HWA CHONG INSTITUTION
H2 Economics 2022/23
Essay and Case Study Skills Package

H2 Economics
Skills Package 2022/23

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ESSAY WRITING SKILLS

CONTENTS PAGE

A. INTRODUCTION

- Corresponding Marks for Essays 2
- Level Marking Descriptors 3
- Fundamentals of Essay Writing Skills: an overview 4

B. THE ESSAY WRITING PROCESS

- The Steps in Planning Explained 5 – 6
- How to Write a Good Introduction 7 – 8
- How to Write a Good Paragraph 9
- How to Use Examples as Tools for Analysis 10
- How to Use Diagrams as Tools for Analysis 11 – 12
- How to Write an Economics Paragraph 13
- How to Connect Ideas Coherently 14 – 16
- How to Write a Discursive Essay 17 – 18
- Discursive Essay on Policies/ Measures 18 – 19
- Do's and Don'ts for Essays 19

Appendix A: Transition Words 20
Appendix B: Article from Economics Today 21 – 22

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Corresponding Marks for Essays

Importance of doing well in Essays:

Paper 2 (Essays) takes up 60% of total marks.

It consists of 3 essays, each accounts for 20% of total score.

The time allocated is 2 hours 30 minutes.

For Essays [part(a)10m + part(b)15m – 20m (80%) for analysis and 5m (20%) for evaluation]

10 marks		15 marks	
Level 3	8 – 10	Level 3	8 – 10
Level 2	5 – 7	Level 2	5 – 7
Level 1	1 – 4	Level 1	1 – 4
		E3	4 – 5
		E2	2 – 3
		E1	1

ASSESSMENT OBJECTIVES

While no explicit descriptors for the difference levels of marks are given, the general rule is that the more an answer incorporates the different assessment objectives below, the better the score, with the higher numbered assessment objectives being the ones that are more difficult to achieve.

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

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Level Marking Descriptors

Level of Response Marking for CONTENT

Level	Descriptors	Marks

L3	• Breadth & Application
	  ○ Covers **2-sided arguments** (for discursive essays)
	  ○ Analyses with the expected **theoretical scope** *(e.g. demand and supply factors, externalities and imperfect information, material & non-material living standards)*
	  ○ Analyses **entire scope** as suggested by the **question or/& preamble**
	  ○ Explains **at least X distinct** points of analysis
	
	• Depth
	  ○ Applies relevant **economic concepts or theories**
	  ○ Explains with **rigour and detail**
	  ○ Explains and illustrates with relevant ***diagrams*** **and examples**
		8-10

L2	• Lacking in any one of the L3 criterions	5-7
L1	• Largely irrelevant response • Descriptive response with non-existent or minimal or application of economic concepts or theories • Serious and pervasive conceptual errors	1-4

Level of Response Marking for EVALUATION

Evaluation		
E3	• Takes a clear overall stand that is **comprehensively** justified by providing **convincing** evaluative comments on the **relative importance** of **most** of the points covered in the body	4-5

E2	• Takes a **clear overall stand** which is only **partially justified** as
	  ○ Only **some** of the **points** mentioned in the body were evaluated
	  ○ The overall stand was **largely justified** by the inclusion of **additional concluding points** to **sway** the overall argument
	  ○ The arguments used to evaluate individuals points were **unconvincing** or somewhat **flawed**
	
	• Evaluates at least one of the points covered in the body but the **overall stand is unclear**
	
	• Provides **insightful opinion(s)** which are however **not directly relevant** to the requirements of the question
		2-3

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E1	• Provides **unsubstantiated opinion(s)** *Note: An opinion is NOT a STATEMENT (Tips: Use normative words: best, more, less, large/small extent)*	+1

Fundamentals of Essay Writing Skills: An Overview

Processes:

A Plan well

So, first and foremost, the all-important skill to develop is called "DISSECT" or "UNPACK" the question. It goes hand in hand with planning a schematic plan.

Like in a battle, it is of no use to train very hard and have all the fighting skills if your weapons are NOT pointed in the right direction or if you are hitting/attacking the wrong targets. In short you have to make sure all your efforts count towards scoring marks and nothing written in your essay is wasted/off-focus or irrelevant to the question.

How to dissect/unpack?

The usual method to use is to employ the so-called 3 Cs technique: Study the question and look for 3 Cs:

- **Command word (either "explain" or "discuss" type)**
- **Concept (economic concepts tested)**
- **Context (application)**

Draw up a schematic plan (5 min planning time) for each part of the question. Make sure it focuses on the right targets to hit/attack.

In summary:
Once you are adept at using 3Cs to get the right focus and direction the rest is to learn how to do a simple schematic plan and write out the full answer within the time allocated.

B Write well

An economics essay is written for those who are trained and understand economics (i.e. your teachers and the external Cambridge examiners). So don't use a layman approach. Learn up all the vocabulary or glossary of terms used by economist i.e. Use economic concepts to explain or to discuss an issue.

2 key skills to develop so that you can write like an economist:

- Use Concepts, Tools and Frameworks e.g. PPC model, decision-making framework, demand-supply framework are handy tools for analysis but not to be used as a one-size fits all answer.
- Use SEED / PEEL to elaborate on key points. Read up on these 2 approaches to write a good paragraph that answers an economic essay.

C LORMS

LORMS = Levels of Response Mark Scheme

The quality of your essay is benchmarked against the LORM issued by CIE (Cambridge International Exam Board)

It is very important to study the LORMs to understand how your essay is graded so that as you learn to write with your goal set to ultimately reach the highest possible level L3 for analysis and E3 for evaluation. It is a journey so don't get discouraged initially as you start out. But, progressively, if you persevere and hone your essay writing skills you should be able to hit/attain L3 and E3.

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The Steps in Planning Explained

It is a **MUST to plan**. Examiners do not want all possible points. They want a clear best-fit answer not an include-in-all answer. A plan is to make you stay focused and not spam all that you know. Student who invest their time in planning score better than those who rush into the essay.

STEP (1): DISSECT THE QUESTION USING THE 3 'Cs'

i) Underline <u>Command</u> word(s)
ii) Identify the key <u>Concept(s)</u>
iii) Take note of the <u>Context</u>.

Before you can answer a question, you must first understand what is required. The requirements of a question are three-fold:

⇒ in terms of the cognitive (thinking and processing) skills required [Command Word(s)]
⇒ in terms of the content required [Concept(s)]
⇒ in terms of the context/application required [Context]

Examination questions are seldom so straightforward that the requirements are easily understood without dissecting the question.

The word "dissect" suggests cutting up, such as dissecting an animal in a lab experiment; to see what's beneath the skin or surface so as to understand where the examiners are coming from. Therefore, the 3C are tips to help hone and polish this very important skill so that what you write is relevant to the question. There is no point writing a full essay that is based on a *misinterpretation* of the requirement and get no credit for it.

STEP (2):

Step 2.1 INTERPRET THE QUESTION
After you have identified the 3 'C's, do scrutinise the question by **paraphrasing** it to fully comprehend the question.

Step 2.2 ANALYSE THE REQUIREMENTS
After you have interpreted the question, you now need to break them down to determine what exactly you must write/discuss in your answer to meet the requirements of the questions. In breaking down the question, you must <u>identify all the relevant issues, economic concepts and diagrams</u> that you want to address in your answers.

Step 2.3 ORGANISE THE ANSWERS into a schematic plan
This step helps you to be coherent; to relate one point to another and to plan effectively. Having understood what the question is directing you to do and having identified the particular information pertinent to your answer, you must rearrange this information into a structure that is compatible with what is required as spelt out by the direction words.

2 versions of schematic plans:

(a) Command word "explain"
(b) Command word "discuss"

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(a) Explain.... No requirements for an anti-thesis and evaluation.
Focus is only on thesis analysis. In other words, there is no flip-side to consider
No judgement is required.

Example: Explain the economic problem of scarcity [10]

Introduction
Focus on the key concepts related to the question e.g. scarcity & provide a definition to kick start the direction and flow.
Body
Developmental paragraph 1 – Explain the problem of scarcity i.e. elaborate on unlimited wants and limited resources. Developmental paragraph 2 – Explain economic choices i.e. The 3 economic questions of what and how much to produce, how to produce and for whom to produce. Developmental paragraph 3 – Use PPC to illustrate the scarcity, choice and opportunity cost. *FYI: Each key point is to be developed into full paragraphs later when you write out the essay. Therefore, together with an analysis of the PPC diagram, the schematic plan will be transformed into a 1.5 – 2-page answer for part (a).*
Conclusion
No evaluation or judgement is required. A simple conclusive statement is sufficient.

(b) Discuss..... balanced analysis (thesis & anti-thesis) is required as well as evaluation (synthesis)

Example: Discuss whether economic growth can solve the economic problem of scarcity. [15]

Introduction	
Define economic growth and suggest approach used to answer this question	
Body	
Thesis	**Anti-thesis**
Developmental paragraph 1 – Explain economic growth can **alleviate** scarcity using PPC	Developmental paragraph 2 – Explain anti-thesis (economic growth cannot solve problem of scarcity) using PPC
Conclusion (Synthesis)	
Evaluate that economic growth may at best alleviate the problem of scarcity and cannot solve it. In fact, it might worsen the problem.	

Take about 10 minutes to complete the above steps before you begin writing your essay.

A good essay is a BEST FIT answer

Use your plan as a guide when you write the answer.
Your aim must be to flesh out the details using the above schematic plan to get the BEST FIT answer within the time allocation. There are a whole range of skills to develop to help you achieve this outcome:

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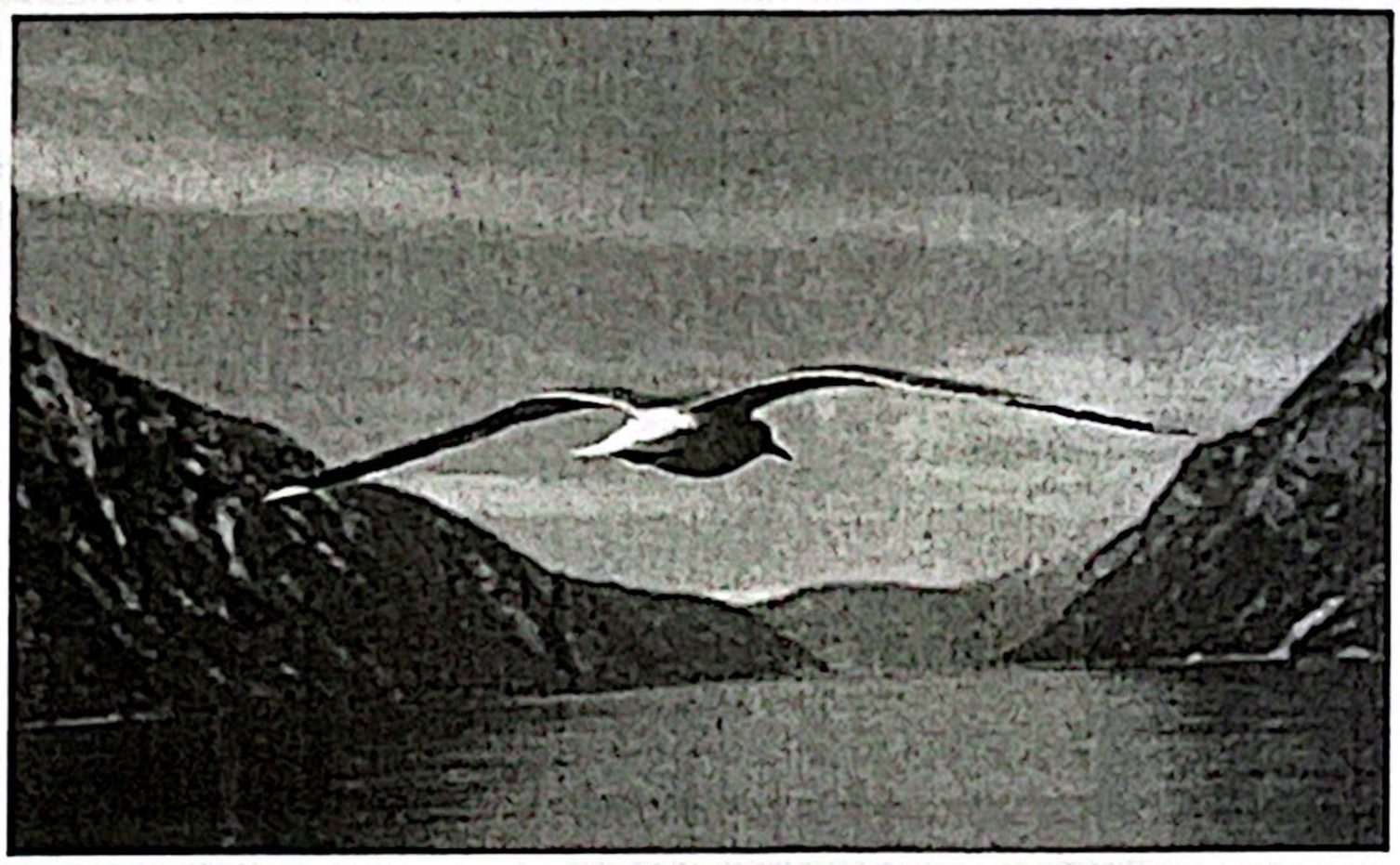
How to Write a Good Introduction



A good introduction gives your essay the right focus (a clear bird's eye view e.g. scarcity) and clear direction for the essay to flow. In short it is meant to 'kick-start' your essay in the right direction.

Use 'KIA' to write a good introduction

Key Word(s)	Pick out Key economic concept (s) in the question to provide the FOCUS. Example: Scarcity and economic growth for part (b)
Issue(s)	Identify key issues or context and link them to the key concepts to provide a clear direction for the essay to transit or flow smoothly from introduction to Body. Example: The issue to discuss is whether economic growth in terms of actual and potential growth can lead to the production of enough output or goods and services for everyone in the economy such that all wants can be satisfied and scarcity is no longer a problem.
Approach	In some instances, you may also use the introduction to suggest a suitable or appropriate framework to approach the issue especially if there are a variety of possible approaches Example: Using demand and supply framework to analyse impact on market(s), or analyse demand-management and supply-side policies to address macroeconomic issue(s).

Do NOT:

- Simply provide a list of definitions of the key economic terms.
- Give your judgment (evaluation) in the introduction. That is, don't use a conclusion as an introduction.
- Give the analysis in the introduction. Analysis should be given in the Body of the essay.

Get on Track

Introduction is best used to provide the **RIGHT FOCUS** for your discussion.

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Introduction Samples:

In recent years, the demand for smart phones in Singapore has risen dramatically. Explain the possible causes behind this trend. [10]

Key Word(s)	Demand for smart phones refers to the different quantities consumers are willing and able to buy at each possible price during a given period of time, ceteris paribus,
Issue(s)	Smart phones have become an attractive multi-purpose tool for teenagers and adults alike. Ever increasing number of Singaporeans own this product.
Approach	There are many possible causes that could have contributed to the rise in demand. These causes such as rise in household income, changes in taste and trends, changes in the price of related goods, will be explained in this essay to account for the rise in the trend.

Discuss the demand and supply factors which could lead to an expansion in global air travel. [15]

Key Word(s)	Demand for global air travel refers to the different quantities consumers are willing and able to buy at each possible price during a given period of time, ceteris paribus. Supply for global air travel refers to the different quantities producers are willing and able to sell at each possible price during a given period of time, ceteris paribus.
Issue(s)	In recent years, there has been a boom in air travel worldwide. More travellers have taken to the air in greater numbers than any other form of transportation such as rail or bus.
Approach	This essay will discuss the various factors that led to an increase in demand and supply and hence the expansion of global air travel.

Note: The definitions of demand and supply need not be reproduced in a part (a) introduction for a demand and supply question. It can be included in the 'body' of the answer so as to avoid lengthy introduction.

TYS N2009
There have been large changes in the price of crude oil over the past few years.
Discuss what determines whether consumers or producers are more likely to bear the cost of these oil price changes. [25]

Oil is an important commodity and a non-renewable resource for which the world depends on as a major source of energy supply ***(Clarification of the key words; note: not a definition)***. In recent years there have been large changes in the price of crude oil, mainly sharp increases in the price ***(Set boundary/define the coverage – large changes in the price to be sharp increase to avoid writing sharp rise and fall.)***. The surge in price has an impact on the well-being of consumers and producers. In this essay, demand and supply analysis will be used to determine **whether** consumers or producers are more likely to bear the cost of such surge in the price of crude oil. ***(Highlighting the underlying conditions given in the stimulus and state clearly the economics framework to be used.)***

Outsourcing and the influx of foreign labour have hurt the low skilled Singaporeans in terms of falling wages and worsening inequality in Singapore.

(a) Using economic analysis, explain why wages of low skilled Singaporean are falling.

Low skilled Singaporeans ***(Clarification of the key words; note: not a definition)*** are those in the labour force hired in jobs that require practically no training or experience for adequate performance. The fall in their wages due to outsourcing and the influx of foreign labour can be explained using demand and supply framework.

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(Highlighting the underlying conditions given in the stimulus and state clearly the econ framework to be used.)

How to Write a Good Paragraph

Note that SEED or PEEL approach to writing a paragraph are very similar.

SEED

1. State the key idea
2. Elaborate or Explain the key idea using economic analysis
3. Exemplify using appropriate examples (either descriptive or numerical form)
4. Draw – use appropriate diagrams (if available) to anchor your analysis

OR

PEEL

1. P- State key Point
2. Explain
3. Exemplify
4. Link back to the key point

You will need to use your discretion when choosing which approach to use to write your paragraph. Most of the time, SEED can be used if the paragraph involves a diagram of one of the economic models you have learnt. However, at times you may be required to LINK (the L in PEEL) back to the question or to selected key points in previous paragraphs. Therefore, be flexible and open to using selected aspects of each approach for different paragraphs depending on the intention of the paragraph.

Key Point (State)

- The body is the main part of the essay and each paragraph should contain only ONE key idea. This idea should be succinctly conveyed in the **topic sentence** and the rest of the paragraph serves to build around the topic sentence or key point. If properly elaborated each key point may occupy half to a full page of your writing paper. So, with 3 KPs (a, b, c) you should able to write about 1.5 to 2 sides depending on the question. That's sufficient for a part (a) or thesis analysis. So, together with anti-thesis key point(s) you should be able to write about 4-5 full pages for an exam essay.

How to Explain or Elaborate (using economic analysis)

This is an extremely important skill to master to score well and also the most challenging. Good to focus on sharpening analytical skills to maximise your chances of scoring well.

- Key idea should be explained using **economic analysis**, i.e. use an economist's approach based on economic theories, concepts and principles. Use **diagrams** as analytical tool where appropriate. To 'explain' is to use good reasoning or rational thinking to make clear the "what, why and how" of concepts and issues related to economics. Example: Explain the impact of increased income on the market for petrol. To provide a good analytical explanation you must learn to use concepts, tools and frameworks skilfully and appropriately.

- Good analysis is about providing complete, systematic and clear reasons such that it is coherent - possible to see the trees (components/parts) in relation to the forest (big picture) and everything falls nicely into its rightful place. A bad analysis is usually characterised by incomplete, unclear and disorganised reasoning. Bad explanation contains missing links and gaps which result in a disjointed and fragmented analysis, and of course, may also include glaring misconceptions and conceptual errors.

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How to Use Examples as Tools for Analysis

- **Using examples** is an important tool because it illustrates your ability to apply concepts and theories. Examples also serve to substantiate your explanation. ***Note: it is not as simple as mere stating of examples. Exemplify is broader than descriptive examples. It may also include numerical illustration using tables e.g. law of comparative advantage or opportunity costs.***

- Link back or Relating back to the question for coherence may be used for discursive questions. For a good complete analysis every part of the analysis must be linked up appropriately.

Examples are important tool besides diagrams because they illustrate your ability to apply concepts and theories. They also serve to substantiate your explanation. It is another tool that will help you to get L3 for your essay.

Over the past year, the demand for smart phones in Singapore has risen dramatically. Explain the possible causes behind this trend. [10]
State key idea: Increase in income is one of the causes of increasing demand for smart phones. **Elaborate** using economic analysis: Increase in income will mean that the purchasing power of people increases. As smart phones is regarded as a luxury good, the income elasticity of demand for it is positive and larger than 1. The increase in the demand for smart phones will be more than proportionate as a result of an increase in income in Singapore over the past year. **Exemplify (Examples) Substantiation to the Context:** In 2013, there was positive economic growth and most Singaporean households experienced an increase in the wages. With higher income levels, more are willing and able to buy smart phones.
Discuss the demand and supply factors which could lead to an expansion in global air travel. [15]
State key idea: One of the supply factors which led to an expansion of global air travel is the rising number of producers. **Explain** using analysis: The increasing number of budget airlines operators into the market has increased the supply of the number of airline seats around the world. This has facilitated the growth in global air travel. **Exemplify (Examples) Substantiation to the Context:** In South-east Asia alone, budget airlines such as Jetstar, Air Asia, Tiger Airways, Lion Air had provided new flights and routes to destination across the region. This led to more seats available for travellers at an affordable price.

Remember, this:

An essay with no examples is like a barren land

An essay with well-illustrated & appropriate examples is like SPRING!

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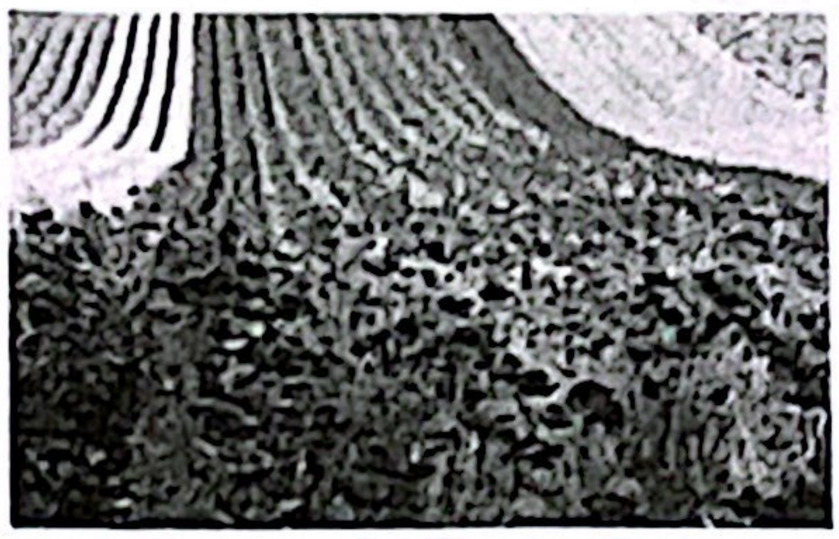


How to Use Diagrams as Tools for Analysis

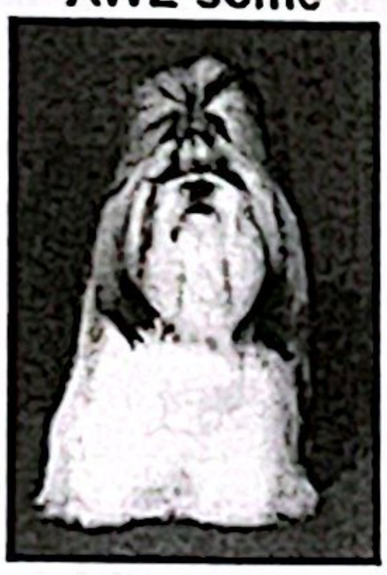
How to Use Diagrams as Tools for Analysis

'AWE-some' Diagrams

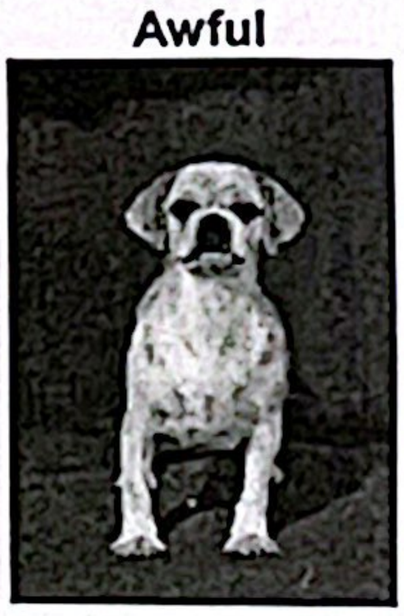
Use relevant and properly-labelled **diagrams** to **help explain** concepts and principles. Diagrams offer clarity and precision in analysis. A good diagram is worth a thousand words of descriptive analysis. Poorly drawn or inaccurate diagrams are not just a waste of time – they are equally damaging to the credibility of the essay.

Good diagrams are AWE-some. Whilst bad diagrams are Awful!

AWE-some



Awful



AWE-some stands for;

- A – Accurate (Absolutely essential to draw theoretically correct diagrams)
- W – Well-Labelled + Titled + Numbered especially if there are more than 1 diagram drawn (spell out clearly what every axis; curves; points represent in the diagram)
- E – Eye friendly or easy on the eye (Big enough, Neat, Well-positioned)

Diagrams need to be used for analysis

Make reference to the diagrams in your discussion. Otherwise, however nicely drawn the diagrams are, they remain as white elephants. Examiners love to see well-explained diagrams **where applicable** and students cannot be vague about it or try to bluff their way through. Draw only diagrams which **illustrate analysis**.

Cambridge examiners have given feedbacks that poorly drawn and unexplained diagrams are not acceptable. Unexplained awful diagrams are extremely irritating to the examiners. Don't waste time drawing them!

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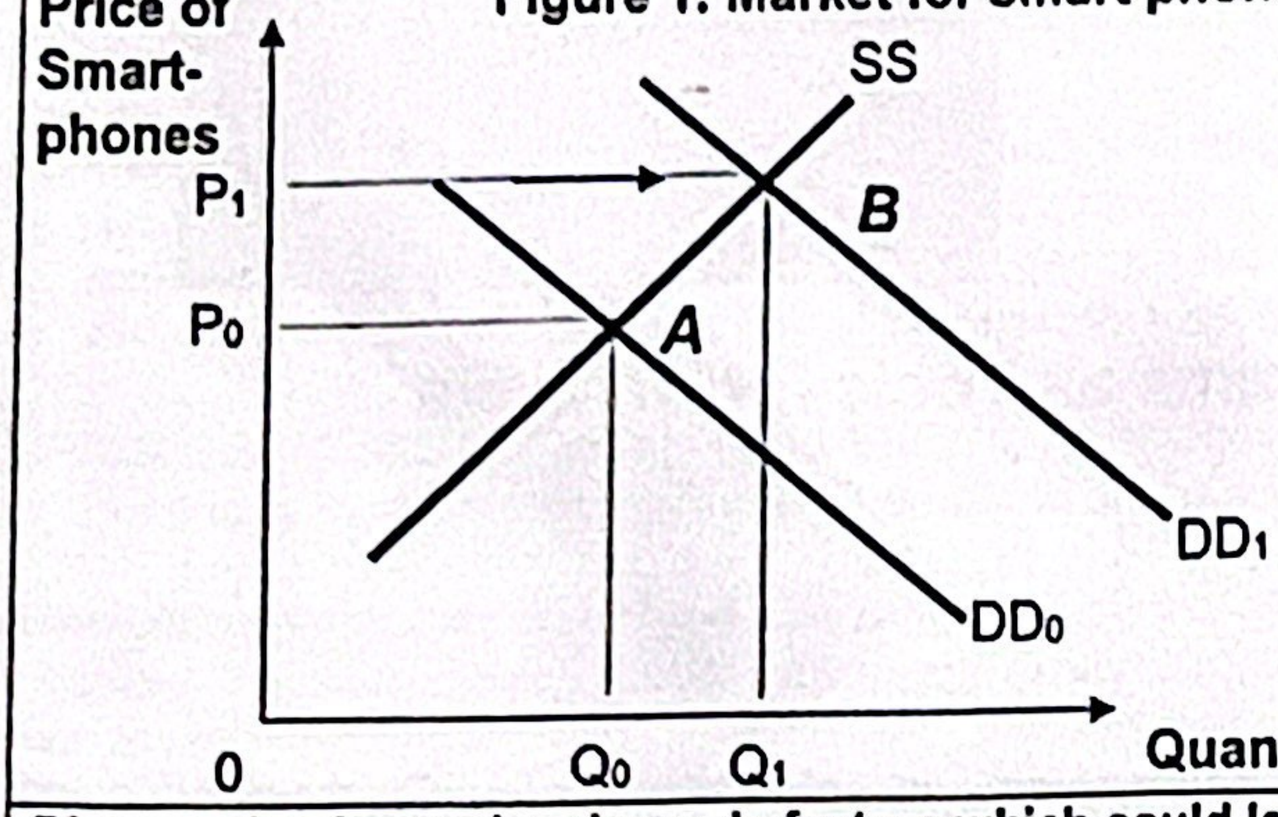
Samples of well-explained diagrams:

Over the past year, the demand for smart- phones in Singapore has risen dramatically. Explain the possible causes behind this trend. [10]

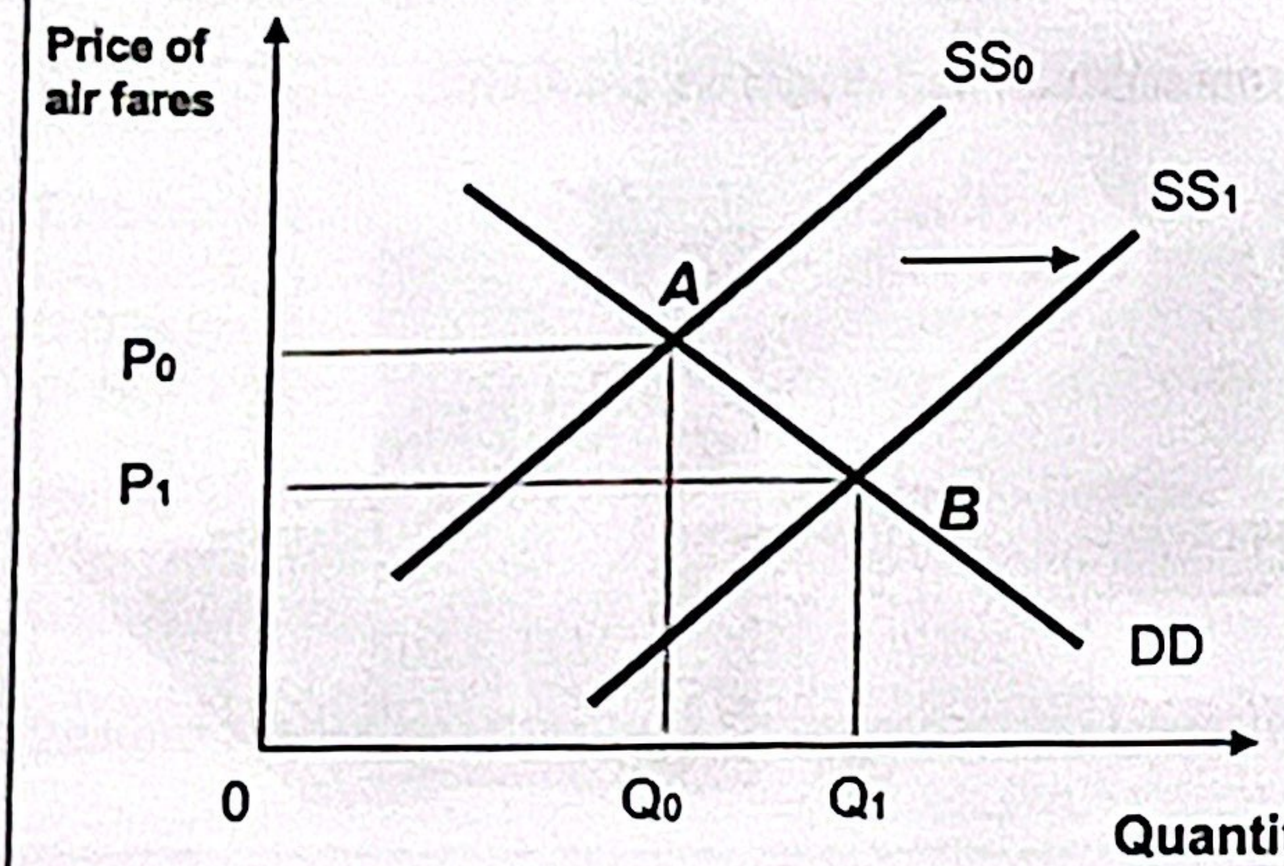
Figure 1: Market for smart phones



Referring to Figure 1, with an increase in income levels for Singaporeans the demand for smart phones increases. Smart phones is viewed as a normal good, with the increase in purchasing power of Singaporeans the willingness and ability to buy smart phones increases causing the demand curve to shift from DD_0 to DD_1.

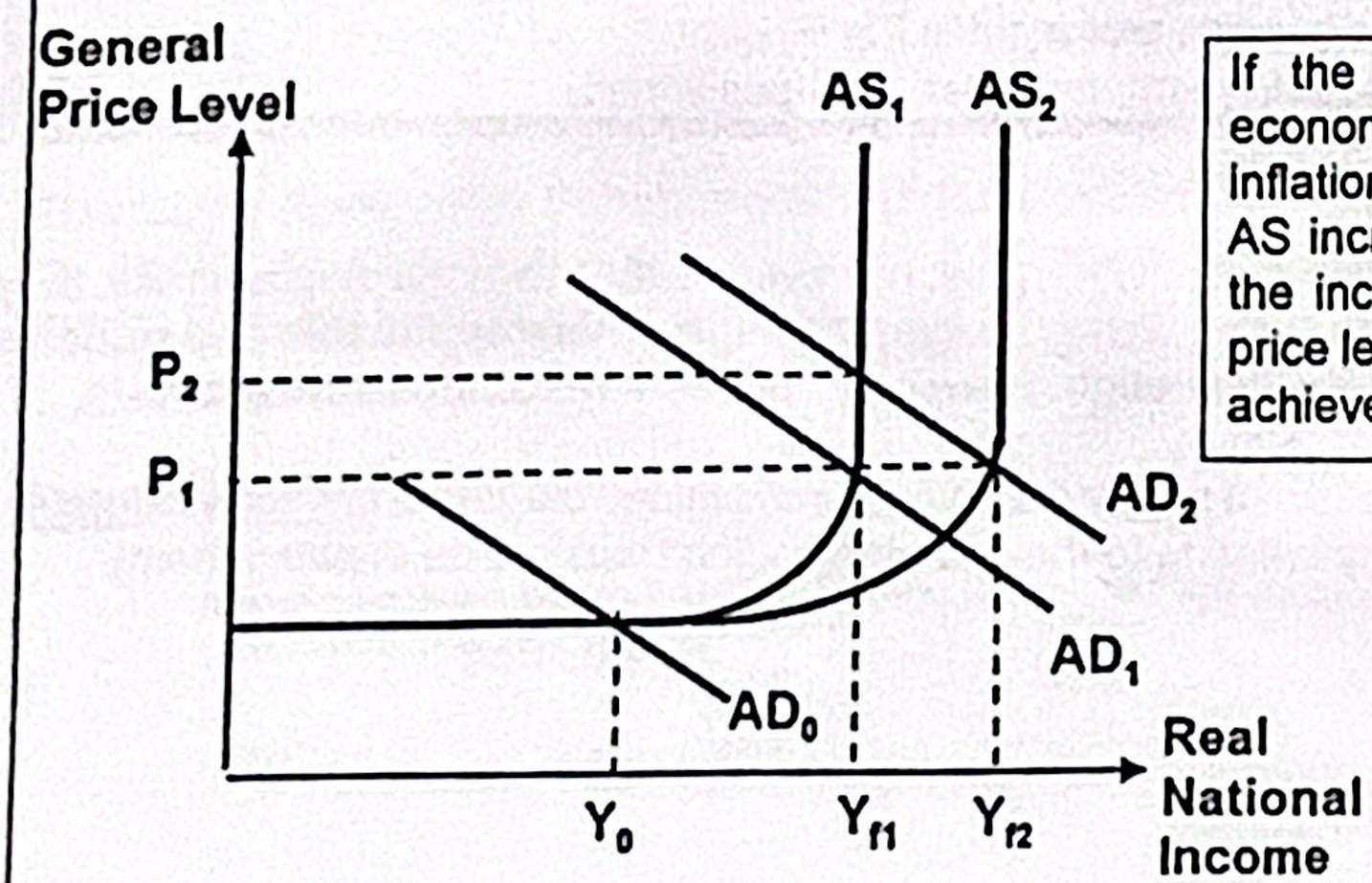
Discuss the demand and supply factors which could lead to an expansion in global air travel. [15]

Figure 2: Increase in supply of airline seats



One of the supply factors which led to an expansion of global air travel is the rising number of producers. The increasing number of budget airlines operators into the market has increased the supply of the number of airline seats around the world. This has facilitated the growth in global air travel. From Figure 2, the supply curve or air travel seats increased from SS_0 to SS_1. This will increase the equilibrium quantity of seats on airlines from Q_0 to Q_1.

Figure 3: Non-inflationary Growth



If the AS grows in tandem with AD, the economy can achieve sustained non-Inflationary growth. As shown in Figure 3, when AS increases from AS_1 to AS_2 in tandem with the increase in AD from AD_1 to AD_2, general price level stays at P1, allowing the economy to achieve sustained non-inflationary growth.

TIPS:

To learn to polish up analytical skills using SEEDS approach is like sowing good SEEDS. Over time, with lots of perseverance, it will bear good fruits and a bountiful harvest. So be patient and persevere!!

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How to Write an Economics Paragraph

Samples of descriptive paragraphs and examples not explained + correction:

Over the past year, the demand for smart phones in Singapore has risen dramatically. Explain the possible causes behind this trend. [10]

Many Singaporeans have been buying smart phones. This can be seen by the long lines forming up even before the shops open when there is a launch of new models. This phenomenon is due to cheap mobile phone subscription plans. With 3 telecommunication firms competing and giving discounts on subscription plans, this makes it cheaper to call and Singaporeans would want to buy smart phones.

In addition, smart phones are deemed to be cool products with all the advance features and new applications, everyone seems to own one. As a Singaporean, one does not want to lose out and want to be seen as fashionable too. At the same time, the Singapore economy is doing very well. People are getting richer and can afford expensive items thus they buy more smart phones. As a result, demand is growing very fast.

What's the problem? OR in fact, what are the problems?

- Descriptive, no economic framework/concepts used.
- Repetitive
- Many ideas in one paragraph.
- Examples are not explained but stated.
- Too short.

In short, it's GP-ish!

How to 'insert' economic concepts and use examples as tool of analysis:

- Introduction: Define demand and state that there are three possible causes.

- Developmental paragraph 1: Using SEE – develop 'fall in price of complement' – price of subscription plan has been falling since the entry of more telecommunication firms such as M1 and Starhub into the industry. Handphone subscription is a complement to handphone as they are jointly used by the consumers to satisfy the same wants. Thus, when price of subscription plan falls, quantity demanded for it will rise and the demand for smart phones will increase.

- Developmental paragraph 2: Using SEE – develop on the point of 'taste and preferences' – smart phones being a product in fashion and have become a 'need' in the eyes of consumers and as such leads to a higher demand for it.

- Developmental paragraph 3: Using SEE – develop on the point of 'income' as a rise in real purchasing power that results in a rise in smart phones which is an income-elastic good – define and explain.

- Illustrate the above 3 points with an AWE-some diagram showing demand for smartphones shifting to the right.

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How to Connect Ideas Coherently

Garden effect vs Jungle effect in Analysis

Good analysis is about providing good explanation. To explain is to REASON. So, good analysis is about displaying good reasoning skills. The ultimate objective of learning to explain well is to make complex ideas easily UNDERSTOOD. So the litmus test of a good explanation or analysis is about whether it leads to a clear understanding of what is being explained. This leads to the next question: how to do a good analysis?

How to do a good analysis?

The art of good analysis consists of 2 basic processes:

a. Ability to break down key/ big /lumpy ideas into its key components (i.e. de-construct ideas) e.g. Determinants of demand can be broken down into price and non-price determinants. Non-price determinants can be further broken down into PITIDE etc.

b. Ability to connect or link up ideas to form a bigger picture (i.e. reconstruct or synthesize ideas). This reverse process of connecting or linking up ideas is important to complete the process of analysis. For example, what causes prices to rise in a market? Your analysis should break down as well as combine demand as well as supply factors.

Using the above illustration, you will understand that both the ability to break down and link or connect ideas COHERENTLY (i.e. clearly, systematically and meaningfully) is essential to do a good analysis.

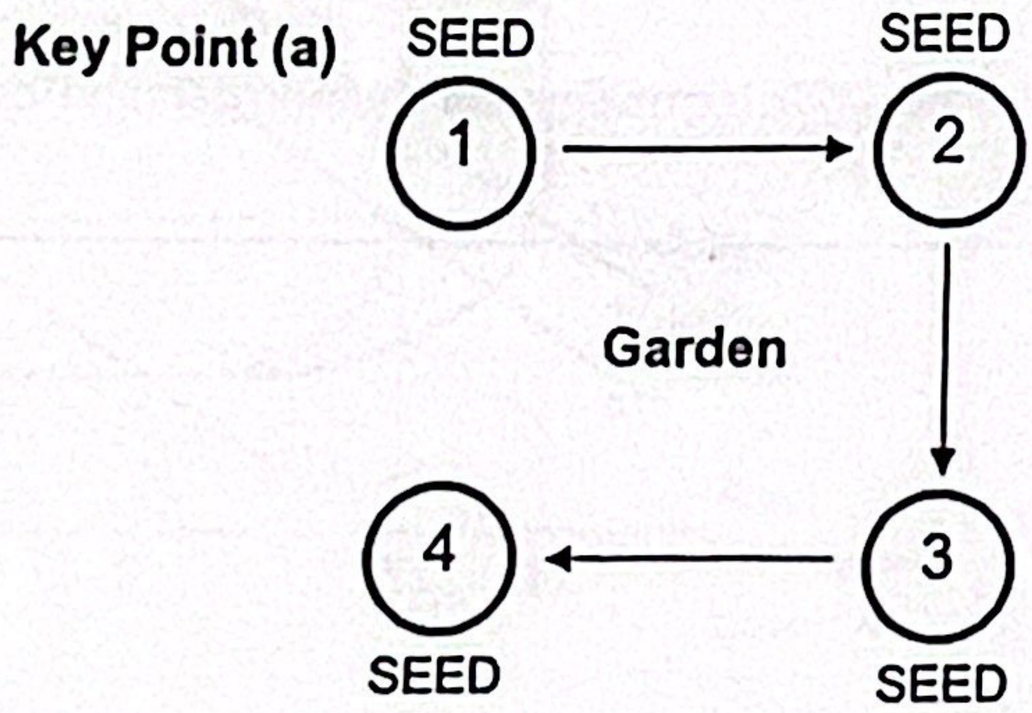
Below is an illustration to compare good vs bad analysis using analogies of Garden vs Jungle effect

Good analysis = creates a nice GARDEN effect
Bad analysis = creates a haphazard JUNGLE effect in the eyes of the reader.

Example: One key point can be linked to 3 key ideas

Example: What causes the prices of private homes to rise in Singapore after the financial crisis?

Key point = (a) demand rises (b) supply rises (c) demand rises faster than SS
Key idea = (a) 1. Income 2. Taste and preferences 3. Buyers' expectations
(b) 1. Entry of more firms/producers 2. Sellers' expectations
(c) Supply increased at slower pace due to capacity constraints such as
1. Lack of land space for construction
2. Time lag needed to complete construction of new homes.



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Garden effect:
Key points and key ideas are linked systematically to form a coherent analysis. See illustration above. There is a clear pattern in the analysis. As far as possible also learn to link back to the key points.

Example:
Demand for private housing increase significantly due to a number of factors.
First, it was rising incomes due to rapid * economic recovery that triggered off the interest in buying private homes. As the economy recovered rapidly from the financial crisis the higher purchasing power and confidence in ability to afford better housing led to renewed interest in buying private homes. Demand was further fuelled/exacerbated by low mortgage rates on home loans** as well as expectations of a boom in the property market. Potential home buyers preferred to buy early to avoid having to pay more later. Speculators jumped into the market to buy homes as investment so as to profit from rising prices. Thus, all these factors <u>add up</u> to explain why demand increased significantly after the financial crisis.

*contextually the SG economy rebounded and grew by a record 15% p.a.
** interest rate fell to very low levels historically because of monetary stimulus.

Study the above paragraph to understand how that key ideas are broken down and at the same time linked up to form a coherent argument/analysis so that it is easily understood by the reader/marker.

Rule of Thumb in breaking down and linking or connecting ideas

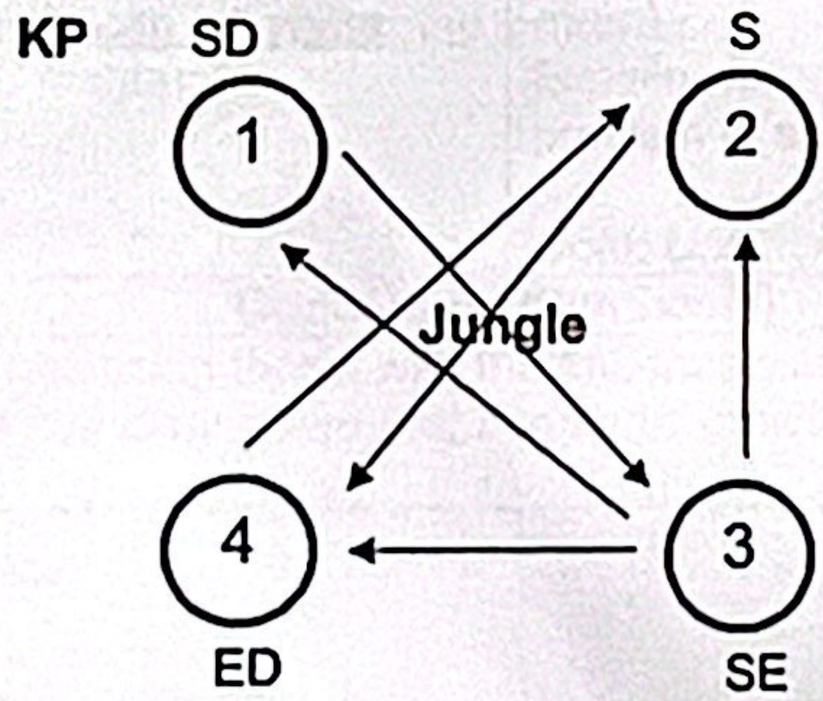
Explanation is about reasoning as stated earlier.
So, learn to ask key questions that will help reasoning.
The process can be summed up using the following ROT (The rule of thumb):

<u>ASK:</u>
Why? Why? Why?
Link – Link – Link
Or
How? How? How?
Link – Link – Link

FYI: Some questions focused on explaining WHY? Others on HOW? But, usually most explanation will involve a mix of "what, why and how".

WHAT IS BAD ANALYSIS?
Let us also look at some common issues with BAD analysis so as to better understand what it is takes to do a good analysis.

Below is a graphical illustration of bad linking of ideas in analysis:



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Bad analysis is characterised by:

- Missing links (e.g. 1, 2? 4? 5). This common problem is called INCOMPLETE analysis.
- Wrong links. This common problem is called misconception or conceptual errors in analysis.

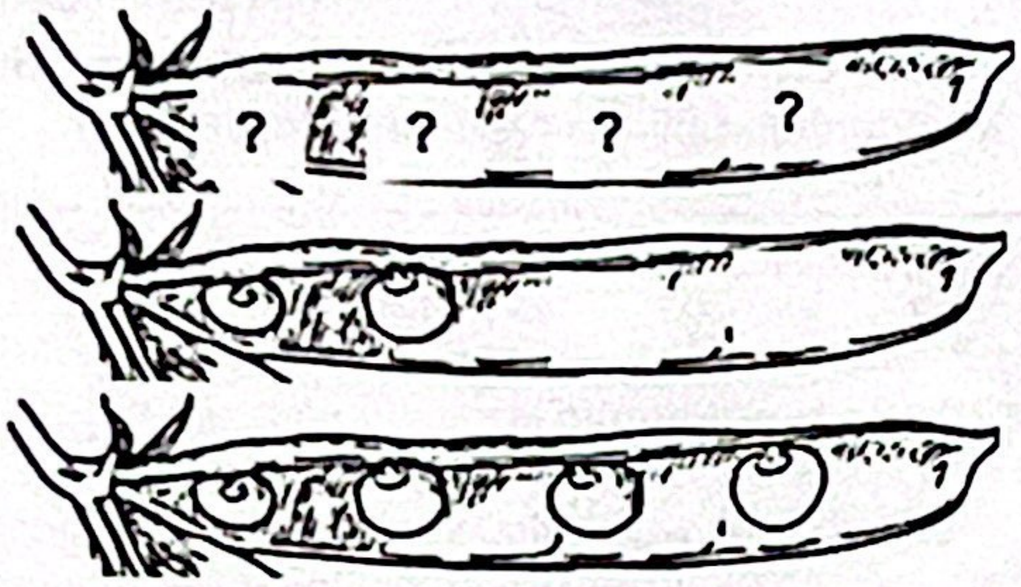
FYI: check for missing /wrong links and correct them quickly to make sure your analysis is good.

Besides breaking down and connecting or linking up ideas coherently, good analysis must have adequate DEPTH.

Depth of analysis: Aim is to achieve L3 analysis

3 TIERS/Levels of analysis
L1 - superficial (aka empty seed)
L2 – intermediate (aka Half seed)
L3 – advance (aka FULL SEED)

Graphic illustration:



Empty SEED (No analysis)

Half SEED (Incomplete Analysis)

Full SEED (Complete Analysis)

Conclusion:

To sum up good analysis involves honing the following skills:

- Ability to break down ideas systematically
- Ability to link up or connect ideas coherently
- Ability to provide adequate/sufficient DEPTH using the SEEDS approach.

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How to Write a Discursive Essay

A discursive essay is one that has two sides to the coin. It consists of both the 'agreeing' and 'disagreeing' parts.

You are required to present both points of view with supporting theories and evidences, and finally weigh the relative importance and take a final stand.

How do you know you are required to write a discursive essay?

When you see the following key command words:

Discuss, Assess, To what extent, Critically examine, Do you agree...

One useful/common structure will be the **Thesis-Antithesis-Evaluation (TAE) model.**

Generally, the essay should have 5 main sections:

1. An introductory paragraph
2. Body paragraphs that contain the elaboration on the thesis
3. Body paragraphs that contain the discussion of opposing views (anti-theses)
4. A conclusion / synthesis

Schematic plan

INTRODUCTORY PARAGRAPH	
BODY	
THESIS	ANTI-THESIS (usually at least 2 points)
CONCLUSION (SYNTHESIS)	

Sample: TYS N2000 1(b)

b) Discuss whether economic growth solves the problem of scarcity. [15]

Introduction	
Define economic growth and suggest the approach for this question *Note: there is no need to define scarcity as this has already been done in part a.*	
Body	
Thesis Explain how economic growth can alleviate the problem of scarcity using PPC diagram	**Anti-thesis (Usually at least 2 points but not a must)** Explain why economic growth cannot solve the problem of scarcity using PPC diagram *Note: Use helpful connectors like "However"*
Conclusion (Synthesis)	
Take a clear overall stand by balancing thesis with the anti-thesis and coming to a sound judgement. *E.g. From the discussion, we can clearly see that economic growth can at best **alleviate but not solve** the problem of scarcity.*	

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Sample: TYS N2000 (b)

In 1998 an airline offered very cheap flights from UK to other parts of Europe. However, the service was not very frequent, tickets could not be booked at agencies but only directly with the airline, and no meals were offered on the flights.

b) Discuss whether the different elasticity concepts could be useful in explaining this airline's policies for its flights. [15]

Introduction
Clarify that elasticity concepts help firms to raise revenue Identify the airline's policy (do not copy the whole question, value-add to it) - Lowering prices and offering a more inferior good by not offering meals and less frequent flights - Cut cost by not engaging agencies *Note: there is no need to define elasticity concepts as this is already done in part a.*
Body
Thesis Elasticity concepts could be useful in explaining the airline's policy - Explain how price elasticity, income and cross elasticity of demand can be relevant
Anti-thesis (Usually about 2 points) Elasticity concepts are not useful in explaining this airline's policy - Explain how the 3 elasticities of demand may not be relevant
Conclusion (Synthesis)
Take a clear overall stand as to the relevance of the concepts ie. relevant / not relevant in what circumstance.

Discursive Essays on Policies / Measures

For questions on policies/measures recommendation, the structure of the essay differs from the TAE approach. The following structure is recommended for questions on policies. For every policy examined, you should:

1. **State & Explain how the policy works (in the given context)**
2. **Explain the limitations of the policy (in the given context)**
3. **Have a judgement / Stand: So should the policy be used?**

For limitations of policies, a useful acronym **EAST** can help you remember the various categories that you can consider:

Effectiveness	Refers to the extent to which the policy, if implemented, can solve the problem or can achieve the state goal or meet the objectives of the policy-maker.
Appropriateness	Refers to whether it is suitable to adopt the policy. *E.g. whilst expansionary fiscal policy may be effective in stimulating actual growth, the presence of a huge budget deficit renders it less appropriate as a tool to do so.* *E.g. Imposing price ceiling may be effective in bringing down the price of oil in the domestic economy, but it is not the most appropriate solution as it does not solve the root cause of the problem, which is due to speculative demand and/or natural disasters.*
Side-effects (usually negative)	Refers to any side-effects the policy might have that may conflict with other interests or lead to other problems. E.g. While an expansionary fiscal policy may be effective in stimulating actual growth, it can lead to demand-pull inflation if there is a lack of spare capacity in the economy.
Time lags	Refers to how long it takes for the policy to take effect.

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Possible points to use for policy comparison:

- Comparing and ranking the points e.g. comparing and ranking the effectiveness of different policies in tackling a problem or comparing the importance of a factor relative to others
- Providing suggestions e.g. other possible policies which may be more effective based on the context.
- Short-run vs. Long-run solutions
- Conflict of goals
- Priorities of the government / severity of problem at the point of policy-making
- Nature of economy (small & open vs. large and not-so-open)
- State of the economy (e.g. recession, or cost-push inflation, etc)
- Developed vs. less developed economies (good for globalisation questions)
- Importing vs. exporting countries (good for primary market questions)
- Need for global concerted efforts to solve the problem (e.g. food shortages, oil prices, piracy, carbon emissions, etc)

How to Evaluate & Conclude Your Essay

→ *Refer to the Smart Explorer app for details under 'Writing a Conclusion'*

Do's and Don'ts for Writing Essays

General

Do's	Don'ts
• Do have legible handwriting. • Do arrange your answers in numerical order. • Do use <u>dark</u> blue or black pen. • Do write only within the given spae and not in the margins of the answer booklet.	• Don't forget to write name, Index no. and question no. on the cover page. • Don't label question wrongly. • Don't use correction fluid or highlighter which is not allowed in 'A' level.

Essays

Do's	Don'ts
• Do highlight key words in the essay questions and plan the approach. The few minutes spent is a very worthy investment. • Do start your essay with the 'easiest' question and end with the 'hardest' • Do start a new question on a fresh sheet of paper • Do include an introduction and conclusion. • Do draw **BIG AWE**-some diagrams – the average age of Cambridge assessors is 55! • Do use 'SEEDS' in your analysis.	• Don't need to start your essay answer according to numerical order. • Don't get carried away with the easy question. Watch your time • Don't draw a diagram in between a sentence. • Don't shade area in a diagram, e.g. consumer surplus. Rather, label it area abc. • Don't use self-invented abbreviation – protectionism (P), globalisation (G), perfect competition (PC), monopoly (MP), Singapore (SG), unemployment – uN+, demand, supply, etc and use them all over the answers. • Do not use words like, 'Firstly, secondly, thirdly and finally when writing essay.

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APPENDIX A: TRANSITION WORDS

Transitions are words and phrases that are used to signal the relationship between ideas in an essay and to join the various parts of an essay together. The following is a list of traditional expressions categorised according to their functions.

Functions	Transition words / useful connectors
In addition	Again, too, also, in addition, further, furthermore, moreover, besides, as well as
Cause and effect	Therefore, consequently, thus, accordingly, as a result, hence, then, so , otherwise
Comparison	Similarly, likewise, by comparison
Contrast	But, however, in contrast, on the contrary, on the other hand, yet, nevertheless, after all, in spite of, while
Examples or special features	For example, for instance, in other words, in illustration, in this case, in particular, specifically
Restatement	That is, as I have said, in other words, in simpler terms, to put it differently, simply stated
Summary	In conclusion, to conclude, to summarise, in brief, in short

Key phrases you might use in your evaluation might include...

- In the short run... but in the long run
- It depends... e.g. on events in other countries
- However... e.g. if the government has lost its credibility then increases in benefits might not stimulate aggregate demand significantly
- It is difficult to say owing to inaccurate or incomplete information
- This is a significant change... or there is a tendency
- On balance... despite the... it might seem that...
- On the other hand... or, the counterargument is...
- Nevertheless...
- According to one source... but other evidence suggests...
- The writer of the extract suggests... but...
- In weighing up, on balance or in conclusion...
- The assumption 'ceteris paribus' is ignored, and other things are not equal

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APPENDIX B: Article from Economics Today

(Adapted) How important is EVALUATION in economics?

Rachel Cole, teacher at Cheltenham Ladies' College and a Principal Examiner, illustrates the meaning of making a judgement on economic issues when there are opposing arguments involved.

Economics Today March 2011

In terms of marks, evaluation will earn approximately 25% of the available credit. It's one of the four assessment objectives that all A levels tests have. Even maths has it, for example in discussing assumptions and commenting on real-world applications of data.

How do you know when to evaluate?

For each exam board, there is a list of command words which will trigger the evaluation marks, and the principal examiners make their views known clearly in their examiner reports. Some examples are command words/phrases such as **assess, discuss, examine, to what extent and comment on. Evaluate** is a strong command word, which is common and easy to spot.

How do I go about evaluating?

The essential skill is that you look at the situation from a different perspective, that is, provide some *critical distance*.

Suppose your teacher tells you that (s)he is cancelling your test next week. On one hand this might seem like the best news ever, as it will save you hours of revision and organising your notes. But on the other hand, you know that you would like to have been made to organise your notes and learn through things, and so you are not as pleased as you might have thought you would be. In the long run, when it comes to sitting your public exams, you will be wishing you'd been made to take the test, whatever the cost at the time. You might even be angry that the test was cancelled. Here there are some clues as to how to evaluate: you are looking at the same event (test cancelled) from two perspectives. So in evaluation, you move away from the current view, and take in more of the picture, *a wider view*. When you press 'wide angle' on your camera you will see so much more, although you miss out on the detail. Evaluation means taking in more of the situation – whether it be more information that time will provide, a context, bias, another person's issues, changes that are not known, or a weighing up of advantages and disadvantages.

Let's now look at this using an example from recent news. Inflation in the UK has risen from 3.2% to 3.3 % but interest rates are still at an all-time low of 0.5%. Has the Monetary Policy Committee lost its mind? Doesn't it know that there is a target of 2% inflation, with 1% ceiling and floor – inflation is above the 3% ceiling and getting worse? Surely it's time to raise interest rates and sort out this problem?

In this context the exam question which has been used in similar situations is "Assess the decision by the MPC to keep interest rates on hold". When this question was used the students found it particularly hard to assess something which hadn't changed. Certainly it was very hard to use a convincing diagram to show any shifts, and it was odd in an exam to argue that the main monetary authorities didn't realise that Inflation wasn't supposed to go above 3%.

This is where the wider picture is needed. In the context of a global recession and credit crisis, raising tax rates and spending cuts by the incoming Coalition's Chancellor Osborne, making things harder for borrowers was not judged to be the right decision (other things are not equal). Projections for inflation over the coming year were that it would fall below 1%, and the effects of interest rate changes can take 18 to 24 months to have their full effect (the time lag argument). We do know that the increase in prices was not due to too much aggregate demand, but instead by rising costs such as oil prices and indirect taxes (questioning the possibility of other evidence which has not been provided). See the key phrases section at the end of this article for a wider choice of evaluation methods.

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We are now going to look at some recent questions which require evaluation. It is suggested that you cover the text that follows each question, and jot down possible points of analysis and evaluation. Then look at the subsequent comments. Are you on the right track?

Questions with evaluative content, and how to approach them

For these questions, note the evaluation command word, and then cover the suggested evaluation points provided.
See how many you can think of before looking at the suggestions offered.
Remember that there may be many more evaluation points than those suggested here, and the ones provided are *sufficient* if not *necessary* for a top grade.

***Example 1:** Assess the likely benefits of a merger between two touring-bus companies competing for tourists in the same city.*
Benefits – there might be increased market share, economies of scale, and a merger might prevent duplication of routes and reduce congestion, reduce the risk of price wars and any marketing costs such as leafleting are reduced.

Evaluation: This might take the view that there are increased costs to firms, e.g. inefficiencies, problems of merging different corporate cultures, and costs to consumers, for example loss of consumer welfare, reduced choice and increased prices. There are other evaluation types, such as, it depends on how profitable the firms are – if one is about to go out of business, the merger could save jobs and service to the public. Or you could look at changes over time, for example, in the short run a merger might see a reduction of costs as the firms can pool their resources, but in the long run costs might rise if the firm suffers from inefficiency that comes about through lack of competition (known as **x-inefficiency**).

***Example 2:** To what extent is the market for real ale a contestable one?*
Arguments that it is contestable: The more unique the beer the more likely it is to succeed, and therefore there do not have to be extensive research and development costs. There are low entry barriers to beer production, for example home brewing has a lot of set up costs, and new brand names are always being introduced and once a pub has taken on the brand, there might be low further marketing costs. Consumers are always willing to embrace a new or local innovation.

Evaluation: Health and safety rules increase the barriers to entry, and investment in professional staff and equipment will significantly increase set up costs. Chain pubs are less likely to risk a new beer, and often own the breweries or at least have monopsony power over the brewers' distribution.
The government has to issue a licence to brewers and taxes are high, and must be paid even if the beer goes off before it is sold in the pub. Multiple retail chains are even less likely to take on 'unknown brands' as they could risk their reputation for quality assurance. While in the short run a beer might be introduced successfully, new competition will change the behaviour of other firms, and they might act to force the new entrants out of the market, e.g. through **limit pricing** or by hostile takeover.

Conclusion

In any extended writing at the A Levels, you are probably going to have to provide some evaluation. It's a 'higher order skill' meaning that you must practise it, learn to take advice, and refine your skills in providing well-balanced judgements. You must offer a conclusion, that is, draw together both sides of an argument, weighing the points on each side but *try to make some decision, even if there are qualifications or limiting factors in your decision.* When you have written some evaluation you should feel satisfied that you have represented the views of people who think differently, but also have some satisfaction that the conclusions you have reached are fair.

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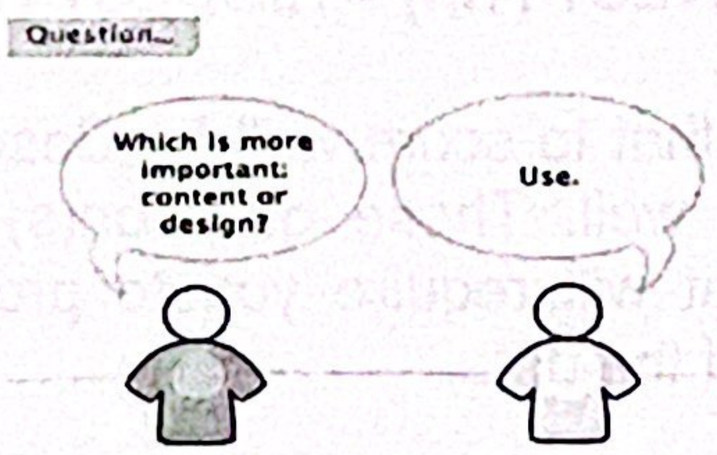
CASE STUDY SKILLS

CONTENT PAGE

1. Mark allocation for Case Studies	**2**
2. Case Study Skills: An Overview	**3**
3. Case Techniques and Tips	**4 – 5**
4. Sample of Annotated Data	**6 – 9**
5. Case Study Skills (I) – Handling Data	**10 - 23**
Part 1: Trend related questions	
(A) Describe and summarise the trend	10 – 14
(B) Compare trends	14 – 15
(C) State Relationship	16
Part 2: Economic Indicators	
(A) Indices	17 – 19
(B) Weight	19 – 20
(C) Interpretation of data using economic indicators	21
(D) Calculation of data	22
Summary of Data Handling Skills	23
6. Case Study Skills (II) – Techniques to Answer Lower Order Skills Questions	**24 – 26**
7. Case Study Skills (III) – Techniques to Answer Higher Order Skills Questions	**27 – 30**
8. Dos and Don'ts for Case Studies	**31**



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(1) MARK ALLOCATION FOR CASE STUDIES

Paper 1 (Case Studies) takes up 40% of total marks.

It consists of 2 compulsory case, each accounts for 20% of total score.

The time allocated is 2 hours 30 minutes.

Each case is 30 marks with several structured questions.

Breakdown of the types of questions in each case study:

Total marks for 1 Case Study		**30m**
Questions with **L**ower **O**rder **S**kills	• Assessment Objectives (AO): AO1+AO2+AO3 *AO1: Knowledge and Understanding - Demonstrate knowledge & understanding of economic concepts, theories and principles *AO2: Interpretation and Evaluation of Information - Interpret economic information as presented in textual, numerical or graphical form - Make valid inferences form the information and evaluate its reliability *AO3: Application and Analysis - Apply relevant economic concepts, theories and concepts to analyse contemporary issues, policies and policy choices - Construct coherent economic arguments	**12m (40%)**
Questions with **H**igher **O**rder **S**kills	• Assessment Objectives (AO): AO1+AO2+AO3+AO4 *AO4: Evaluation - Critically evaluate alternative theoretical explanations, contemporary issues, perspectives and policy choices - Recognise unstated assumptions and evaluate their relevance - Synthesis economic arguments to arrive at well-reasoned judgements and decisions.	**18m (60%)**

Mark range in the case study questions:

LOWEST (1m) – HIGHEST (10m)

From the table you will see that to score well for Case Study, you have to be able to read and interpret data well. These question(s) is/are usually the first few questions in the case. Most will require you to provide economic explanations following the interpretation of the data.

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(2) Case Study Skills: An Overview

The case study paper is designed to test your ability to apply economic theory to a given set of data or information in 3 forms:

1. Textual (extracts)
2. Numerical (tables)
3. Visual (graphs)

In learning & developing skills to score well for case study there are 2 areas of focus:

A. Reading skills
B. Answering skills

A typical breakdown of the process and time allocation for planning and answering case questions under exam conditions:

Process	Aims and objectives	Recommended time allocation	Total time allocated per case
Scan and Annotate Data (SA)	Read to: 1. Gain a general understanding of the data 2. Get an idea of the case study questions	15 min	75 min
Focus and Answer Questions (FA)	Read the data with the purpose of answering the questions.	60 min	

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(3) Case Techniques and Tips

How to read and answer a Case efficiently and effectively

	STRATEGY	REMARKS
Time Management	**1 hr 15 min to answer one full case**	A common complaint - students cannot finish the case on time due to poor time management.
KEY STEPS	**15min - Reading time**	**Scan + Annotate + Focus + Answer**
	1 hr - To answer the entire set of questions	**1 mark is equal to 2 min** ***Note: Generally, for data handling questions, 1m=2min is more than sufficient***
(1) **5 min**	**Scan**	• Scan both data and questions by looking at the headings of extracts and charts/tables and questions • Get an overview or "feel" of what the data is about and be prepared to apply relevant economic concepts. • Questions to ask yourself: 1. Is the case study predominantly micro or macro? *It is likely the case study will be a mixture of micro and macro 2. Context of data – What is the BROAD theme? This can be inferred by reading the heading or title of the Case. e.g. Market for Coffee or Alternative policy approaches to generating economic growth 3. What type of data is provided? Textual (extracts), numerical (tables), visual (graphs)? Read the headings, title of graphs; footnotes and sources of data quickly. 4. What are the key economic concepts tested? E.g. elasticity; demand and supply, scarcity ... This can be gleaned from scanning the set of questions and highlighting the concepts in each question. For Lower Order Skills (LOS) questions, you are usually directed to specific parts of the data to look for the answer e.g. *'With reference to Figure 1 or Table 1 or Extract 1 explain'*. Good to quickly annotate the relevant parts of the data to refer to.
(2) **10 min**	**Annotate**	**Quick run through of data -** once you have done the scanning, you should be ready to do purposeful annotation. 2 useful aspects to annotate : 1. Pick up useful information to guide you in applying the information to answer the questions such as: • Highlighting/circling useful data • Summarise key ideas behind each extract or table and graphs 2. Ask : • What is this extract telling me? • What are the key economic concepts (explicit and implicit) found in the data • Which information is useful to answer the questions
(3) & (4) **60 min**	**Focus on the SET of questions**	**Read through ALL (whole set) questions before answering.** Be mindful of time allocation and mark allocation. Generally there are two different types of questions are tested: 1. Lower Order Skills Questions 2. Higher Order Skills Questions Use the 3 'Cs' to analyse the questions: Command words, Concepts and Contextual references e.g. Extract 1, Table 1

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	Answer according to the requirements of each type of question ***While attempting the questions, circle the 'marks awarded' to gauge how much to write.***	• **Lower Order Skills Questions (12m) – Be concise and precise** Typical command words: Describe, compare, identify, state, define, account, explain, consider, comment, etc. [1] –[6] marks type of question • Data handling skills required e.g. reading numbers, graphs and interpreting them correctly e.g. '*Describe the trend in Figure 1 or Table…*' • The use of key diagrams and analytical frameworks are often required e.g. using demand and supply analysis or diagrams explain…. • Concise explanations are required for questions carrying (2)–(4) marks. There is no need to write overly lengthy answers because that comes at the expense of having no time to complete the Higher Order Skills Questions (worth 18m) adequately. • Based on the scoring system, it is easier to score full marks for LOS questions. So train yourself to achieve as close to perfect scores as possible. • **Higher Order Skills Questions (18m)** Usually these are the 8m and 10m questions. Answers expected are similar to part (b) of essay questions. But, the style is not exactly the same as essay writing because for case answers you got to make use of DATA to answer the question. In other words, the skill of contextualising is very important to score well. Your analysis has got to be related to the data (unless otherwise instructed by the examiners **) which means you need to make REFERENCES to the data e.g. '*According to information provided in Extract 1 or Table 1 or Figure 1…*' It is ok to make selective quotes from the data if necessary. But, <u>do not</u> "spam" your entire answer with information lifted straight from the data. **For CASE answers – as far as possible theory must be contextualized or supported by contextual evidence.** **Generic (i.e. non-contextual) answers gain very little credit/marks.** ** However, in some instances where the examiners may also require you to use "your own relevant knowledge" to complete the analysis. This means you can use information outside of the data to answer the question Typical Command words: Discuss, assess, evaluate, to what extent do you agree, etc. [8] – [10] marks type of question ***Hint – Look at command words and mark allocation.***
SYNTHESIS		• Case study questions are different from Essays because your response depends <u>a great deal</u> on the given data and <u>how you contextualise your analysis</u> to suit the data. • Generic answers (based purely on theory) cannot help you to score well. • Best to get comfortable with looking at data from various sources such as newspapers, economic magazines and other on-lines sources from government websites or international sources like IMF, World Bank, OECD etc. E.g. A rich source of statistical data can be found on the on-line website trading.com. • The more you are used to looking at data, the better your ability to quickly digest the information under exam conditions.
RECALL		**Scan + Annotate + Focus + Answer**

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(4) Sample of Annotated Data

Note:

- *After annotation, the paper should neither be 'too clean' nor 'highlighted all over'.*
- *The former may mean you have missed out some important info/stats while the latter means almost everything is important to you and it will be difficult for you to identify and include relevant evidence in your answers.*

N2013 H2 Q2

Alternative policy approaches to generating economic growth

Extract 4: Consumption-led economic growth policies

The Chinese government knows it is time for a change. The old economic model based on cheap exports and high levels of investment cannot be sustained. Fortunately, the latest five-year plan, covering 2011–2015, aims to boost internal consumer demand as the main engine of growth. The plan calls for more high-tech industry and for greener, less carbon-intensive, growth. Take the drive into high-tech. Beijing's approach to date has been to make it hard for foreign companies to sell products such as cars into China unless they set up joint ventures with local partners. The idea is that this helps technology transfer. It is, of course, open to China to invent its own technology and certainly large sums are being earmarked for research and development, which is to rise from 1.8% of GDP to 2.2% of GDP over the course of the five-year plan.

China has abnormally high average and marginal savings rates. This is partly the result of events such as World War Two, the long civil war between the Communists and the Nationalists, the horrific famine in the late 1950s and the Cultural Revolution in 1966–1976, all of which encouraged saving. These memories are fading. But the ageing population has new concerns about how to pay for its health care and pensions – especially as the state does very little on this front. The one-child policy makes this worse because the Chinese people cannot look forward to a large number of children taking care of them in their old age. Given all these factors it makes sense to save a lot.

To get its new economic model working, Beijing will have to boost consumption. That, in turn, means increasing the amount of money in people's pockets and encouraging them to spend more of it. There are three main ways to do this – but each is problematic.

First, push up wages. This would give people more money to spend. The snag is that wage inflation is already reducing China's competitiveness.

Second, allow the exchange rate to appreciate. That would keep down inflation and boost consumers' purchasing power. But again, it would undermine competitiveness.

Third, give the people a better deal on tax and social security, so that they would not need to save so much themselves. As part of the latest five-year plan, the government does intend to improve pensions and health care. And, in the short run, it is rich enough to afford to. The country has foreign reserves equivalent to 50% of GDP, more than offsetting public sector debt which is 17% of GDP. But the problem with making generous promises to an ageing population is that the cost mounts year by year.

It is doubtful whether the leadership will be able to do all this. As a result, consumption may not grow fast enough to make up for the relative decline in exports and investment.)

Source: Hugo Dixon, www.ukreuters.com, accessed 10 May 2011

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Extract 5: Environmentally sustainable economic growth policies

As world leaders meet for the World Economic Forum (WEF), they must start accepting the fact that the 20th century's triumph of consumption-led free market economic policies has created the crisis of the 21st century: looming catastrophic climate change, massive environmental damage, significant depletion of natural resources and a bleak future for the world's poor majority.

The call for Asia to copy the Western economic model – which defines success as consumption-led growth – must be challenged. How can we survive if billions of Asians start to consume as the West does? Try, for example, imagining a world by the middle of this century in which 4 billion to 5 billion Asians are consuming like Americans. The result would be catastrophic. Yet this is what Asians are told to aspire to. As Asian economies grow and expectations increase, the 2 billion Asians now at the margins of the consumption economy will radically transform global demand and supply, not only for non-renewable commodities such as oil and coal, but also for renewables such as food.

Let us take chickens as an example. Today, Americans consume about 9 billion chickens annually. Asia, with a population 13 times larger than the US, consumes about 16 billion. If by 2050 Asians consume like Americans, they would consume about 120 billion chickens a year. Would technology really have the answer, (such as genetically modified birds that do not create waste and need less feed), or must Asian leaders acknowledge that there is an urgent need for rules on resource management and unrestrained consumption? In facing the challenge, they must reject the current model of consumption-led economic growth that thrives on under-pricing environmental externalities. Instead, true prices must be established in the market.

The free market approach led by the West will not deliver. Asian leaders are at a crossroads and will have tough political decisions to confront. With regard to the right to consume, do they allow Western-style freedoms, coupled with the under-pricing of goods with negative externalities to flourish? Or do they demand strong government intervention to ensure a fairer and more sustainable future?

There is still a belief amongst some politicians, however, that technology can provide all the solutions. What is needed is the introduction of rules that would change how people behave and consume. This is why Asian governments must act now. It is the role of the state to ensure that actions that benefit a minority do not impinge on the rights of the majority, for example when dubious mining rights are granted to the elite, affecting thousands if not millions through displacement and pollution. That is what Asia is confronted with now. In the 21st century in Asia, this issue starts with access to resources and therefore the rights to various basic forms of consumption. The core task of Asian governments is to put resource constraints at the centre of all policy-making. Asian leaders must realise that limits must be placed on consumption.

This means shaping policies around the following core principles:

- Resources are limited: economic activity must be subservient to maintaining resources.
- Resource use must be equitable for current and future generations: collective welfare must take priority over individual rights.

Two key mechanisms that governments in Asia must use are:

- Pricing – Governments must put a true price on the goods and services provided by the environment. Goods must be re-priced to reflect the true cost to society. Taxes must be imposed to ensure this.
- Limits – putting caps on the use of resources, including, where appropriate, outright bans. In this regard, tough action must be taken on forests and fisheries.

These actions will have a direct impact on consumption. Putting in limits will force companies to adapt to a new type of resource pricing and consumer reality. Most importantly, it will begin to change behaviour and expectations and allow more people to have a fairer share of limited resources.

Source: Chandran Nair, *The Banker*, January 2011

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Table 2: Gross Savings (% of GDP)

	2006	2007	2008	2009	2010
China	52	52	53	54	51
Singapore	46	48	45	45	46
United States	16	14	12	10	10

highest

lowest

effects of inflation removed / real values

Table 3: GDP Growth Rates (Annual % change at constant prices in local currency)

	2006	2007	2008	2009	2010
China	12.7	14.2	9.6	9.2	10.3
Singapore	8.7	8.8	1.5	–0.8	14.5
United States	2.7	1.9	0.0	–2.7	2.9

Highest

lowest

Table 4: GDP per capita (current US$)

	2006	2007	2008	2009	2010
China	2069	2651	3414	3749	4393
Singapore	33019	38645	39136	36758	43867
United States	44663	46406	46971	45745	47184

Lowest

Highest

Table 5: Exports of Goods and Services (% of GDP)

	2006	2007	2008	2009	2010
China	39	38	35	27	29
Singapore	234	219	233	200	211
United States	11	12	13	11	11

export-led

South

Table 6: Imports of Goods and Services (% of GDP)

	2006	2007	2008	2009	2010
China	31	30	27	22	25
Singapore	205	187	212	176	183
United States	17	17	18	14	14

Highly dependent on imports

Source of Tables 2 to 6: World Bank

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Questions

(a) Identify one injection and one leakage (or withdrawal) shown in the tables that would change if consumption became the 'main engine of growth' in China in the future. [2] MACRO

(b) Using a diagram, explain how new technology could increase the goods and services available to an economy. [2] MACRO

PPC?

(c) With reference to the data, explain how you would expect the size of the multiplier to differ between the US and China. [4] MACRO

LIZAS?

(d) Explain how China's competitiveness might be maintained if its exchange rate were allowed to appreciate. [4] MACRO

(e) Explain what the author of Extract 5 means by a 'true price' and consider whether an indirect tax is the best way of ensuring that goods are charged at the true price. [8] MICRO

(f) The data provides an explanation of two different policy approaches to generating economic growth. Discuss which approach you would recommend for Asian economies. [10] MACRO

Consumption led vs Sustainable EG

[Total: 30]

Higher Order Skills required

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(5) CASE STUDY SKILLS (I) – HANDLING DATA

Part 1: TREND RELATED QUESTIONS

Questions to ask yourself when you are given statistics presented in a graph/ chart/ table:

1. What exactly does the graph show? (Refer to the chart title)
2. What are the axes and what are the units?
3. What is the change? (Direction of change)
4. How much was the change? (Magnitude/speed of change)

Trend-related questions can test on various trend analysis skills:

A. Describe or summarise the trend
B. Compare the trends
C. State the Relationship between trends

(A) DESCRIBE OR SUMMARISE THE TREND

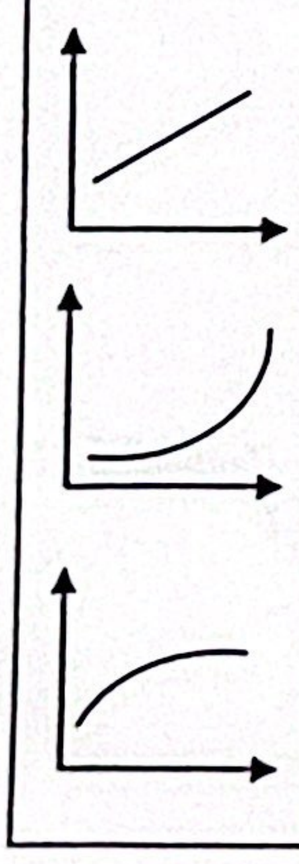
Time series data is used and it shows the value of some variables over a period of time. It is usually presented in a simple bar chart or line graph.
The key idea is to give a **general picture** which emphasises **a repeated or consistent pattern** and not a year-on-year detailed analysis.

2 Steps for a 2 marks question

1. State the general trend.
2. Point out the rate of change or irregularity (if any).

Note: At times, there may be TWO distinct trends in the graph and it is incorrect to give an overall trend description. Refer to Sample 2.

Vocabulary that you can use while describing graphs (list is not exhaustive):

Sample graphs	STEP 1	STEP 2		
	Trend	How?	Or: How much?	Or: Irregularity
	**Increased/grew** **Decreased/fell**	**At an increasing/ decreasing rate, significantly, rapidly, sharply, strongly, steadily, gradually, etc.** ***Note: Describing the change in rate is more meaningful than the other adjectives.***	**By X% or doubled, fourfold, etc** ***Note: Reading the stats directly from the source (i.e. absolute change) is less meaningful than giving the % change (i.e. relative).***	**Except for this period, xx to yy, where it had decreased/ increased instead.**

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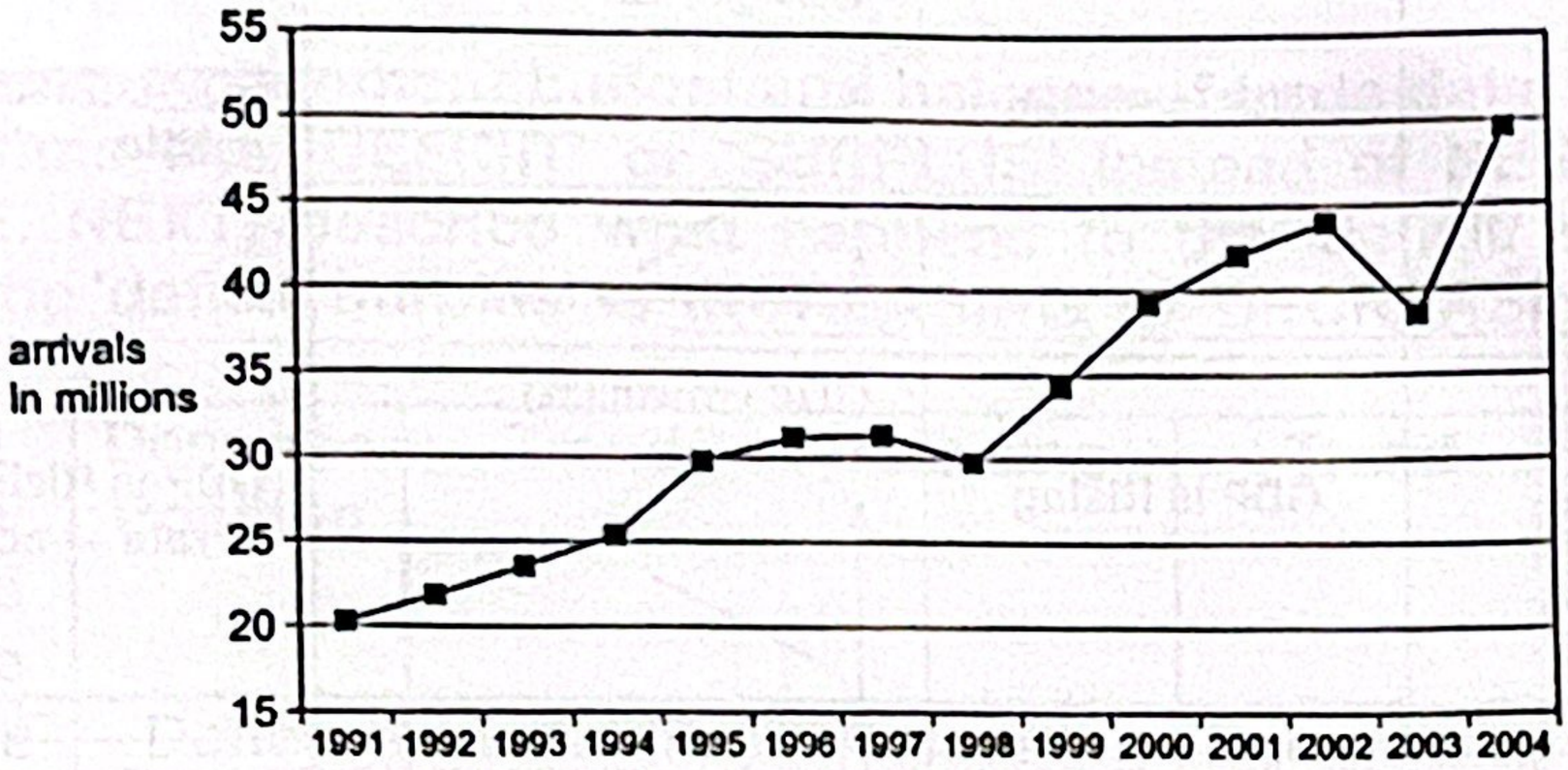
Sample 1: Adapted from N2007 H1 Case Study Q1

Figure 1: Total international visitor arrivals to ASEAN (1991–2004)



Source: www.aseansec.org/tour_stat

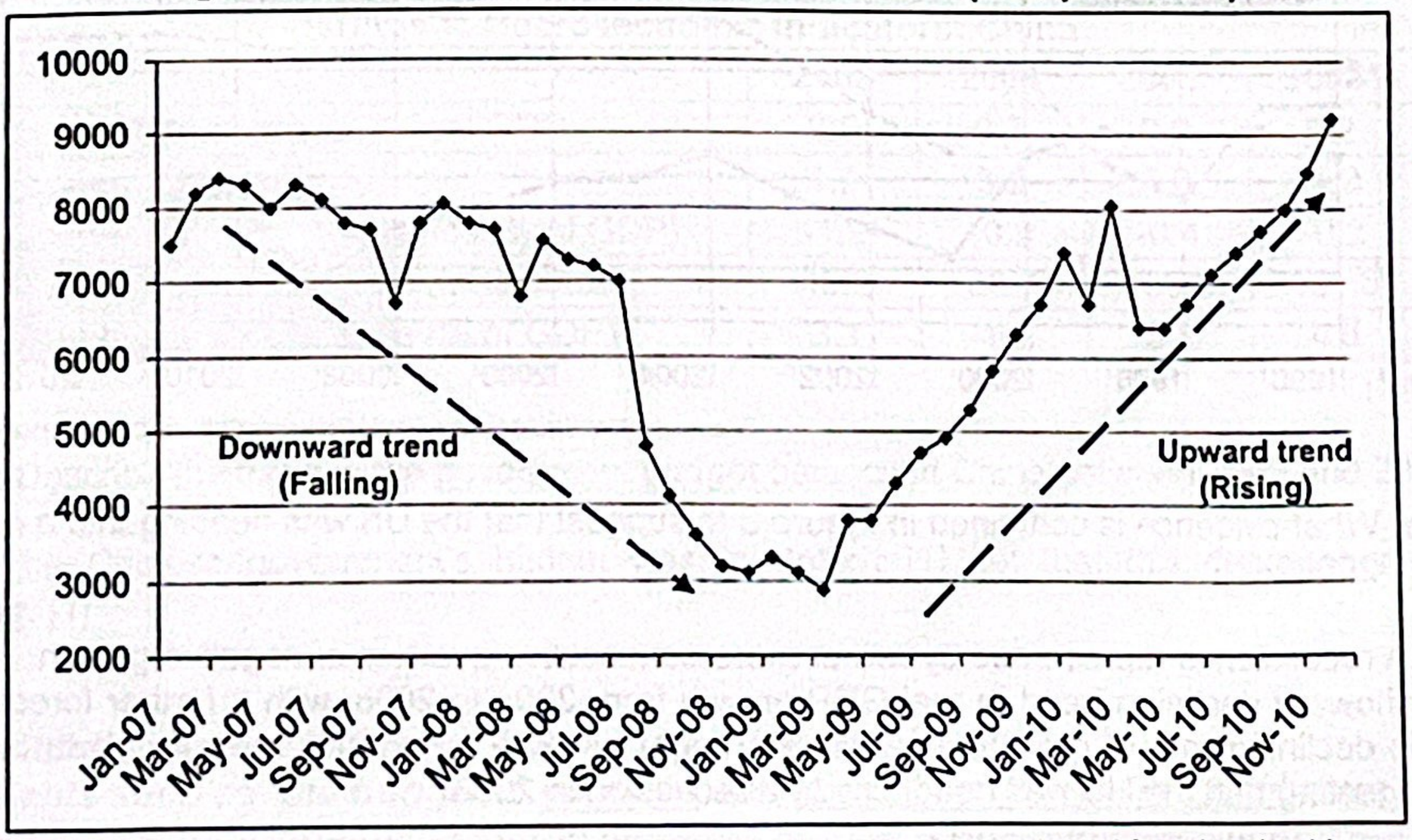
Question: Summarise the trend in international visitor arrivals to ASEAN from 1991 to 2004. [2]

Answer: International visitor arrivals to ASEAN have generally **increased** (1m) from 1991 to 2004 **except in 1998 and 2003**, where they have **fallen** (1m).

Note:
- ***If only 1m is awarded for the question, stating it is an increasing trend suffices.***
- ***Following such a trend describing question would normally be a question on using economic analysis to account for the trend observed.***

Sample 2: 2011 HCI Prelim H2 Case study Q1

Figure 3: World Prices for Copper, 2007-2010 (US$ per tonne)



Source: adapted from London Mercantile Exchange

Question: Summarise what happened to the world prices for copper between 2007 and 2010. [1]

Answer: It **decreased** from 2007 to mid-2009 but **recovered** strongly thereafter.

***Note:** When there are TWO distinct trends within the given period, you cannot give an overall trend description. See the following example.*

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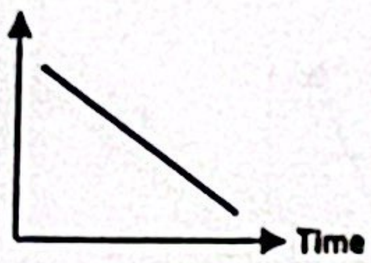
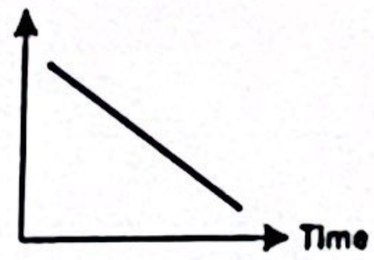
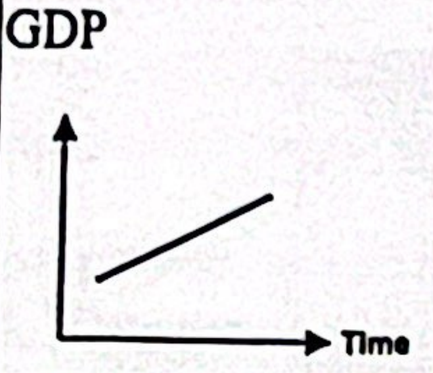
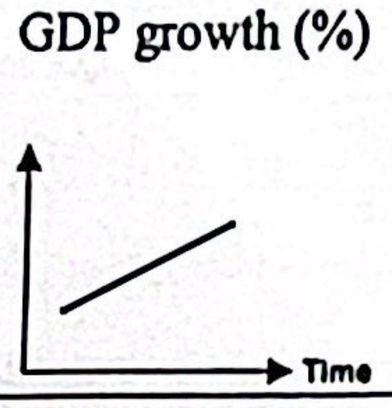
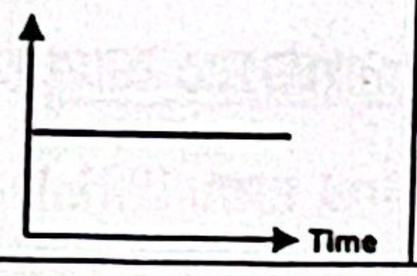
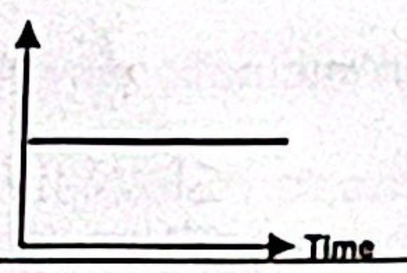
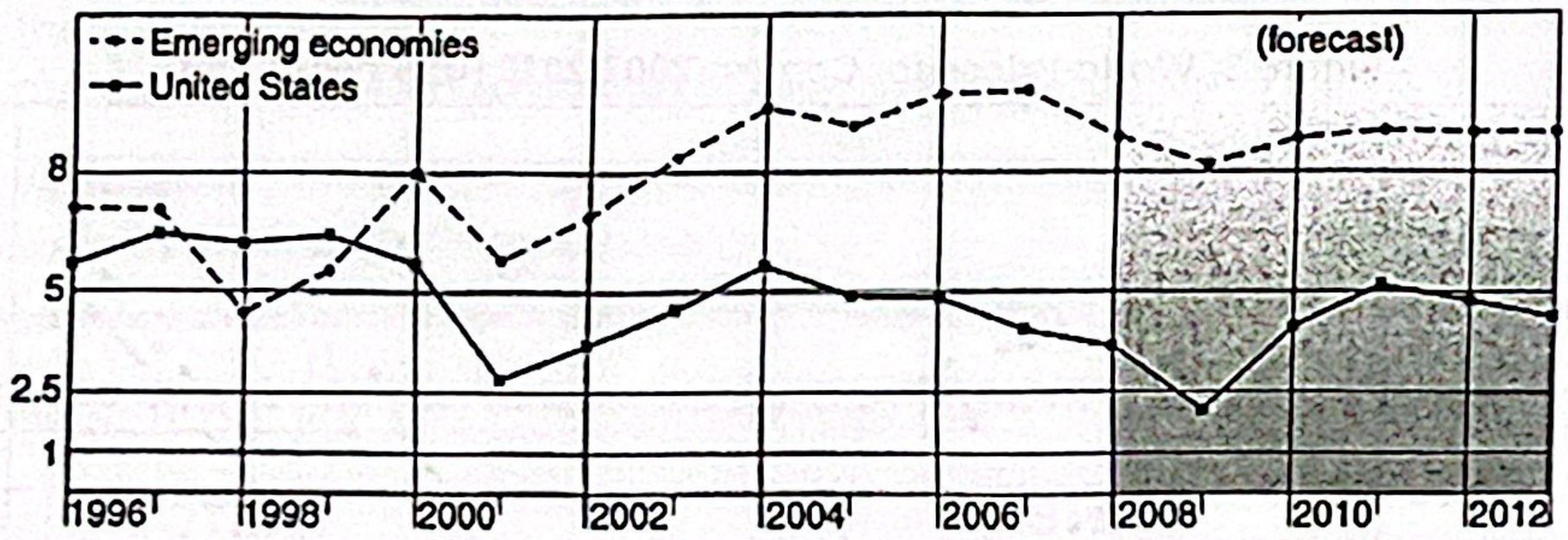
Absolute Change versus Percentage Change (e.g. GDP)

Graph	Absolute Change	Graph	Percentage Change
GDP 	GDP is Falling	GDP growth (%) 	GDP is Rising at a slower rate → decelerating
GDP 	GDP is Rising	GDP growth (%) 	GDP is Rising at a faster rate → accelerating
GDP 	GDP is No change (Flat)	GDP growth (%) 	GDP is Rising at constant rate → stable rate of growth

For GDP to fall, the GDP growth has to be in the negative range.

Sample 3: Adapted from N2010 H2 Case Study Q2

Figure 3: Real GDP growth (Annual percent change)



Copyright: CIMF, 2008 Source: World Economic Outlook (October 2008)

Question: What evidence is contained in Figure 3 to suggest that the US was heading into a recession in 2008? [1]

Answer: A recession is represented by two or more consecutive quarters of negative growth.
Figure 3 shows a declining trend in real GDP growth from 2004 to 2008, with a further forecasted dip in 2008. This declining rate of growth, if continued, might become a negative rate of growth in the future, hence suggesting that the US was heading into a recession in 2008.

***Note:** Declining rate of growth e.g. from 6% in 2004 to 5% in 2005 in Figure 3 means that real GDP is still increasing but at a decreasing rate. It does not represent GDP has fallen.*

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IMPORTANT:

1. **Budget balance and trade balance**

In describing government budget and balance of trade data, it is a MUST to use terms like 'DEFICIT' or 'SURPLUS' instead of NEGATIVE AND POSITIVE. NEXT, describe what happens to the 'deficit/ surplus', i.e. whether the 'deficit/ surplus' is 'INCREASING' or 'DECREASING'.

Budget balance/ Balance of Trade	Describe Position	Trend	Meaning	Trend	Meaning
Negative	Deficit	Increasing	Worsening	Decreasing	Improving
Positive	Surplus	Increasing	Improving	Decreasing	Worsening

2. **Exchange rate**

For questions on exchange rate, it is a MUST to use words such as 'APPRECIATES' or 'DEPRECIATES' instead of 'increases or decreases'.

If not, no credit will be awarded.

Sample 4: N2007 H2 Case Study Q1

Table 1: Macroeconomic Indicators: China

	2003	2004	2005*	2006*
Annual rate of growth in real GDP	9.5	9.7	9.0	9.2
Rate of inflation	1.2	3.9	4.0	4.2
Government budget balance (% of GDP)	-1.9	-0.9	-0.4	-0.2
Current account balance (US$ billion)	45.9	68.7	100.0	101.0
Current account balance (% of GDP)	3.1	4.0	5.2	4.6

[*projections]

Question: Describe the trend in the government budget balance in China between 2003 and 2006. [2]

Answer: The Chinese government's budget was in **deficit** [1] but that this deficit was **declining/ decreasing.** [1]

Note:

- ***That actually means the budget balance has improved.***
- ***Comments such as 'the budget is negative and rising at a decreasing rate' were awarded no marks by Cambridge because the negative sign was given in the data and simply stating this did not suggest that the candidate had any grasp of the significance of the figures in any economics sense.***

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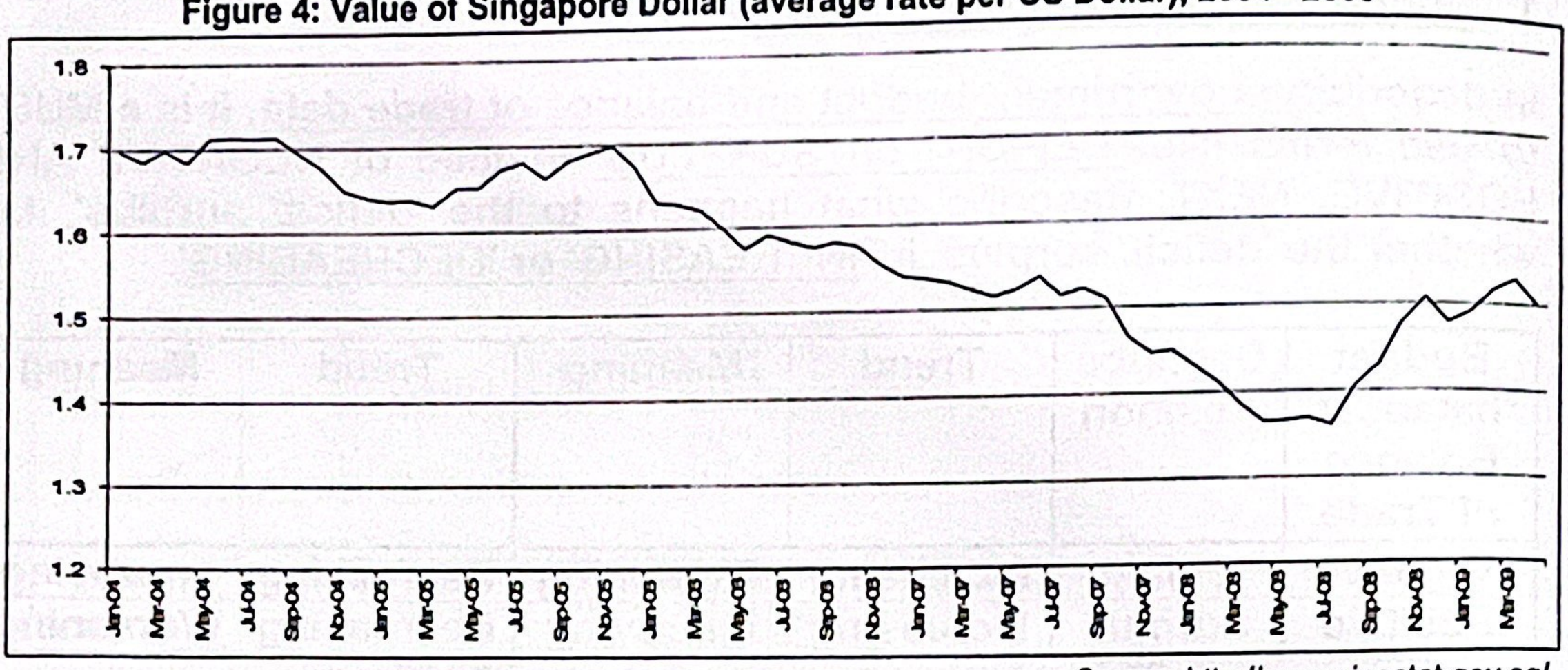
Sample 5

Figure 4: Value of Singapore Dollar (average rate per US Dollar), 2004 - 2009



Source: http://www.singstat.gov.sg/

Question: Describe the trend in the value of Singapore dollar between 2004 and 2009. [2]

Answer: The SGD appreciated till mid 2008 **[1]** but depreciated thereafter **[1]**.

How to read this: *Initially, SGD$1.7 is needed to exchange for USD$1 but by mid '08, only SGD$1.3 is needed – so it shows SGD has strengthened which means it has appreciated. After mid '08, SGD$1.5 is needed to exchange for USD$1 so it has appreciated.*

→ *Refer to Smart Explorer app for exercises to check your understanding!*

(B) COMPARE THE TRENDS

General guide: State 1 similarity and 1 difference.

Note: This may not be true all the time. At times, two differences are acceptable when there is indeed no similarity.

Vocabulary that you can use while comparing graphs (list is not exhaustive):

For similarity:	Use a key word '**BOTH**' or '**ALL**' if there are more than 2 trends.
For difference:	Use the '**-e** &/or **than** words' like 'high**er than**', 'low**er than**', 'fast**er than**', 'slow**er than**', 'more **than**', 'less **than**' or 'stable vs volatile', etc. If it's more than 2 trends, then use the '**-EST**' words like 'low**est**', 'fast**est**', 'slow**est**', 'least', 'most', etc. Use **connecting** words like 'although', 'however', 'but', 'while' to make a contrast and to **point out the difference explicitly.**

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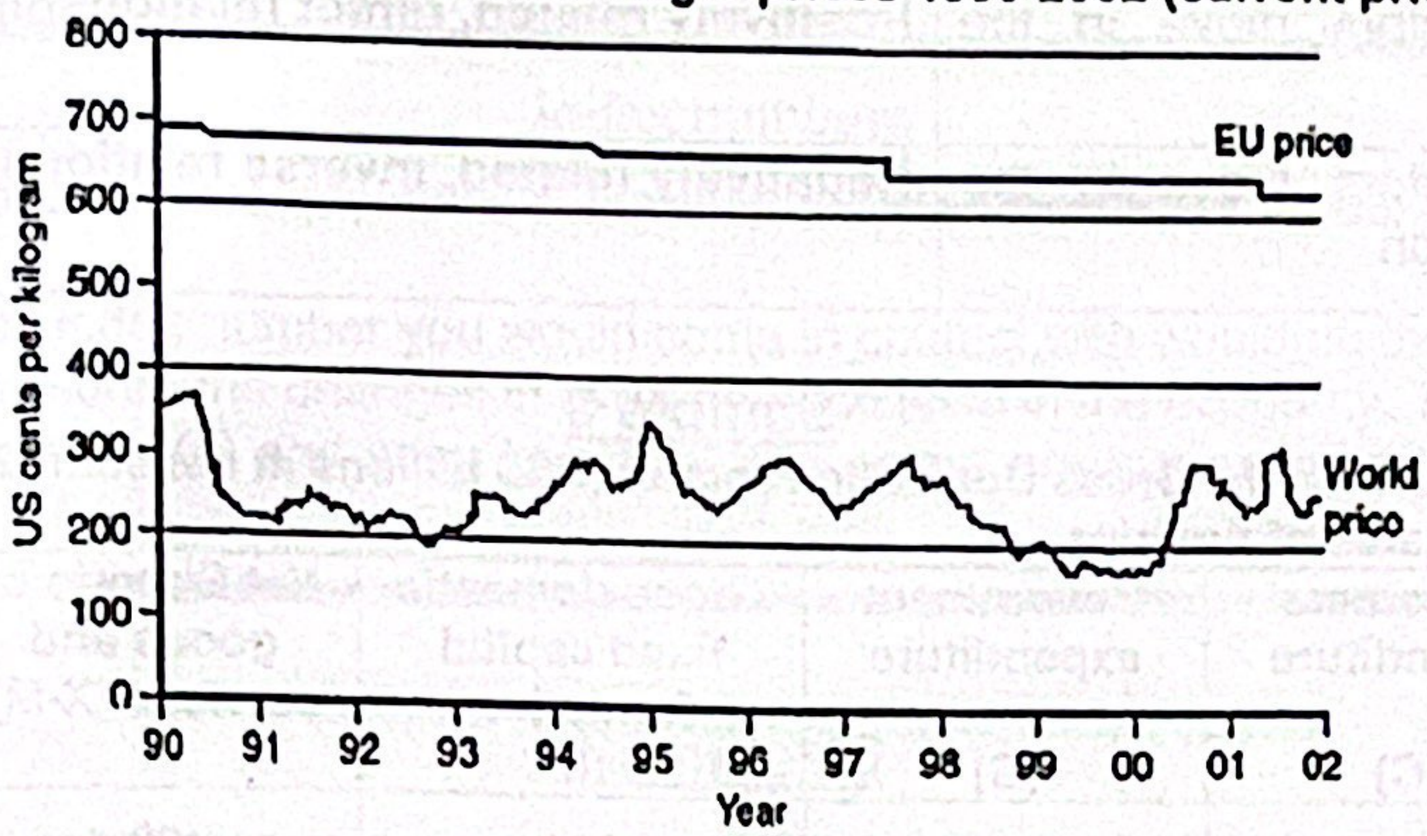
Sample 6: N2004 Case Study Q1

Figure 5: EU and World white sugar prices 1990-2002 (current prices)



Question: Compare the EU prices of sugar with the World price of sugar over the period shown. [2m]

Answer: BOTH prices **fell** (1m–similarity) **but** the EU price is consistently 2 - 3 times **higher** than the world price **OR** the EU price is much more **stable** compared to the world price which is much more **volatile** (1m–difference).

Note:
Following a trend comparing question would normally be a question on using economic analysis to account for the difference and/or similarity.

Sample 7: Using N2013 H2 Case Study Q2 data

Table 3: GDP Growth Rates (Annual % change at constant prices in local currency)

	2006	2007	2008	2009	2010
China	12.7	14.2	9.6	9.2	10.3
Singapore	8.7	8.8	1.5	-0.8	14.5
United States	2.7	1.9	0.0	-2.7	2.9

*Base effect

Source: World Bank

Question: Compare the annual growth rates in China with that of Singapore and the United States between 2006 and 2009. [3]

Answer: The annual growth was generally **positive** for all three countries (1m–similarity). However, China experienced the **highest** annual growth compared to the United States and Singapore. (1m – difference). China also maintained her positive growth rate while Singapore and the United States experienced negative growth in 2009. (1m – difference)

***Base effect affects the interpretation of growth rates. For example in Table 3, the United States growth is less than that of Singapore. However it does not mean it is producing less output because it is growing from a much bigger base than before.**

→ *Refer to Smart Explorer app for exercises to check your understanding!*

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(C) STATE RELATIONSHIPS

Vocabulary that you can use while stating a relationship (list is not exhaustive):

When 2 indicators move in the **same** direction	**Positively related, direct relationship**
When 2 indicators move in the **opposite** direction	**Negatively related, inverse relationship**

Sample 8

Table 7: Expenditure on the Gross Domestic Product (US$ billions at constant 2000 prices) in the United States of America

Years	Consumers' expenditure (C)	Government expenditure (G)	Gross domestic fixed capital formation (I)	Net Exports of goods and services (X-M)	GDP
2003	7,703.6	2,092.5	1,664.1	-499.4	10,960.8
2004	8,195.9	2,216.8	1,888.6	-615.4	11,685.9
2005	8,707.8	2,363.4	2,077.2	-714.6	12,433.9
2006	9,224.5	2,523.0	2,209.2	-762.0	13,194.7

Source: Annual Report of the Council of Economic Advisers to the President of the United States, February 2008

Question: Summarise the relationship shown in the data between consumer spending and GDP from 2003 to 2006. [1]

Answer: There is a **direct relationship** between consumption spending & GDP.
OR: They are **positively related.**

Note: ***Do not use terms such as 'directly proportional' or 'inversely proportional' as this requires the changes between the two variables to be related via a constant multiplier.***

Sample 9: Adapted from N2003 H2 Case Study Q1

Table 8: Average Annual GDP Growth and Gross Saving Ratio of Selected Countries

	Japan	USA	Korea	Mexico
Average annual GDP growth (1991-6)	1.5	2.8	7.1	1.7
Gross saving ratio (% GDP)	31.4	16.6	34.9	22.7

Question: What economic relationships exist between savings and economic growth? [2]

Answer: High savings in Korea leads to high growth rate so it suggests a direct relationship. However, for Japan and Mexico, savings seem to be inversely related to growth.

Note:
Savings is a source of loanable funds and as a result, the key to investment, which would build capacity and enhance economic growth. This suggests a direct relationship between the two variables.
On the other hand, savings is a leakage from the circular flow, more savings would result in less aggregate expenditure and lower economic growth. This suggests an inverse relationship between the two variables.

→ *Refer to Smart Explorer app for exercises to check your understanding!*

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Part 2: ECONOMIC INDICATORS

(A) Indices

Index numbers

Index numbers reflect prices/quantities compared to a **standard/base value.**

The most common index number you would come in contact with would be the Consumer Price Index (CPI). It measures the changes in average price level in the economy. The base year has a benchmark value of 100 and price levels in other years are expressed relative to the base-year price level.

Sample 10

Year	Consumer Price Index
2000	100
2001	104
2002	112
2003	96
2004	98

- Year 2000 is the **base year.**

- If the **index is higher than 100,** it means the general price level has **increased relative to the base year**. For example, the general price level in 2001 has increased by 4% relative to the base year and in 2002, it has increased by 12% relative to the base year.

- If the **index** goes **below 100,** it means the general price level has **fallen relative to the base year**. For example, the general price level in 2003 has fallen by 4% relative to the base year and in 2004, it has fallen by 2% relative to the base year.

- However, it is incorrect to say that the general price level has increased by 8% [=112-104] from 2001 to 2002. To find out how much the general price level has increased over the years, we need to do a simple calculation by using the following formula:

$$\text{Rate of Inflation/ \% Change in price level} = \frac{\text{CPI for period (2)} - \text{CPI for period (1)}}{\text{CPI for period (1)}} \times 100\%$$

- For example, the general price level has increased by 7.7% [=(112-104)/104 *100%] from 2001 to 2002 and has fallen by 14.3% [=(96-112)/112 *100%] from 2002 to 2003.

- Note that in 2004, even though the index is below 100 (meaning that the price level has fallen relative to the base year), the price level has actually increased by 2.1% [(98-96)/96 *100%] from 2003 to 2004.

***Note:** The index does not show the absolute/actual price. It only shows the direction and magnitude of change.*

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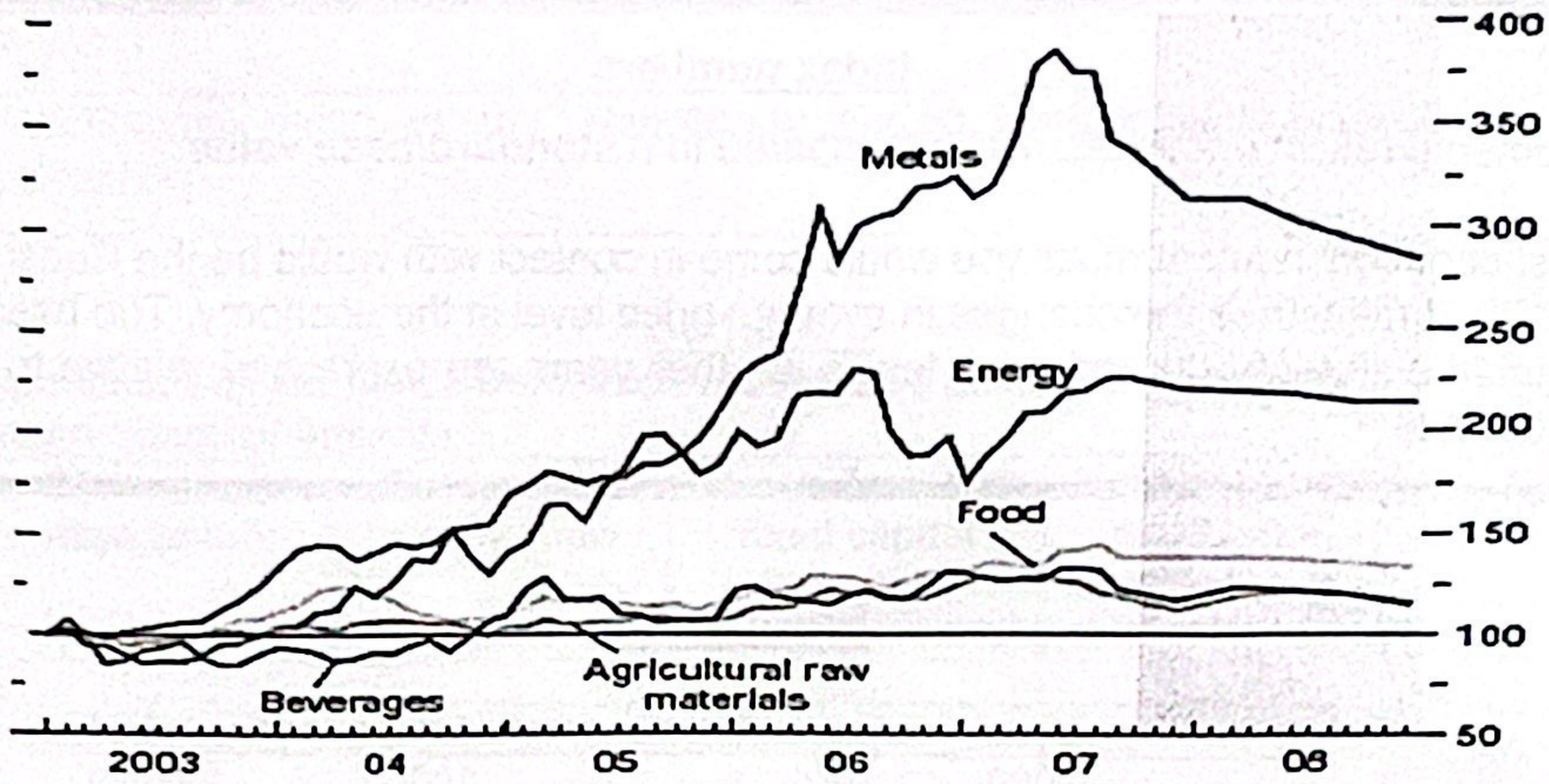
Sample 11

Figure 1.18. Commodity Price Indices[1]
(January 2002 = 100)



Source: IMF staff estimates.
[1]Shaded area denotes projections.

Question: Compare the metal price and energy price from 2003 to 2007. [2m]

Answer: BOTH prices **increased** (1m) generally but metal price rose at a **faster** rate (1m) as compared to energy price.

Note: The Y-axis is a price index and not the actual price hence it is inaccurate to say that Metal price is higher than energy/food/beverages/agricultural raw materials' prices.

Sample 12

Table O: Employment in Manufacturing among selected economies (1992 = 100)

Year	Japan	France	Germany	UK
1966	78.3	122.9	111.8	196.0
1980	87.4	124.7	102.2	159.0
1992	100.0	100.0	100.0	100.0
1996	92.7	91.2	84.6	99.6

Questions:

1. **Identify the base year. [1]**

   Answer: 1992 *Base year is reflected in the title of the table (1992=100)*

2. **Compare the trend in employment in manufacturing in the UK since 1966 with the trend in Japan. [2]**

   Answer: Employment in manufacturing in the UK fell throughout from 1966 to 1996 while the employment in manufacturing in Japan increased from 1966 to 1992 before falling from 1992 to 1996.

   The index does not show the actual employment hence it can only indicate the direction and magnitude of change for individual countries. You cannot say that employment in UK is higher than Japan

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3. **Compare the trend in employment in manufacturing in the UK since 1966 with the trend in France and Germany. [2]**

Answer: Employment in manufacturing in all three countries fell from 1966 to 1996 with employment in manufacturing falling most rapidly in the UK.

The index does not show the actual employment hence it can only indicate the direction and magnitude of change for individual countries. You cannot say that employment in UK is higher than France and Germany.

→ *Refer to Smart Explorer app for exercises to check your understanding!*

(B) Weights

Weights

In the calculation of index numbers, weights are assigned to different components depending on the importance of the components. The greater the weights assigned, the larger the impact of the components on the calculation of the index.

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Sample 13: N2008 H2 Case Study Q1

Table 1: Indices of Retail Prices in the UK

	Coal	Natural Gas	Electricity	Oil and other fuels	All goods and services
1996	121.4	112.7	120.3	99.1	121.1
1997	122.4	111.6	114.5	96.5	124.9
1998	123.6	107.8	109.3	80.8	129.1
1999	126.0	107.1	108.0	90.5	131.2
2000	128.2	104.5	105.7	126.9	135.0
2001	134.2	107.3	104.8	123.5	137.4
2002	141.2	114.1	105.3	116.6	139.7
2003	144.2	116.2	106.3	129.2	143.8
2004	151.7	124.7	112.7	147.0	148.0
2005	167.1	143.1	124.7	188.6	152.2
2006 Qtr 1	176.1	160.2	135.3	212.7	154.0
2006 Qtr 2	176.7	183.5	149.3	221.4	156.6

Source: Office of National Statistics

Table 2: Fuel Component Weights in the UK Retail Prices Index

	Coal	Natural Gas	Electricity	Oil and Other Fuels	All goods and services
1996	2	18	22	1	1000
1997	1	17	21	2	1000
1998	1	16	18	1	1000
1999	1	15	17	1	1000
2000	1	13	16	2	1000
2001	1	12	15	1	1000
2002	1	13	15	2	1000
2003	1	12	14	2	1000
2004	1	12	13	2	1000
2005	1	13	15	2	1000
2006 Qtr 1	1	14	15	3	1000
2006 Qtr2	1	14	15	3	1000

Source: Office of National Statistics

Questions:

(i) Compare the changes in the price of natural gas and the changes in the price of electricity over the period between 1996 and the 2nd quarter of 2006. [2]

(ii) The change in the price of which fuel in that period has had the greatest impact upon the cost of living? Explain your answer. [3]

Answers:

(i) **Both** the price of natural gas and price of electricity **rise** between 1996 and the 2nd quarter of 2006 (1m). **However,** the price of natural gas **rises faster** than the price of electricity (1m).

(ii) The impact on cost of living depends on the changes in the prices of fuel and the fuel component **weights** in the Retail Prices Index.

The change in the price of natural gas over the period is the highest of all the types of fuel with the exception of the category, 'Oil and Other Fuels'. Natural gas also has a much greater weight in the Retail Prices Index, almost the same as electricity. But since the percentage change in prices for natural gas is more significant than that of electricity, natural gas will have the greatest impact upon the cost of living.

→ *Refer to Smart Explorer app for exercises to check your understanding!*

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(C) Interpretation of data with different economic indicators

A typical chart with statistics of the macroeconomic indicators of a country is useful for the government to determine whether its macroeconomic goals have been achieved. It is like a captain's radar screen to help the captain (government) to steer its ship (the economy).

Table 4: Singapore's Economic Indicators

	2010	2011	2012	2013	Indicators explained
Nominal GDP (S$ millions)	322,361	344,712	358,543	372,814	Nominal GDP refers to GDP at **current** prices. This means that the effects of inflation have not been removed. This is NOT a good indicator to use for comparison purposes.
Real GDP (S$ millions) @ 2010 prices	322,361	341,886	350,446	363,942	Real GDP refers to GDP at **constant** prices. This means that the effects of inflation have been removed. It measures the national income in terms of physical quantities. Calculated at 2010 prices means 2010 is the base year used in calculation.
Real GDP (% Change)	15.2	6.1	2.5	3.9	This indicator measures **economic growth.** As long as the growth is positive, GDP is rising. E.g. From 2010 to 2013, although growth fell, real GDP was rising throughout.
GDP per capita (S$) @ current prices	63,498	65,954	65,968	67,407	GDP **per capita** refers to **average** GDP. It is calculated using GDP divided by population. ***Note that in this case it is calculated at current prices this means that this is a nominal figure.***
Unemployment Rate (%)	2.2	2.1	2.0	2.0	This measures the rate at which people of working age who are willing and able to work but are unable to find employment. This indicator is an important indicator of employment but from the figure alone you will not be able to tell the cause of unemployment (cyclical/ structural/ frictional). You would need to read the extracts accompanying to get a better picture.
Inflation Rate (%)	2.8	5.2	4.6	2.4	This measures the rate at which general price level in the economy changes. It is also an important indicator on the health of the economy. However, it does not tell the cause of inflation (demand pull/ cost push). You would need to read the extracts.
Total Trade (S$ millions) @ 2010 prices	1,199,504	1,246,454	1,274,488	1,317,684	Total trade is **export revenue + import expenditure.** It is used to measure the openness of the economy. Looking at the figure as a proportion to GDP, total trade is about 4 times of GDP in Singapore illustrating our dependency on trade.
Exports (S$ millions)	642,334	671,629	681,593	706,284	If we take **export revenue – import expenditure (X-M),** we get **trade balance/balance of trade/net export.** This is one of the components in AD. It is also an important component in the balance of payment (BOP). ***Note: Total trade volume and net exports are different.***
Imports (S$ millions)	557,170	574,825	592,895	611,399	

Source: Yearbook of Statistics Singapore, 2014

Note: For comparison over space (between countries), one very important indicator is the GDP per capita based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates that reflects the real purchasing power of an average citizen in the country.

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(D) Calculation of Data

(1) To obtain Real GDP from Nominal GDP, we will deflate GDP at current prices with a broad-based price index known as a GDP deflator, as shown below:

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{GDP Deflator}} \times 100$$

Sample 14

The nominal GDP or GDP at current price in 2010 for Singapore was S$303,652.2 million and the inflation rate was 2.8%. The GDP deflator may be considered to be (100+2.8) = 102.8.

Hence, real GDP = (S$303,652.2 million / 102.8) X100 = S$295,381.5 million.

(2) Real GDP per capita

Real national income per capita for a country measures the quantity of goods and services available for consumption on a per capita basis. The term "per capita" refers to per person or per head. Changes in economic welfare of the average citizen are thus measured by comparing real per capita income figures over time.

$$\text{Real GDP per capita} = \frac{\text{Real GDP}}{\text{Population}}$$

Sample 15

Real GDP in 2010 for Singapore is S$295,381.5 million and the population is 5.1 million.
Hence, real GDP per capita = $295, 381.5 / 5.1 = $59,076

Real GDP growth per capita (%) ≈
Nominal GDP growth (%) - Inflation rate (%) - Population growth rate (%)

Nominal GDP growth (%) ≈
Real GDP growth (%) + Inflation rate (%) + Population growth rate (%)

Note: Such approximation is more accurate if changes in % are small.

Sample 16

Year	Real GDP Growth (%)	Inflation Rate (%)	Population Growth (%)	*Nominal GDP Growth (%) by appx.*	*Real GDP Per Capita Growth (%) by appx.*
2006	8.7	1.0	3.2	9.7	5.5
2007	8.8	2.1	4.3	10.9	4.5
2008	1.5	6.6	5.5	8.1	-4.0
2009	-0.8	0.6	3.1	-0.2	-3.9
2010	14.5	2.8	1.8	17.3	12.7

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Summary of Data Handling Skills

<table>
<tr><th colspan="3">ANALYSING TRENDS</th></tr>
<tr><td rowspan="2">Describing or Summarising Trends</td><td>(1) General Trend</td><td>Increase, decrease / Deficit, surlus</td></tr>
<tr><td>(2) Rate of change or Irregularity</td><td>• Increasing/ decreasing rate, sharply, significantly, gradually doubled, fourfold
• Except for...</td></tr>
<tr><td rowspan="2">Comparing Trends</td><td>(1) Similarity</td><td>Both..., All (if more than 2 trends)</td></tr>
<tr><td>(2) Difference</td><td>• Higher/ lower than, faster/ slower than, more/ less than
• Use connectors: However, but, while, whereas
• Highest/ lowest, fastest/ slowest, most/ least (if more than 2 trends)</td></tr>
<tr><td rowspan="2">Relationships between Trends</td><td>Indicators move in same direction</td><td>Positive related, direct relationship</td></tr>
<tr><td>Indicators move in opposite direction</td><td>Negative related, inverse relationship</td></tr>
<tr><th colspan="3">INTERPRETING ECONOMIC INDICATORS</th></tr>
<tr><td>Indices</td><td colspan="2">• Direction and magnitude of change is relative to the base year</td></tr>
<tr><td>Weights</td><td colspan="2">• The more important the component , the greater the weights assigned to the index numbers</td></tr>
<tr><td rowspan="2">Economic Indicators</td><td>Comparison over time (same country)</td><td rowspan="2">• Nominal vs Real GDP change, current vs constant prices
• GDP vs GDP per capita
• Total trade vs trade balance/ net exports
• PPP GDP (for comparison over space)</td></tr>
<tr><td>Comparison over space (across countries)</td></tr>
<tr><td>Data Calculation</td><td colspan="2">Calculate:
• Real GDP (from nominal GDP→ use GDP deflator)
• Real GDP per capita (from real GDP → use population data)
• Real GDP growth per capita (from nominal GDP growth → use inflation and population growth rate)</td></tr>
</table>

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(6) CASE STUDY SKILLS (II) – TECHNIQUES TO ANSWER LOWER ORDER SKILLS QUESTIONS

Typical command words:
Describe, compare, identify, state, define, account, explain, consider, comment, explain whether, etc.

[1] – [6] marks type of question

For CASE answers – as far as possible theory must be contextualized or **supported by contextual evidence**.

Generic (i.e. non-contextual) answers gain very little credit/marks.

For Lower Order Skills Questions with higher weighting, i.e. 6m, the answers have to be detailed and yet concise. It requires the use of inferences from the data (data includes statistics and texts given) as well as the application of economic concepts to the issues in the case material in a coherent manner. (AO2 + AO3)

Tips: Use 'SEED'

State
Elaborate with economic analysis
Exemplify with evidence from Data

'How do I use the information in the extracts? Do I quote? Do I paraphrase?'

What you need to do is to translate the information into economic terms.

Refer to Smart Explorer app for exercises to check understanding.

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Sample 16: 2009 PJC H1 Prelims Case Study Q2

Economic Performances of Germany and France

Extract 4: The German economy

In the past few years the main motor of growth has shifted. When the economy was at its weakest, in 2002 and 2003, exports kept it running. They continue to do well—in manufacturing exports. Germany is in the right businesses at the right time: China, India, Russia and other countries in central and eastern Europe are growing fast and wanting the goods in which Germany specialises – machine tools. Consumer confidence has rebounded. Consumers are being buoyed by the labour market.

Germany has held down wages for six years. Germany has regained international competitiveness - hence the success of its exporters. Those in work are reaping the benefits of years of belt-tightening and unemployment is falling rapidly. As companies have come under more pressure, workers' pay has been squeezed: as higher returns on capital have been demanded, the relative price of labour has had to fall. Managers can threaten to move work to central Europe or even farther away has strengthened capital's hand. As a consequence, while company profits have risen steeply, workers have done much less well. Real wages have barely risen at all.

Question:

Account why Germany's balance of trade has improved in recent years. [4]

Note: You would probably be able to tell that the relevant information is from the underlined sections of the extract above. The issue now is how to combine that with economic analysis?

Answer:

Negative example 1 (Quoting/Paraphrasing with NO attempt to link to economic analysis):

Germany's balance of trade has improved because from Extract 4, 'They continue to do well—in manufacturing exports....China, India, Russia and other countries in central and eastern Europe are growing fast and wanting the goods in which Germany specialises – machine tools.' Also, 'Germany has held down wages for six years.....regained international competitiveness'.

OR

Germany's balance of trade has improved because of increase in exports to countries such as China, India and Russia by specialising in machine tools and holding down wages which regained export competiveness.

What is wrong with this answer?
The candidate is quoting directly from the extract or merely paraphrasing with NO link to any economic analysis.

Marks awarded: 1m

Negative example 2 (Only theory with no link to evidence given in extract)

As balance of trade is the difference between export revenue and import expenditure, for balance of trade to improve, it must have been the case that Germany has enjoyed increased demand for her exports and/or Germany is consuming less imports.

Increases in demand for Germany's export can be due to trading partners' being richer and hence have higher purchasing power.

Fall in Germany's demand for imports can be due to Germany being poorer and hence her citizens have lower purchasing power.

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What is wrong with this answer:
The candidate gave a theoretical answer. The reasons for increased export revenue and decrease import expenditure are merely speculated by the candidate without verification using the information given.

<u>Negative example 3</u> (Paraphrasing with some attempt to use economic terms):

An increase in X will improve the balance of trade which is the net exports, i.e. export revenue – import expenditure (X-M) ***(some economic analysis)***. For Germany, exports have increased because Germany specializes in machines. And they are able to export these to countries like China, India, Russia and countries in central and eastern Europe.

Wages in Germany is also held down, lowering cost ***(some attempt to link to economic analysis)*** leading to Germany gaining international competitiveness hence Germany is able to increase their exports.

What is wrong with this answer?
Basically summarizing the content without explaining why Germany is able to increase export.

Marks awarded: 2m

<u>Positive example</u> (using 'SEED'):

State	Germany's improvement in the balance of trade (BOT) is a result of an increase in export revenue which can be explained by the improvement in her export competitiveness due to comparative advantage and ability to keep wages low.
Elaborate with economic analysis & Exemplify with evidence from Data	As mentioned in **Extract 4, para 1 & 2** ***(identify source of information)***, Germany's **comparative advantage** ***(linking specialising to economic terms)*** is in producing capital goods such as *machine tools (evidence)*. This has enabled her to increase her exports significantly to *fast growing developing countries such as China, India and Russia (evidence)* with **high purchasing power. Since capital goods are normal goods, demand can increase when income rises** ***(explaining what it means by the countries are growing fast and wanting the goods)***. With higher export revenue, Germany is able to enjoy improving BOT. Moreover, Germany's exports can be *priced competitively in the international markets by maintaining low wages (evidence)*. Lower wages mean a **lower production costs which can be translated to lower price, increasing the quantity demanded for Germany's exports more than proportionate when demand is price elastic, leading to higher export revenue** and thus improving BOT. ***(explaining clearly that low wages leads to lower cost of production hence ability to lower export prices)***.

Marks awarded: 4m

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(7) CASE STUDY SKILLS (III) – TECHNIQUES TO ANSWER HIGHER ORDER SKILLS QUESTIONS

Typical Command words:
Discuss, assess, evaluate, to what extent do you agree, justify etc.

[8] – [10] marks type of question

For '**Higher Order Skills**' questions, it should be written in the form of a '**mini-essay**'.

The style and approach would be similar to writing an AWEsome essay that **covers both sides of discussion and synthesis**. But in terms of emphasis given to synthesis and conclusion, it is less demanding than essay. Level of Response Marking generally follows that of Essays. Refer to Essay Skills Package – Requirements of the Essay Paper - Level of Response Marking for more details.

For CASE answers – as far as possible theory should be contextualized or **supported by contextual evidence**. Answer should show ability to weave in contextual evidence as shown in the 'Techniques to Answer Lower Order Questions' section.

Generic (i.e. non-contextual) answers gain very little credit/marks.

General Mark Scheme for 8m HOS Questions:

L2	Breadth & Application o Covers **2-sided arguments** o Analyses with the expected **theoretical scope** o Analyses **entire scope** as suggested by the **question** o Explains **at least X distinct** points of analysis Depth o Applies relevant **economic concepts or theories** o Explains with **rigour and detail using examples from data or/and** with relevant ***diagrams***	**4 – 6**
L1	Lacking in any one of the L2 criterions Largely irrelevant response Descriptive response with non-existent or minimal application of economic concepts or theories and use of data Serious and pervasive conceptual errors	**1 – 3**
E2	Provides a **clear overall stand that is well-justified**	**2**
E1	Provides an **opinion which is partially justified**	**1**

General Mark Scheme for 10m HOS Questions:

L2	Breadth & Application o Covers **2-sided arguments** o Analyses with the expected **theoretical scope** o Analyses **entire scope** as suggested by the **question** o Explains **at least X distinct** points of analysis Depth o Applies relevant **economic concepts or theories** o Explains with **rigour and detail using examples from data or/and** with relevant ***diagrams*** Explains and illustrates with relevant ***diagrams***	**5 – 7**

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L1	Lacking in any one of the L2 criterions Largely irrelevant response Descriptive response with non-existent or minimal application of economic concepts or theories and use of data Serious and pervasive conceptual errors	1 – 4
E2	Provides a clear overall stand that is well-justified	2-3
E1	Provides an opinion which is partially justified	1

Tips: Use 'SEEDS'

State the point
Elaborate with economic analysis
Exemplify with evidence from Data
Synthesise and take a stand to address the question

Sample 17: N2009 H2 Case Study Q1

As a consultant economist, what options would you present to the world's governments as possible responses to the threat of food shortages, and what would you recommend? Justify your answer. [10]

TIPS:
For such high weighting discursive question, the following steps are highly recommended:

1. **While planning the answers, approach it from an essay perspective to form a structure.**

Measures to address food shortages:
Introduction: State the goals + approach
Body: Possible measures:
- Short-run measure + limitations: Rationing
- Long-run measures + limitations: Subsidies for R&D, Reduce Global Warming, Population control

Conclusion: Synthesis

2. **Next, based on the case, select the relevant points and organize the points in terms of importance according to the amount of evidence in the data.**

3. **Throughout the analysis, always remember to refer to evidence from the case material.**
Key words: **With reference to/ According to** (Extract 1, para 2, Table 4, Chart 2...)

Suggested Schematic Plan

(e) As a consultant economist, what options would you present to the world's governments as possible responses to the threat of food shortages, and what would you recommend? Justify your answer. [10]
INTRODUCTION – KIA (State the goals + Approach *Identify the goals/problems – shortage of food → root causes? Insufficient supply due to land usage issues. Rising demand due to rising population.*

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BODY – SEED

Possible measures to address the threat of food shortages (at least 1 SR + 1 LR)

Analyse the measures to be used:

- *The use of price controls on food is causing problems. Hence, candidates should not suggest the further usage of it. Instead, they should suggest other measures (both SR and LR) which are better/more appropriate to solve the problem.*
- *When suggesting measures, do not suggest random ones. Rather, try as much as possible, to link it to the case. E.g. one of the root causes of food shortage is rising demand due to rising population. Hence, possible measure would be to reduce the rate at which demand rises through population control.*
- *Always consider possible LIMITATIONS for EACH measure suggested.*

(A) Short Run Measure: Rationing

Limitations:

(B) Long Run Measure:

(1) Subsidies for R&D aimed at raising productivity (Increase Supply)

Limitations

(2) Reduce Global Warming (Increase Supply)

Limitations

(3) Population control (Reduce the increase in Demand)

Limitations

Conclusion (justified judgment)

3 marks is awarded for evaluation. Hence, it is a must to conclude properly by synthesising your analysis and giving a final judgement.

Conclusion from the above analysis:

Note: Under exam conditions, you need not have all the points. Just ensure there are at least 3 measures with a balance of short and long run measures and/or measures to address demand and supply.

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Mark Scheme:

L2	Breadth & Application o Covers **2 - 3 measures** o Analyses how each measure works o Analyses how the measures help address the threat of food shortage around the world o Explains **at least 3 distinct** points of analysis Depth o Applies relevant **economic concepts or theories** o Explains with **rigour and detail using examples from data or/and** with relevant ***diagrams*** Explains and illustrates with relevant ***diagrams***	**5 – 7**
L1	Lacking in any one of the L2 criterions Largely irrelevant response Descriptive response with non-existent or minimal application of economic concepts or theories and use of data Serious and pervasive conceptual errors	**1 – 4**
E2	Provides a **clear overall stand that is well-justified**	**2-3**
E1	Provides an **opinion which is partially justified**	**1**

Refer to the Smart Explorer App for the answer.

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(7) Do's and Don'ts for Case Studies

General

Do's	Don'ts
• Do have legible handwriting. • Do fasten your scripts with the string provided and not use staple. • Do arrange your answers in numerical order. • Do use **dark** blue or black pen.	• Don't fail to write name, Index no. and question no. on every sheet of paper. • Don't label question wrongly. • Don't tie scripts in the wrong order. • Don't tie the string loosely and when they come loose, scripts will fall apart. • Don't use correction fluid or highlighter which is not allowed in 'A' level.

Case Study

Do's	Don'ts
• Do spend a good amount of time reading and understanding the case (7-10min) that is presented to you, so that you don't have to re-read many times later and only understand parts of the case. • Do highlight the passages and annotate and link to economics concepts. • Do constantly remind yourself you have to use information from all the extracts, tables, graphs, etc. The moment you left out one whole passage/table/graph, tell yourself, something is not right. • Do read through the questions so that you will not overlap the answers. • Do ensure answers consist of theory and draw evidence from the data. Must have a balance of both. • Do try to score full marks for 2m-6m questions as the 8-10m questions are those difficult to score. • Do draw **BIG AWE**some diagrams, **label** correctly and **explain** them when appropriate. • Do start a new question on a fresh sheet of paper	• Don't overwrite for 1m-4m questions. Make your answers concise and crisp. • Don't quote/lift excessively in your answers. You need to **paraphrase the text into economics terms and elaborate with economic analysis.** • Don't bring in contextual knowledge in your answer if there is information readily available in the case. Bring in relevant contextual knowledge only when you have exhausted evidence from the case material or the question specifically says you can use your own relevant knowledge. • Don't use the wrong extract/info and resulted in giving all irrelevant points. This could be avoided by reading the questions carefully to pick up clues as to which extract/info is relevant. • Don't pick out part of a phrase and use it to your advantage when the intention of the author is totally different.

And finally.....DON'T

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