

H2 Economics (9570)

Theme 3: The National and International Economy

Exam Pattern Notes – A-Level 2027

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Command Words & What They Require

Command Word	What is Required
Explain	Describe the concept or process, showing causal relationships. Use economic reasoning.
Analyse	Break down into component parts, show relationships, use AD-AS diagrams.
Evaluate	Weigh pros and cons, make a judgement, consider different perspectives, discuss SR vs LR, intended vs unintended consequences.
Discuss	Consider different viewpoints; similar to evaluate but broader.
Distinguish	Show differences between two or more concepts.
Compare	Show similarities and differences.
To what extent	Consider both sides, arrive at a reasoned conclusion.
Assess	Like evaluate – judge the importance/success/effectiveness.

Exam Tip

For 10-mark (Part a) questions: DICE framework – Define, Illustrate (diagram), Explain, Evaluate briefly. For 15-mark (Part b) questions: You need full evaluation – discuss multiple perspectives, SR vs LR, stakeholder impacts, weigh and conclude.

Exam Pattern Bank

Common Question Types

Pattern	Description
AD-AS analysis of shocks	Use an AD-AS diagram to explain the impact of a given event (e.g. oil price rise, pandemic, tax cut) on real GDP and price level.
Policy evaluation	Assess the effectiveness of fiscal/monetary/supply-side policy in achieving an objective. Usually requires discussion of limitations and conflicts.
Standard of living comparison	Compare living standards between countries or over time using GDP, HDI, Gini coefficient. Discuss limitations of indicators.
Unemployment type identification	Identify the type(s) of unemployment from a given scenario and explain causes/consequences.
Inflation analysis	Identify demand-pull or cost-push from data, explain causes, discuss policies.
Multiplier calculation / effect	Calculate the multiplier or the change in national income, then explain the process.
Trade policy question	Evaluate protectionism vs free trade for a given industry/economy. Apply tariff diagram.
Globalisation impact	Analyse how globalisation affects consumers, producers, government.
Policy conflict	Given an objective, discuss how achieving it may conflict with another objective.
Case study data response	Extract data from tables/graphs, calculate indicators, link data to theory.

Question Templates

Template 1: AD-AS Shock Analysis (10 marks)**Example Question Skeleton**

"Explain how an increase in [factor] affects an economy's real GDP and general price level using the AD-AS model."

Method:

1. Identify whether the factor affects AD or AS (or both).
2. Draw a correctly labelled AD-AS diagram showing the shift.
3. Explain the causal mechanism: why does the factor shift AD/AS?
4. State the outcome: real GDP _____ (rise/fall), price level _____ (rise/fall).
5. Brief evaluation: magnitude depends on elasticities of AS/AD; time frame matters (SR vs LR).

Template 2: Policy Evaluation (15 marks)**Example Question Skeleton**

"Evaluate the effectiveness of using [policy] to achieve [objective] in the economy."

Method (DIEE ++):

1. **Define** the policy and objective. State the mechanism.
2. **Illustrate** with AD-AS / relevant diagram.
3. **Explain** how the policy works (transmission mechanism).
4. **Evaluate** (this is the majority of marks):
 - Time lags (recognition, decision, implementation, impact)
 - Magnitude (size of multiplier, MPC, responsiveness)
 - Side effects (inflation, BOT, income distribution)
 - Conflicts with other objectives
 - Alternative policies (could another approach work better?)
 - Singapore-specific context (small open economy, MAS exchange rate policy)
5. **Conclusion:** Well-reasoned judgement – is the policy effective? Under what conditions? What complementary policies are needed?

Template 3: Unemployment (10-15 marks)**Example Question Skeleton**

"Explain the causes of [type of unemployment] and discuss policies to address it."

Method:

1. Define unemployment and identify the type(s).
2. For demand-deficient: draw AD-AS showing recessionary gap. Explain fall in C, I, G, or X-M.
3. For structural: explain skill mismatch, technological change, industry decline.

4. For frictional: explain search time, information gaps.
5. Policy:
 - Demand-deficient → expansionary fiscal/monetary policy
 - Structural → supply-side policies (training, education, retraining schemes)
 - Frictional → improve job matching (job portals, information)
6. Evaluate: time lags, effectiveness depends on severity, may cause inflation.

Template 4: Free Trade vs Protectionism (15 marks)

Example Question Skeleton

"Evaluate the case for and against a country adopting protectionist measures in [specific industry]."

Method:

1. AD-AS effects: protectionism reduces import competition, shifts AD right (if spending switches to domestic goods) BUT raises costs for firms using imported inputs (AS left).
2. Consumer perspective: higher prices, less choice.
3. Producer perspective: protected infant industries grow, but no incentive to be efficient.
4. Government perspective: tariff revenue vs retaliation risk.
5. Draw tariff diagram showing welfare loss (deadweight loss from overproduction and underconsumption).
6. Evaluate: SR costs vs LR benefits; infant industry argument valid only if temporary; retaliation risk; Singapore as a free-trade advocate.
7. Conclusion: free trade is generally welfare-enhancing, but targeted temporary protection may be justified.

Essential Diagrams for Theme 3

1. AD-AS Equilibrium and Shifts

Must be able to draw:

- Initial equilibrium with AD and AS intersecting at (Y_e, P_e)
- Rightward AD shift → higher Y , higher P (demand-pull inflation)
- Leftward AD shift → lower Y , lower P (recession)
- Leftward AS shift → lower Y , higher P (cost-push inflation / stagflation)
- Rightward AS shift → higher Y , lower P (growth without inflation)

2. Inflation: Demand-Pull vs Cost-Push

- Demand-pull: AD shifts right along an upward-sloping/vertical AS
- Cost-push: AS shifts left, AD unchanged → stagflation

3. Tariff Diagram

Show:

- Domestic demand and supply curves
- World price line (P_w)
- Tariff raises price to $P_w + t$
- Domestic production rises, consumption falls
- Government tariff revenue rectangle
- Two deadweight loss triangles (overproduction + underconsumption)

4. Circular Flow Diagram

- Households ↔ Firms
- Injections: I, G, X entering the flow
- Withdrawals: S, T, M leaving the flow

Singapore-Specific Examples Bank

Topic	Example
Open economy	Singapore's trade-to-GDP ratio exceeds 300% – very high MPM, small multiplier.
Exchange rate policy	MAS manages SGD NEER (Nominal Effective Exchange Rate) within policy band. Appreciation in 2012-2014 to curb inflation; neutral/slight appreciation in 2021-2025.
Fiscal policy	SG Budget 2023: GST hike from 7% to 8% (contractionary) but offset by Assurance Package transfers. Budget 2024: enhanced CDC vouchers, SkillsFuture top-up.
Supply-side	SkillsFuture credits, ITE/ poly/ university expansion, R&D tax incentives, Smart Nation initiative.
Globalisation beneficiary	Singapore's entire economic model relies on free trade and FDI.
COE system	Example of quota + price mechanism in transport policy.
Carbon tax	Singapore's carbon tax (S\$5/t rising to \$50-80/t by 2030) as micro/-macro policy.
Inequality	Singapore's Gini coefficient (0.433 in 2023, before transfers; 0.370 after government transfers and taxes) – shows role of redistribution.
HDI	Singapore ranks high (0.949 in 2022, 9th globally) despite high GDP per capita.

Exam Tip

Singapore-specific examples score higher evaluation marks. For every policy discussion, reference how MAS handles monetary policy (exchange rate, not interest rate) and Singapore's dependence on free trade.

Mark Allocation Patterns

Paper 2 (Essays) – 75 marks, 2h30min

- 3 essays from 6 (choose 1 from Section A micro, 1 from Section B macro, 1 from either)
- Each essay: 25 marks (10 + 15)
- Part (a) 10 marks: DIII – Define, Illustrate (diagram), Explain, Evaluate briefly (1-2 evaluation points)
- Part (b) 15 marks: Full evaluation – mechanism + diagram + multiple perspectives + SR vs LR + stakeholder + limitations + conclusion
- Time per essay: 50 min (roughly 2 min per mark)

Paper 1 (Case Studies) – 60 marks, 2h30min

- 2 compulsory case studies, 30 marks each
- 12 marks data response (extract, calculate, interpret)
- 18 marks higher-order (analyse, evaluate, discuss)
- Time: 75 min per case study

Framework Time Allocation

Task	Time
Paper 1: Data response parts	24 min per case study (2 min per mark, 12 marks)
Paper 1: Higher-order parts	51 min per case study (~2.8 min per mark, 18 marks)
Paper 2: Part (a) 10 marks	20 min
Paper 2: Part (b) 15 marks	30 min
Reading time	10 min for Paper 2 (read all 6 questions, select your 3)

Common Errors to Avoid

Warning Top Mistakes

1. **Confusing AD and micro demand:** AD is total spending across ALL goods/services in the economy, at various price levels. The downward slope has different reasons (real balance effect, etc.).
2. **Omitting the diagram:** For any AD-AS question, DRAW the diagram. Even if not explicitly required, it structures your answer.
3. **Forgetting the label:** Axes must be labelled: Real GDP on x-axis, Price Level on y-axis.
4. **No evaluation in Part (b):** 60% of marks are for AO4 (Evaluation). A 15-mark answer without limitations, perspectives, and a conclusion will score ~6-7 at best.
5. **Confusing fiscal and monetary policy:** Fiscal = G and T (government budget). Monetary = interest rates / exchange rate (MAS). Do not say "the government raises interest rates" – that is MAS policy.
6. **Ignoring Singapore's context:** MAS manages the exchange rate, NOT interest rates. Singapore cannot independently set interest rates given free capital mobility.
7. **Treating deflation as "just negative inflation":** Deflation is more dangerous than inflation because it creates a deflationary spiral.
8. **No specificity in evaluation:** "The policy has limitations" is vague. Say "Fiscal policy has a long implementation lag because the budget must be approved by Parliament, making it less effective for sudden economic downturns."
9. **Miscalculating the multiplier:** Remember: $k = 1/(1 - MPC) = 1/(MPS + MPT + MPM)$. A higher MPM means smaller multiplier.
10. **Any diagram without proper labels:** Unlabelled curves = 0 marks for the diagram.

Evaluation Frameworks for 15-Mark Questions

For Part (b) 15-mark evaluation questions, use this checklist:

Dimension	What to Ask
SR vs LR	Does the policy work in the short run but cause problems in the long run? (e.g. expansionary fiscal policy boosts AD now but increases national debt later)
Stakeholders	Who gains? Consumers, producers, government, workers, future generations, foreigners?
Magnitude	How big is the effect? Depends on MPC, multiplier, elasticities, openness.
Time lags Recognition lag? Decision lag (political)? Implementation lag? Impact lag?	
Intended vs Unintended What else happens? Inflation, crowding out, BOT deterioration, inequality.	
Alternatives Could another policy work better? Can they be combined?	
Context What type of economy? Recession or boom? Small open (Singapore) or large closed (USA)?	
Assumptions What assumptions does the theory make? (Rationality, perfect information, etc.) Are they realistic?	

Framework DIEE for 10-mark / Expanded for 15-mark

10-mark structure:

1. **D**efine key terms
2. **I**llustrate with a diagram
3. **E**xplain the mechanism
4. **E**valuate briefly (1-2 limitations)

15-mark structure (add above):

5. Multiple perspectives (stakeholders)
6. SR vs LR effects
7. Alternative policies
8. Singapore context
9. Conclude with well-reasoned judgement

Final Quick-Reference: Policy Picker

Problem	Recommended Policy
Recession / High unemployment	Expansionary fiscal ($G \uparrow$, $T \downarrow$) or monetary (depreciation bias). Be aware of inflation risk.
High inflation (demand-pull)	Contractionary fiscal ($G \downarrow$, $T \uparrow$) or monetary (appreciation bias). Be aware of unemployment risk.
High inflation (cost-push)	Supply-side policies (reduce costs, improve productivity). Fiscal/monetary contraction would worsen unemployment.
Structural unemployment	Supply-side: training, education, retraining. Not fiscal/monetary (which only address demand-deficient).
Persistent BOT deficit	Supply-side (improve competitiveness); depreciation (if under appropriate regime); may require temporary protectionism.
Low trend growth	Supply-side: infrastructure, education, R&D incentives, deregulation.
Inequality / Non-inclusive growth	Progressive taxation, transfer payments, education access, minimum wage.
Unsustainable growth (env.)	Carbon tax, green subsidies, regulations on pollution.

Warning Exam Hall Tip

Theme 3 is tested in Paper 2 Section B (macro essays). You must answer AT LEAST one essay from Section B. The three macro questions typically cover: (1) AD-AS / macroeconomic issues, (2) Fiscal/Monetary policy, (3) Globalisation / Trade. Prepare one structured evaluation for each.