>
2.4.1 definition of supply	Definition, drawing and interpretation of appropriate diagrams.
2.4.2 price and supply	A supply curve to be drawn and used to illustrate movements along a supply curve with appropriate terminology, for example extensions and contractions in supply.
2.4.3 individual and market supply	The link between individual and market supply in terms of aggregation.
2.4.4 conditions of supply	The causes of shifts in a supply curve with appropriate terminology, for example increase and decrease in supply.
<b>2.5 Price determination</b>	
<i>Topic</i>	<i>Guidance</i>
2.5.1 market equilibrium	Definition, drawing and interpretation of demand and supply schedules and curves used to establish equilibrium price and sales in a market.
2.5.2 market disequilibrium	Definition, drawing and interpretation of demand and supply schedules and curves used to identify disequilibrium prices and shortages (demand exceeding supply) and surpluses (supply exceeding demand).
<b>2.6 Price changes</b>	
<i>Topic</i>	<i>Guidance</i>
2.6.1 causes of price changes	Changing market conditions as causes of price changes.
2.6.2 consequences of price changes	Demand and supply diagrams to be used to illustrate these changes in market conditions and their consequences for equilibrium price and sales.
<b>2.7 Price elasticity of demand (PED)</b>	
<i>Topic</i>	<i>Guidance</i>
2.7.1 definition of PED	–
2.7.2 calculation of PED	Calculation of PED using the formula and interpreting the significance of the result. Drawing and interpretation of demand curve diagrams to show different PED.
2.7.3 determinants of PED	The key influences on whether demand is elastic or inelastic.
2.7.4 PED and total spending on a product/revenue	The relationship between PED and total spending on a product/revenue, both in a diagram and as a calculation.
2.7.5 significance of PED	The implications for decision making by consumers, producers and government.

<b>2 The allocation of resources continued</b>	
<b>2.8 Price elasticity of supply (PES)</b>	
<i>Topic</i>	<i>Guidance</i>
2.8.1 definition of PES	–
2.8.2 calculation of PES	Calculation of PES using the formula and interpreting the significance of the result. Drawing and interpretation of supply curve diagrams to show different PES.
2.8.3 determinants of PES	The key influences on whether supply is elastic or inelastic.
2.8.4 significance of PES	The implications for decision making by consumers, producers and government.
<b>2.9 Market economic system</b>	
<i>Topic</i>	<i>Guidance</i>
2.9.1 definition of market economic system	Including the roles of the private sector (firms and consumers) and the public sector (government) in a market economy.
2.9.2 advantages and disadvantages of the market economic system	Including examples of how it works in a variety of different countries.
<b>2.10 Market failure</b>	
<i>Topic</i>	<i>Guidance</i>
2.10.1 definition of market failure	The key terms associated with market failure: public good, merit good, demerit good, social benefits, external benefits, private benefits, social costs, external costs, private costs.
2.10.2 causes of market failure	With respect to public goods, merit and demerit goods, external costs and external benefits, abuse of monopoly power and factor immobility. Examples of market failure with respect to these areas only.
2.10.3 consequences of market failure	The implications of misallocation of resources in respect of the over consumption of demerit goods and goods with external costs, and the under consumption of merit goods and goods with external benefits. Note: demand and supply diagrams relating to market failure are not required.

<b>2 The allocation of resources continued</b>	
<b>2.11 Mixed economic system</b>	
<i>Topic</i>	<i>Guidance</i>
2.11.1 definition of the mixed economic system	–
2.11.2 government intervention to address market failure	<p>Definitions, drawing and interpretation of appropriate diagrams showing the effects of three government microeconomic policy measures: maximum and minimum prices in product, labour and foreign exchange markets; indirect taxation; and subsidies.</p> <p>Definition only of government microeconomic policy measures: regulation; privatisation and nationalisation; and direct provision of goods.</p> <p>The effectiveness of government intervention in overcoming the drawbacks of a market economic system.</p>

<b>3 Microeconomic decision makers</b>	
<b>3.1 Money and banking</b>	
<i>Topic</i>	<i>Guidance</i>
3.1.1 money	The forms, functions and characteristics of money.
3.1.2 banking	The role and importance of central banks and commercial banks for government, producers and consumers.
<b>3.2 Households</b>	
<i>Topic</i>	<i>Guidance</i>
3.2.1 the influences on spending, saving and borrowing	Including income, the rate of interest and confidence – between different households and over time.



<b>3 Microeconomic decision makers continued</b>	
<b>3.3 Workers</b>	
<i>Topic</i>	<i>Guidance</i>
3.3.1 factors affecting an individual's choice of occupation	Wage and non-wage factors.
3.3.2 wage determination	The influences of demand and supply, relative bargaining power and government policy, including minimum wage.
3.3.3 reasons for differences in earnings	How changes in demand and supply, relative bargaining strengths, discrimination and government policy can all influence differences in earnings between workers whether they are: skilled/unskilled; primary/secondary/tertiary; male/female; private sector/public sector. Definition, drawing and interpretation of diagrams that illustrate the effects of changes in demand and supply in the labour market.
3.3.4 division of labour/specialisation	Advantages and disadvantages for workers, firms and the economy.
<b>3.4 Trade unions</b>	
<i>Topic</i>	<i>Guidance</i>
3.4.1 definition of a trade union	–
3.4.2 the role of trade unions in the economy	Including engaging in collective bargaining on wages, working hours and working conditions; protecting employment; and influencing government policy.  Factors influencing the strength of trade unions.
3.4.3 the advantages and disadvantages of trade union activity	From the viewpoint of workers, firms and the government.
<b>3.5 Firms</b>	
<i>Topic</i>	<i>Guidance</i>
3.5.1 classification of firms	In terms of primary/secondary/tertiary sectors and private/public sector, and the relative size of firms.  Note: detailed knowledge of different types of structure of a firm is not required.
3.5.2 small firms	The advantages and disadvantages of small firms, the challenges facing small firms and reasons for their existence.
3.5.3 causes and forms of the growth of firms	Internal growth, for example increased market share. External growth, for example mergers.
3.5.4 mergers	Examples, advantages and disadvantages of different types of mergers: horizontal, vertical, and conglomerate.
3.5.5 economies and diseconomies of scale	How internal and external economies and diseconomies of scale can affect a firm/industry as the scale of production changes.

<b>3 Microeconomic decision makers continued</b>	
<b>3.6 Firms and production</b>	
<i>Topic</i>	<i>Guidance</i>
3.6.1 demand for factors of production	Influences to include demand for the product, the price of different factors of production, their availability and their productivity.
3.6.2 labour-intensive and capital-intensive production	The reasons for adopting the different forms of production and their advantages and disadvantages.
3.6.3 production and productivity	The difference between, and influences on, production and productivity.
<b>3.7 Firms' costs, revenue and objectives</b>	
<i>Topic</i>	<i>Guidance</i>
3.7.1 definition of costs of production	Total cost (TC), average total cost (ATC), fixed cost (FC), variable cost (VC), average fixed cost (AFC), average variable cost (AVC). Note: marginal cost not required.
3.7.2 calculation of costs of production	Calculation of TC, ATC, FC, VC, AFC and AVC. Definition, drawing and interpretation of diagrams that show how changes in output affect costs of production.
3.7.3 definition of revenue	Total revenue (TR) and average revenue (AR). Note: marginal revenue is not required.
3.7.4 calculation of revenue	Calculation of TR and AR. The influence of sales on revenue.
3.7.5 objectives of firms	Survival, social welfare, profit maximisation and growth.
<b>3.8 Market structure</b>	
<i>Topic</i>	<i>Guidance</i>
3.8.1 competitive markets	The effect of having a high number of firms on price, quality, choice, profit. Note: the theory of perfect and imperfect competition and diagrams are not required.
3.8.2 monopoly markets	Characteristics, advantages and disadvantages of monopoly. Note: diagrams are not required.

<b>4 Government and the macroeconomy</b>	
<b>4.1 The role of government</b>	
<i>Topic</i>	<i>Guidance</i>
4.1.1 the role of government	Locally, nationally and internationally.
<b>4.2 The macroeconomic aims of government</b>	
<i>Topic</i>	<i>Guidance</i>
4.2.1 the macroeconomic aims of government	Economic growth, full employment/low unemployment, stable prices/low inflation, balance of payments stability, redistribution of income. Reasons behind the choice of aims and the criteria that governments set for each aim.
4.2.2 possible conflicts between macroeconomic aims	Possible conflicts between aims: full employment versus stable prices; economic growth versus balance of payments stability; and full employment versus balance of payments stability.
<b>4.3 Fiscal policy</b>	
<i>Topic</i>	<i>Guidance</i>
4.3.1 definition of the budget	–
4.3.2 reasons for government spending	The main areas of government spending and the reasons for and effects of spending in these areas.
4.3.3 reasons for taxation	Taxation as the main source of government revenue and the reasons for levying taxation.
4.3.4 classification of taxes	Examples of the different classifications of tax; progressive, regressive, proportional; and direct, indirect.
4.3.5 principles of taxation	The qualities of a good tax.
4.3.6 impact of taxation	The impact of taxation on consumers, producers, government and economy as a whole.
4.3.7 definition of fiscal policy	–
4.3.8 fiscal policy measures	The tax and spending changes, in the form of fiscal policy, that cause budget balance or imbalance. Including calculations of the size of a budget deficit or surplus.
4.3.9 effects of fiscal policy on government macroeconomic aims	How fiscal policy measures may enable the government to achieve its macroeconomic aims. Note: aggregate demand and aggregate supply are not required.
<b>4.4 Monetary policy</b>	
<i>Topic</i>	<i>Guidance</i>
4.4.1 definition of money supply and monetary policy	–
4.4.2 monetary policy measures	Changes in interest rates, money supply and foreign exchange rates.
4.4.3 effects of monetary policy on government macroeconomic aims	How monetary policy measures may enable the government to achieve its macroeconomic aims.

<b>4 Government and the macroeconomy continued</b>	
<b>4.5 Supply-side policy</b>	
<i>Topic</i>	<i>Guidance</i>
4.5.1 definition of supply-side policy	–
4.5.2 supply-side policy measures	Possible supply-side policy measures include education and training, labour market reforms, lower direct taxes, deregulation, improving incentives to work and invest, and privatisation.
4.5.3 effects of supply-side policy measures on government macroeconomic aims	How supply-side policy measures may enable the government to achieve its macroeconomic aims.
<b>4.6 Economic growth</b>	
<i>Topic</i>	<i>Guidance</i>
4.6.1 definition of economic growth	–
4.6.2 measurement of economic growth	Real Gross Domestic Product (GDP) and how it can be used to measure economic growth. GDP per head (capita).
4.6.3 causes and consequences of recession	Meaning of recession and how a recession moves the economy within its PPC.
4.6.4 causes of economic growth	How changes in total demand may increase the utilisation of resources and GDP – resulting in a movement from inside toward the PPC.  How economic growth shifts the economy's PPC to the right and is caused by changes in investment, technology, and the quantity and quality of the factors of production.
4.6.5 consequences of economic growth	The costs and benefits of economic growth in the context of different economies.
4.6.6 policies to promote economic growth	The range of policies available to promote economic growth and how effective they might be.
<b>4.7 Employment and unemployment</b>	
<i>Topic</i>	<i>Guidance</i>
4.7.1 definition of employment, unemployment and full employment	–
4.7.2 changing patterns and level of employment	The nature and causes of changes in the pattern of employment, for example increase in proportion of workers employed in the tertiary sector and formal economy as an economy develops; a greater proportion of women in the labour force due to changes in social attitudes; decline in the proportion employed in the public sector as a country moves towards a market economy.
4.7.3 measurement of unemployment	How unemployment is measured – claimant count and labour force survey – and the formula for the unemployment rate.
4.7.4 causes/types of unemployment	Frictional, structural and cyclical unemployment.
4.7.5 consequences of unemployment	The consequences of unemployment for the individual, firms and the economy as a whole.
4.7.6 policies to reduce unemployment	The range of policies available to reduce unemployment and how effective they might be.

<b>4 Government and the macroeconomy continued</b>	
<b>4.8 Inflation and deflation</b>	
<i>Topic</i>	<i>Guidance</i>
4.8.1 definition of inflation and deflation	–
4.8.2 measurement of inflation and deflation	Measurement of inflation and deflation using the Consumer Prices Index (CPI).
4.8.3 causes of inflation and deflation	Causes of inflation: demand-pull and cost-push. Causes of deflation: demand-side and supply-side.
4.8.4 consequences of inflation and deflation	The consequences of inflation and deflation for consumers, workers, savers, lenders, firms and the economy as a whole.
4.8.5 policies to control inflation and deflation	The range of policies available to control inflation and deflation and how effective they might be.

<b>5 Economic development</b>	
<b>5.1 Living standards</b>	
<i>Topic</i>	<i>Guidance</i>
5.1.1 indicators of living standards	Real GDP per head and the Human Development Index (HDI). The components of real GDP and HDI. The advantages and disadvantages of real GDP and HDI.
5.1.2 comparing living standards and income distribution	Reasons for differences in living standards and income distribution within and between countries.
<b>5.2 Poverty</b>	
<i>Topic</i>	<i>Guidance</i>
5.2.1 definition of absolute and relative poverty	The difference between the two terms.
5.2.2 the causes of poverty	The causes of poverty including unemployment, low wages, illness and age.
5.2.3 policies to alleviate poverty and redistribute income	Policies including those promoting economic growth, improved education, more generous state benefits, progressive taxation, and national minimum wage.

<b>5 Economic development continued</b>	
<b>5.3 Population</b>	
<i>Topic</i>	<i>Guidance</i>
5.3.1 the factors that affect population growth	Birth rate, death rate, net migration, immigration and emigration.
5.3.2 reasons for different rates of population growth in different countries	How and why birth rates, death rates and net migration vary between countries.
5.3.3 the effects of changes in the size and structure of population on different countries	The concept of an optimum population. The effects of increases and decreases in population size and changes in the age and gender distribution of population.  Note: interpretation of a population pyramid is required, but drawing is not.
<b>5.4 Differences in economic development between countries</b>	
<i>Topic</i>	<i>Guidance</i>
5.4.1 differences in economic development between countries	Causes and impacts of differences in income; productivity; population growth; size of primary, secondary and tertiary sectors; saving and investment; education; and healthcare.

<b>6 International trade and globalisation</b>	
<b>6.1 International specialisation</b>	
<i>Topic</i>	<i>Guidance</i>
6.1.1 specialisation at a national level	The basis for specialisation at national level in broad terms of: superior resource allocation and/or cheaper production methods.
6.1.2 advantages and disadvantages of specialisation at a national level	For consumers, firms and the economy.
<b>6.2 Globalisation, free trade and protection</b>	
<i>Topic</i>	<i>Guidance</i>
6.2.1 definition of globalisation	–
6.2.2 role of multinational companies (MNCs)	MNCs and the costs and benefits to their host and home countries.
6.2.3 the benefits of free trade	The benefits for consumers, producers and the economy in a variety of countries.
6.2.4 methods of protection	Tariffs, import quotas, subsidies and embargoes.
6.2.5 reasons for protection	Including infant industry, declining industry, strategic industry and avoidance of dumping.
6.2.6 consequences of protection	Effectiveness of protection and its impact on the home country and its trading partners.

<b>6 International trade and globalisation continued</b>	
<b>6.3 Foreign exchange rates</b>	
<i>Topic</i>	<i>Guidance</i>
6.3.1 definition of foreign exchange rate	Floating and fixed systems.
6.3.2 determination of foreign exchange rate in foreign exchange market	The demand for and supply of a currency in the foreign exchange market and the determination of the equilibrium foreign exchange rate.
6.3.3 causes of foreign exchange rate fluctuations	Including changes in demand for exports and imports, changes in the rate of interest, speculation, and the entry or departure of MNCs.
6.3.4 consequences of foreign exchange rate fluctuations	The effects of foreign exchange rate fluctuations on export and import prices and spending on imports and exports via the PED.
6.3.5 floating and fixed foreign exchange rates	The difference between, and the advantages and disadvantages of, a floating foreign exchange rate and a fixed foreign exchange rate system.
<b>6.4 Current account of balance of payments</b>	
<i>Topic</i>	<i>Guidance</i>
6.4.1 structure	The components of the current account of the balance of payments – trade in goods, trade in services, primary income and secondary income. Calculation of deficits and surpluses on the current account of the balance of payments and its component sections.
6.4.2 causes of current account deficit and surplus	Reasons for deficits and surpluses.
6.4.3 consequences of current account deficit and surplus	Impact on GDP, employment, inflation and foreign exchange rate.
6.4.4 policies to achieve balance of payments stability	The range of policies available to achieve balance of payments stability and how effective they might be.

## SCHEME OF ASSESSMENT

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Two compulsory papers will be set as follows:

Paper	Duration	Assessment details	Maximum raw mark	Mark Weighting
1 Multiple choice	45 minutes	<p>Candidates answer all 30 multiple-choice questions. Candidates indicate their answers on the multiple choice answer sheet provided. The questions are based on all six sections of the syllabus content. The questions may include calculations.</p> <p>Calculators may be used in the examination.</p> <p>The paper assesses the following assessment objectives: AO1: Knowledge and understanding AO2: Analysis</p>	30	30%
2 Structured Questions	2 hours 15 minutes	<p>Candidates answer one compulsory question in Section A and three questions from a choice of four in Section B. Candidates write their answers in the answer booklet provided.</p> <p>Candidates should be aware of the marks for each part question. These are printed on the question paper. Candidates should use them as a guide to the amount of detail and length of response expected and to help them manage their time effectively.</p> <p>Calculators may be used in both sections of the examination.</p> <p>The paper assesses the following assessment objectives: AO1: Knowledge and understanding AO2: Analysis AO3: Evaluation</p>	90	70%



## COMMAND WORDS

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Command word	What it means
<b>Analyse</b>	examine in detail to show meaning, identify elements and the relationship between them
<b>Calculate</b>	work out from given facts, figures or information
<b>Define</b>	give precise meaning
<b>Describe</b>	state the points of a topic / give characteristics and main features
<b>Discuss</b>	write about issue(s) or topic(s) in depth in a structured way
<b>Explain</b>	set out purposes or reasons / make the relationships between things evident / provide why and / or how and support with relevant evidence
<b>Give</b>	produce an answer from a given source or recall / memory
<b>Identify</b>	name / select / recognise
<b>State</b>	express in clear terms

## BOOK LIST

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These books are endorsed by Cambridge Assessment for use with this syllabus.

Beere, J, Borrington, K and Riches, C	<i>Cambridge IGCSE Economics: Student's Book</i> Collins, 2018	9780008254094
Buchanan, N, Riches, C and Rowbory, I	<i>Cambridge IGCSE Economics: Teacher's Guide</i> Collins, 2018	9780008254100
Gillespie, A	<i>Cambridge IGCSE Economics Revision Guide</i> Letts, 2018	9780008260132
Grant, S	<i>Cambridge IGCSE and O Level Economics Coursebook</i> Cambridge University Press, 2018	9781108440387
Grant, S	<i>Cambridge IGCSE and O Level Economics Workbook</i> Cambridge University Press, 2018	9781108440400
Hoang, P and Ducie, M	<i>Cambridge IGCSE and O Level Economics: Second Edition</i> Hodder, 2018	9781510421271