



**JURONG JUNIOR COLLEGE
PRELIMINARY EXAMINATION 2013**

ECONOMICS

Higher 1

8819/01

2 September 2013

3 hours

READ THESE INSTRUCTIONS FIRST

Write your name and class on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Section A

Answer **all** questions.

Section B

Answer **one** question.

Start each question on a new piece of paper.

Fill in the necessary information on the cover sheet.

At the end of the examination, fasten all your work securely with the **cover sheet at the top**.

The number of marks is given in brackets [] at the end of each question or part question.

Section A

Answer **all** questions in this section.

Question 1 Education and its merits

**Table 1: Government expenditure on education
(Thousand Dollars)**

	2006	2007	2008	2009	2010	2011
Total	6,959,285	7,527,667	8,229,69	8,685,326	9,875,445	10,789,740
Recurrent Expenditure	6,351,717	6,785,625	7,476,521	7,837,909	8,998,709	9,743,977
Primary Schools/ Secondary/Junior Colleges	3,122,956	3,618,288	3,729,318	3,809,233	4,407,659	4,382,909
Institute of Technical Education	249,154	253,506	281,262	262,509	328,067	347,338
Tertiary	2,548,043	2,410,538	2,865,478	3,072,091	3,554,419	4,242,479
Universities	1,719,156	1,491,382	1,808,987	2,014,807	2,305,921	2,944,796
National Institute of Education	100,147	102,243	110,378	112,474	123,625	118,558
Polytechnics	728,741	816,913	946,113	944,810	1,124,873	1,179,125
Others*	431,564	503,292	600,463	694,076	708,564	771,251
Development Expenditure	607,569	742,043	753,173	847,417	876,736	1,045,763

* Includes MOE Headquarters, Institute of Southeast Asian Studies, Science Centre Board, SIM-Open University Centre, Special Education, Nanyang Academy of Fine Arts, LASALLE College of the Arts and Singapore Examinations and Assessment Board.

Source: Yearbook of Statistics, Singapore, 2012

**Table 2: Enrolment in educational institutions by sector
(Number)**

	2006	2007	2008	2009	2010	2011
Total	688,310	700,774	704,117	704,719	698,544	689,060
Primary Schools/Secondary Schools/Junior Colleges	530,423	534,737	528,932	521,594	510,714	498,563
Institute of Technical Education	22,954	23,465	24,367	24,846	24,789	25,279
Tertiary	134,933	142,572	150,818	158,279	163,041	165,218

Source: Yearbook of Statistics, Singapore, 2012

Extract 1 Asia spending billions on tutors

Asian parents are spending billions of dollars on private tutors for their children, and the practice is growing despite doubts over its effectiveness. Private tuition is a lucrative business not only in wealthy countries but also in some of the region's poorer nations as parents try to give their children the best start in life, the Asian Development Bank said.

Nearly nine out of 10 South Korean elementary pupils have private tutoring. It is estimated that the costs of private tutoring in South Korea were equivalent to 80 percent of government spending on public education. Japan spent \$12 billion on extra teaching in 2010. In Hong Kong, where 85 percent of senior secondary students receive tutoring, companies advertise the services of "star" tutors, on television, newspapers and the back of buses.

But despite its popularity, particularly in East Asia, tutoring has had mixed results, said the study, conducted with the University of Hong Kong's Comparative Education Research Centre. The study called for state supervision and regulation of the industry, in part due to the ease of recruiting suitable candidates as private tutors resulting in an influx of players, as well as a review of Asia's educational systems.

Source: Adapted from *AFP*, 5 July 2012

Extract 2 \$15m programme to develop student entrepreneurs unveiled

THE Action Community for Entrepreneurship (ACE) is teaming up with the Ministry of Education (MOE) to roll out a \$15 million Entrepreneurship Programme, which will be rolled out over a three-year period and targets secondary schools, junior colleges (JCs), polytechnics and Institute of Technical Education (ITE) Colleges.

Key features of the programme include internship opportunities with entrepreneurial firms and funding support for polytechnic and ITE students to test out their business ideas. For the secondary schools and JCs, an entrepreneur will be attached to each participating school, who will provide guidance and advice to students. It will also comprise learning modules, workshops and competitions that aim to give students a glimpse of the world of business.

ACE Chairman Teo Ser Luck said: "We want to inculcate certain values in them. The value of taking risks, the value of trying something new, the value of believing in their passion, and also at the same time understanding about embracing failures because most entrepreneurs would have failed many times, or would have failed before and then finally succeeded. Entrepreneurship is a key driver of Singapore's economy; they create growth and meaningful jobs. ACE believes that entrepreneurship can drive the renewal of our small and medium enterprises landscape to ensure a pipeline of better and stronger enterprises."

Extract 3 More support for students with special needs

In line with the government's aim to achieve inclusive growth so as to improve the welfare of the disadvantaged and less fortunate, MOE has expanded the school-based dyslexia remediation to 22 more primary schools, bringing the total to 42 primary schools. MOE will also extend its assistance to more parents of children with special needs to enable them to better understand the learning experiences in the Special Education (SPED) schools and help them find a suitable education programme for their child. SPED schools will receive additional resources to promote stronger home-school partnerships and support students from needy families.

Extract 4 Post-Secondary Education (PSE) scheme

As part of the government's efforts to encourage every Singaporean to complete post-secondary education, the PSE Account (PSEA) was created to help parents to save for their children's education in approved tertiary institutions such as the universities and polytechnics. In Budget 2010, the government announced that it would top up the PSEA for every Singaporean child aged 7 to 20 in 2010. The top-up ranged from \$100 to \$500. It underscores the government's commitment to support families in investing in further education for their children, and to prepare them for the economy of the future.

Extract 5 New degree programmes at polytechnic - lower fees are a big draw

The Singapore Institute of Technology (SIT)-Trinity College Dublin (TCD) undergraduate degree programmes in Occupational Therapy and Physiotherapy is an initiative by MOE offering undergraduate degree programmes mainly to polytechnic graduates. Singaporean students were attracted to the programmes for many reasons. But one main draw was the lower cost compared to similar programmes overseas. International students have to pay fees of \$45,000 for each programme, but Singaporean students pay only \$15,000, due to subsidies from MOE.

In addition, the TCD programme will cater more to the Singapore context and teach more analytical skills, which will enable a service provider to better meet Singapore's health-care needs. Besides the lower cost, the TCD programme offers two modules, Critical Appraisal and Leadership and Management, which are not offered in programmes from other schools.

Source: Adapted from *MOE Press Releases*, 2012-2013

Questions

- (a) (i) Compare the change in government expenditure on education between primary schools/secondary schools/junior colleges and tertiary sector for the period 2006-2011. [2]
- (ii) Identify the educational sector that has the highest government recurrent expenditure on education per student in Year 2011. [1]
- (b) Extract 1 refers to the increased emphasis placed on private tuition as Asian parents try to give their children the best start in life.
Use demand and supply analysis to explain the impact of the increased emphasis placed on private tuition by Asian parents on the private tuition market. [5]
- (c) (i) What is meant by price elasticity of supply? [1]
- (ii) Justify the value of the price elasticity of supply for tuition services. [2]
- (d) Explain how the policy options mentioned in Extracts 2-5 can help Singapore achieve a sustained and inclusive economic growth. [6]
- (e) With the aid of a diagram, explain how inefficient allocation of resources arises in the market for education. [5]
- (f) Evaluate the effectiveness of the policies used by the Singapore government to achieve an efficient allocation of resources in the market for tertiary education. [8]

[Total: 30 marks]

Question 2

Growth and Trade

Extract 6: China warns of grim trade outlook

China has warned of a grim outlook for trade as the world's second-largest economy surprised financial markets by reporting a fall in exports and imports when both had been expected to rise. The figures, which follow a government crackdown on the use of fake invoicing that had exaggerated exports earlier this year, are likely to raise fresh concerns about the extent of the slowdown in the China economy and global demand.

"China faces relatively stern challenges in trade currently," customs spokesman Zheng Yuesheng told a news briefing. Exporters are losing confidence in the face of weak overseas demand, rising labour costs and a strong Yuan currency. "The surprisingly weak June exports show China's economy is facing increasing downward pressure on lacklustre external demand," said Li Huiyong, an economist at Shenyin & Wanguo Securities in Shanghai.

Source: *The Guardian*, 10 July 2013

Extract 7: Chinese consumers are still not spending enough

Retailers and policymakers have high hopes for consumer spending in China driving profits and economic growth. And while on the rise, consumption is not getting there as fast as many had hoped. China is trying to rebalance its economy away from exports towards consumption, which Beijing hopes will deliver more stable long-term growth for the world's second-largest economy but the problem is that China's consumers remain elusive. China's rapid economic development and wage rises have helped boost consumer spending. However, consumption as a proportion of GDP is much lower than other major economies such as the US where it accounts for about 70 percent of GDP or regional neighbour India where it makes up roughly 60 percent of GDP.

Source: *CNBC*, 29 May 2013

Extract 8: The slow boat in China is good for the region

Even more crucial for China's rebalancing effort is the need to reduce its dependence on exports. This is because China's comparative advantage has been seriously eroded by increasing costs and rising wages. Industrial wages went up 14 per cent last year. The gradual appreciation of the Yuan has put additional pressures on China's export competitiveness. It will be hard for China's exports to grow at double-digit rates from now on. China's growth pattern actually started to shift last year. But economic restructuring is a slow process that threatens to increase job losses and bring about social unrest. Beijing will continue to embrace slower growth along with macroeconomic rebalancing. Lower growth means less pressure on the environment and society. It also helps make growth more stable and sustainable.

Source: Adapted from *The Straits Times*, 1 June 2013

Extract 9: Strong Growth in Foreign Investment in China

Foreign direct investment (FDI) is an important gauge of the health of China's external economy. Despite the slowing down in growth, investment data showed that "overseas investors are still optimistic on the outlook of China's economy in the medium and long term thanks to China's recent efforts to move the economy up the value chain and its growing domestic consumption," said Li Wei, China economist at Standard Chartered Bank in Shanghai.

China's attractiveness as a destination for investment capital will help develop its infrastructure, increase resource availability and productivity, and enhance workforce skills.

Source: *The New York Times*, 17 July 2013

Extract 10: Free trade can only benefit the region

Singapore and the European Union agreed on a free trade deal recently. Its significance in enhancing greater economic and political ties should not be underestimated. The deal, which has been negotiated for more than two years, will reap benefits for both sides. For Singapore it will mean better access to the EU - the world's most affluent market-place with 500 million consumers. For the EU, it implies easier access to the gateway to Asia and Singapore, which already hosts almost 9,000 EU companies. This should be great news for business on both sides.

Free trade is the way ahead - for economic recovery, growth, jobs and innovation. Even when Europe was affected by sovereign debt crises, protectionism was not pursued though there were calls for it. The EU remains the world's largest market and is likely to see growth, albeit modest, in 2013-2014.

The sense in this is obvious – free trade is and has always been an important source of national income for a country.

Source: *The Ministry of Foreign Affairs, Business Times* 2013

Table 3: Selected Singapore's macroeconomic data

	2009	2010	2011	2012
	Millions S\$ (at constant prices)			
Gross Domestic Product (GDP)	249,559.8	286,446.7	301,228.4	305,201.5
Private Consumption Expenditure	95,668.8	101,566.4	106,199.6	108,511.6
Government Expenditure	26,152.4	29,073.7	29,210.4	28,171.3
Gross Fixed Capital Formation	64,845.6	68,778.1	73,118.5	77,975.7
Changes in Inventories	-6,862.7	-7,665.4	-4,237.5	9,370.6
Net Exports of Goods and Services	73,088.9	99,958.5	102,790.7	85,954.3
Statistical Discrepancy	-3,333.2	-5,264.6	-5,853.3	-4,782.0

Source: *Department of Statistics, Singapore*

Questions

- (a) Describe the trend of Singapore's real GDP for the period 2009 to 2012. [2]
- (b) Using Table 3, account for the relationship between Singapore's net exports of goods and services and real GDP between 2009 to 2012. [4]
- (c) Explain one piece of information that would be useful in explaining the slowdown in growth in China. [2]
- (d) Discuss the view that China should "rebalance its economy". [8]
- (e) With the help of an AD/AS diagram, explain the impact in both the short and the long run of a rise in foreign direct investment on the macroeconomic performance of China. [6]
- (f) Explain, and comment on, the statement in Extract 10 that "free trade is and has always been an important source of national income for a country". [8]

[Total: 30 marks]

Section B

Answer **one** question from this section.

- 3** **(a)** Explain the terms 'public good' and 'demerit good', making clear in each case how they cause the market to fail. [10]
- (b)** It is generally recognised that casino gambling generates a level of externalities that is unacceptable. Thus, the Singapore government has imposed an entry levy of \$100, which is valid for 24 consecutive hours starting from the time of first entry into the casino, on the citizens and permanent residents of Singapore.
- Discuss the view that the imposition of an entry levy is the best method to tackle this problem in Singapore. [15]
- 4** Higher oil prices in 2011 have led to inflation, a slowdown in Singapore's economic growth and a weakening of the currency.
- (a)** Explain how higher oil prices led to the above problems in Singapore. [10]
- (b)** Discuss the measures that the Singapore government can adopt to solve the macroeconomic problems mentioned. [15]