

ECONOMICS

HIGHER 3

(Syllabus 9808)

INTRODUCTION

The H3 Economics syllabus provides candidates who have exceptional interest and ability in the subject opportunities to satisfy their intellectual curiosity in economics as a discipline. It challenges candidates to investigate controversies surrounding economic issues on strategies of firms, efficiency, market failure and developments in regional and international economies. The syllabus provides a foundation for academic engagement in economics at the tertiary level.

SYLLABUS DESIGN

The H3 syllabus is designed on the assumption that candidates have knowledge and understanding of economics at H2 level. It is pitched at a level higher than that of the H2 syllabus. It builds on the competencies acquired in economics at the H2 level and requires candidates to demonstrate greater depth of analysis and evaluation. The syllabus aims and assessment objectives are an extension of those stated in the H2 syllabus. The H3 syllabus is based on about 120 hours of teaching and self-directed independent learning.

SYLLABUS AIMS

The syllabus aims to develop in candidates the ability to:

1. critically analyse and evaluate economic concepts and theories, and the methods of inquiry used by economists;
2. apply appropriate tools of economic reasoning to offer hypotheses about the underlying nature of economic issues and problems;
3. critically and independently assess the effectiveness of policy decisions; and
4. formulate and present reasoned arguments and strategies to address economic issues and problems.

ASSESSMENT OBJECTIVES

Candidates are expected to demonstrate the ability to:

1. identify underlying problems, offer hypotheses, examine given economic information and make independent judgement of the validity and quality of information from a variety of sources;
2. critically analyse and evaluate economic concepts and theories, and methods of economic inquiry through an in-depth understanding of economic issues and problems;

3. critically assess the effectiveness of policy decisions;
4. present reasoned arguments as well as strategies to address economic issues and problems, with reference to supporting data and/or economic concepts and theories.

ASSESSMENT FORMAT

There is only one paper for H3 Economics and the duration is 3 hours and 15 minutes. There will be two sections within the paper.

H3 Economics (3 hours 15 minutes) (100%)	
<p>Section A (30%)</p> <p>Answer 1 compulsory question (with parts). The question carries a total of 30 marks. Candidates should spend approximately 1 hr and 15 min on Section A (inclusive of reading time).</p>	<p>Resource-Based Question</p> <p>Candidates are required to process a range of resource materials presented, which include text, tabular or graphical statistical data, some of which may not be relevant. They are expected to examine the quality of data and relevance for use in their responses. Questions may require candidates to identify underlying economic issues and problems, offer hypotheses, present reasoned arguments or propose strategies to address them.</p>
<p>Section B (70%)</p> <p>Answer 2 questions from a choice of 6. Section B carries a total of 70 marks and each question carries 35 marks. Candidates should spend approximately 2 hrs on Section B.</p>	<p>Essay Questions</p> <p>Candidates are required to critically analyse and evaluate economic concepts and theories, and methods of economic inquiry through an in-depth understanding of economic issues and problems and critically assess the effectiveness of policy decisions where possible. Questions may require candidates to integrate knowledge from the different themes.</p>

H3 ECONOMICS SYLLABUS CONTENT

The syllabus content provides a thematic approach to the understanding of economics. The concepts, principles and issues specified in the syllabus should be taught in the context of the Singapore economy, the regional or wider international economy, where appropriate. The interconnectedness of economic concepts should be highlighted, and real world examples should be used, where appropriate. Candidates are expected to demonstrate a broad conceptual overview and critical understanding of economics as a discipline.

1: Study of Economics

This theme provides an opportunity for candidates to make an in-depth study of economics as a discipline. Candidates should be able to examine the significance and nature of economics in the real world context and evaluate the methods of economic inquiry.

Syllabus Content	Candidates should be able to:
<p>1.1 Significance and Nature of Economics</p> <p>a. Significance of economics</p> <p>b. Nature of economics as a social science</p> <p>1.2 Economic Methods</p> <p>a. Inductive and deductive approaches</p> <p>b. Foundations of economic analysis (models, evidence, statistical analysis and their limitations)</p> <ul style="list-style-type: none"> • Purposes and usefulness of models • Plausibility of assumptions • Common logical fallacies • Statistical limitations 	<p>examine and critique the significance of economics to the individual, society, the nation and the international economy</p> <p>examine and critique the nature and significance of economics as a social science; compare and contrast economics with the natural sciences</p> <p>distinguish between the inductive and deductive methods of economic inquiry <i>(Detailed technical and mathematical knowledge of econometrics is not required.)</i></p> <p>examine the foundations of economic analysis and evaluate the usefulness of economic models in relation to the plausibility of assumptions (<i>ceteris paribus</i>, rationality, other assumptions); logical fallacies (fallacy of composition, post-hoc fallacy, other conditions fallacy); and statistical limitations (misleading comparison, selection bias, other limitations)</p>

2: Firms and Market Failure	
<p>This theme provides an opportunity for candidates to examine efficiency and welfare issues in relation to strategic decisions of the firm. Candidates should be able to critically evaluate market failure with particular reference to imperfect information, the implications on private and public policies and assess their effectiveness. Candidates should also have a good knowledge of recent economic trends and developments.</p>	
Syllabus Content	Candidates should be able to:
<p>2.1 Firms and Efficiency</p> <p>a. Dimensions of efficiency</p> <p>b. Profitability, efficiency and welfare</p> <p>c. Competitive, collusive and entry deterrence strategies of the firm</p> <p>d. Game theory and the economics of cooperation</p> <ul style="list-style-type: none"> • Prisoners' dilemma • Nash equilibrium <p>2.2 Market Failure and Efficiency</p> <p>a. Public goods</p> <ul style="list-style-type: none"> • Non-excludability and common resources <p>b. Externalities</p> <ul style="list-style-type: none"> • Provision of merit goods and regulation of demerit goods • Property rights • Coase Theorem and its limitations • Regulation of externalities 	<p>examine and contrast the various dimensions of efficiency (e.g. X-efficiency, productive, allocative, economic, dynamic, exchange efficiency) <i>(Detailed knowledge using indifference curve analysis or Edgeworth box is not required.)</i></p> <p>examine and contrast profitability, efficiency and welfare concepts</p> <p>examine strategies of firms, namely advertising, research and development, innovation, outsourcing, patents and other entry limiting behaviour, and their impact on profitability, efficiency and welfare</p> <p>examine and evaluate game theory strategies with application of prisoners' dilemma and Nash equilibrium to oligopolies, advertising, research and development, and common resources <i>(Only analysis of equilibrium in pure strategies is required. Detailed technical and mathematical analyses of prisoners' dilemma and Nash equilibrium are not required.)</i></p> <p>examine the issue of common resources (the tragedy of the commons) and evaluate policy implications</p> <p>examine and evaluate public provision of merit goods, extent of public subsidy vs private payment (i.e. distribution of payment burden), regulation of demerit goods in relation to efficiency and welfare effects</p> <p>examine and evaluate the significance of clearly defined property rights in externalities and the issue of common resources</p> <p>examine and evaluate policies or measures (in particular the Coase solution and marketable permits) to regulate externalities <i>(Detailed technical and mathematical analyses are not required.)</i></p>

<p>c. Uncertainty and Imperfect Information</p> <ul style="list-style-type: none"> • Uncertainty and risk • Optimal search with imperfect information • Asymmetric information, hidden actions and characteristics • Measures to counter asymmetric information 	<p>examine the problem of uncertainty and imperfect information, and attitudes to risk (risk-averse, risk-neutral and risk-inclined)</p> <p>examine the issue of asymmetric information in relation to problems of adverse selection, moral hazard and principal-agent problem in product, insurance and labour markets</p> <p>examine and evaluate measures to counter problems of asymmetric information in particular, monitoring, signalling, screening and efficiency wages</p>
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3: Regional and International Economics

This theme provides an opportunity for candidates to examine recent trends, related issues and developments in Singapore as well as the regional and international economy. Candidates should be able to evaluate trade theories, trade policies, economic effects of globalisation, regional and international economic co-operation and their implications for national, regional and international policies.

Syllabus Content	Candidates should be able to:
<p>3.1 Trade Theories</p> <ul style="list-style-type: none"> a. Comparative advantage (Ricardo) b. Factor endowment theory (Heckscher-Ohlin) c. Factor price equalisation d. Intra-Industry vs inter-industry trade <p>3.2 Trade Policies</p> <ul style="list-style-type: none"> a. Exchange rate policy b. Strategic trade policy c. Economic sanctions d. Protectionism e. Free trade agreements f. Regional trading arrangements 	<p>examine increasing costs, partial specialisation and dynamic comparative advantage</p> <p>examine and evaluate various trade theories and their relevance in the real world context <i>(Detailed knowledge of trade theories using indifference curve analysis is not required.)</i></p> <p>examine intra-industry vs inter-industry trade</p> <p>examine and evaluate the economic and welfare effects of exchange rate and strategic trade policies, economic sanctions, protectionism, trade barriers and WTO, free trade agreements and regional trading arrangements such as free trade area, customs union, common market, economic union and monetary union and their implications</p>

<p>3.3 Globalisation, Multinational Enterprises and Emerging Economies</p> <p>a. Foreign direct investment (FDI) and multinational enterprises (MNEs)</p> <p>b. Economic effects, benefits and costs of globalisation</p>	<p>examine the vertical, horizontal and conglomerate integration in relation to MNEs, motives for FDI, evaluate MNEs as a source of conflict in relation to employment, technology transfer, national sovereignty, balance of payments, taxation, transfer pricing, outsourcing</p> <p>examine and evaluate the economic effects, benefits and costs of globalisation on economies at various stages of development with a focus on emerging economies; in particular, impact on competitiveness, outsourcing, employment, labour mobility, capital flows, exchange rates, balance of payments, economic growth and development, and their implications on national policies</p>
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SUGGESTED REFERENCES

Books on Theme 1: The Study of Economics		
Mark Blaug	The Methodology of Economics, 2 nd Edition	Cambridge University Press
Sheila Dow	Economic Methodology - An Inquiry	Oxford University Press
John Kenneth Galbraith	Affluent Society	Houghton Mifflin Co.
John Kay	The Truth about Markets	Allen Lane the Penguin Press
Daniel Kahneman	Risk and Rationality: Can Normative and Descriptive Analysis Be Reconciled?	Institute of Philosophy & Public Policy
Books on Theme 2: Firms & Market Failure		
Paul R Ferguson; Glenys J Ferguson	Industrial Economics: Issues and Perspectives	New York University Press
Roger Leroy Miller et al	The Economics of Public Issues	Addison-Wesley Pub Co.
R H Coase	The Firm, the Market and the Law	University of Chicago Press
R. Kerry Turner, David Pearce, Ian Bateman	Environmental Economics: An Elementary Introduction	The John Hopkins University Press
Books on Theme 3: Regional & International Economics		
Joseph Stiglitz	Globalization and its Discontent	Penguin Books
J Williamson and C Milner	The World Economy	Harvester Wheatsheaf
Paul Krugman, Maurice Obstfeld	International Economics: Theory and Policy (International Edition), 5 th Edition	Addison Wesley Publishing
Dominick Salvatore	International Economics, 7th Edition	John Wiley & Sons
Peter Dicken	Global shift: Reshaping the Global Economic Map in the 21 st Century	Sage Publications Ltd
General Textbooks		
G.S. Maddala Ellen Miller	Microeconomics: Theory and Applications	McGraw-Hill Book Company
William A. McEachern	Economics, 5 th Edition	South-Western College Publishing
N.Gregory Mankiw	Principles of Economics (International Student Edition), 3 rd Edition	South-Western College Publishing
Books of Reading/Essays		
Tim Jenkinson	Readings in Microeconomics	Oxford University Press
Tim Jenkinson	Readings in Macroeconomics	Oxford University Press