



**ANDERSON SERANGOON JUNIOR COLLEGE**  
**JC1 PROMOTIONAL EXAMINATION**  
**Higher 1**

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**ECONOMICS**

**8843/01**

Paper 1

**26 September 2022**

Additional Materials: Answer Booklet

**2 hours 5 mins**

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**READ THESE INSTRUCTIONS FIRST**

Write down your name and class on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need any additional answer booklets, ask the invigilator for a continuation booklet.

Answer **all** questions.

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

Name: \_\_\_\_\_

Class: 23 / \_\_\_\_\_

Question Number	Marks Awarded
<b>1</b>	<b>/40</b>
<b>2</b>	<b>/10</b>
<b>TOTAL</b>	<b>/50</b>

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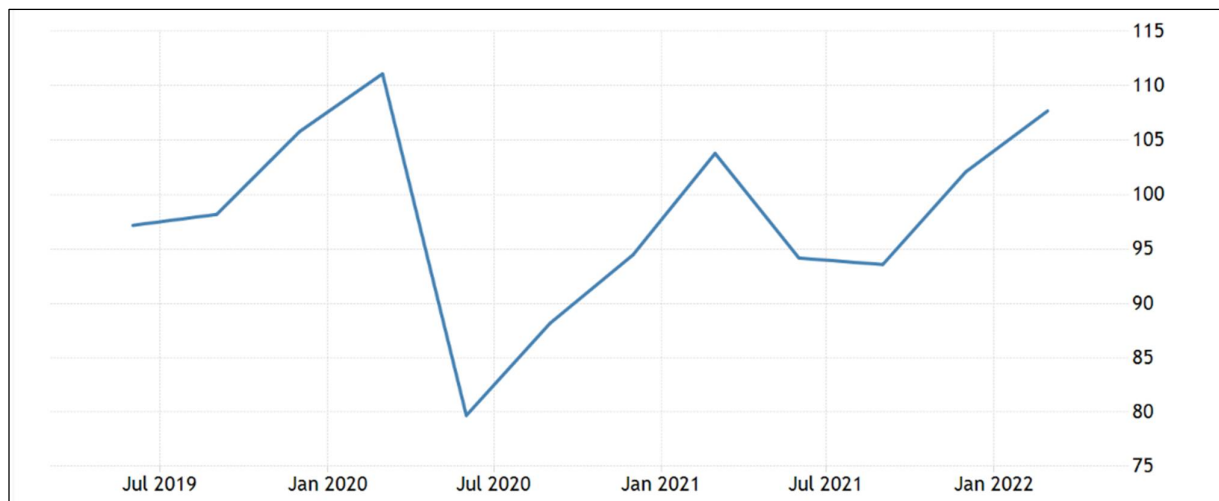
This document consists of **5** printed pages and **3** blank pages.

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Answer **all** questions.

### Question 1: Healthcare Issues

**Figure 1: Singapore's labour cost index**



Source: *Tradingeconomics.com*, accessed 10 August 2022

#### **Extract 1: Firms offering higher pay due to manpower crunch, thus driving up costs**

Rising manpower costs and the lack of available manpower, resulting from border restrictions to curb the spread of Covid-19, are some of the top challenges that companies face. This was found through an annual survey by the Singapore Business Federation (SBF), which polled companies here on how the pandemic has affected their business this year and their outlook going forward.

SBF's chief executive officer Lam Yi Young said in a media briefing on Wednesday (Dec 8) that companies have had to increase their wages to retain their workers or get others to jump ship, leading to higher manpower costs. "I think it's very much driven by overall shortage of skilled workers in particular sectors. Companies, on one hand, are worried about rising manpower costs, but they feel they have no choice but to pay more in order to get the people they need, which then leads to even higher manpower costs," Mr Lam said.

Adapted from *Todayonline*, 8 December 2021

#### **Extract 2: Healthcare spending on the rise because of higher utilisation, rising manpower costs**

Singapore's healthcare expenditure is set to continue to increase, Health Minister Gan Kim Yong said in Parliament on Thursday (Mar 5). He said that Singapore's national health expenditure increased from S\$13 billion in 2012 to S\$22 billion in 2017, or about 11% per annum.

Breaking this down, Mr Gan said, "part of this increase was due to increased utilisation. As our population ages and grows, demand for healthcare services also increases. Singapore is also utilising more healthcare than in the past, even after accounting for ageing and population growth. This is partly the result of making healthcare more accessible and affordable to all, earlier diagnosis, closer monitoring and follow-ups for medical conditions."

Another part of the growth in national health expenditure can be attributed to higher manpower costs. “On one hand, our healthcare workforce expanded significantly between 2012 and 2017. On the other hand, our healthcare workers’ salaries also increased as we implemented pay adjustments to attract and retain our healthcare workers,” Mr Gan said.

“Keeping everyone healthy is a team effort, and we are all part of the team. So let us all play our part to keep Singapore and Singaporeans in good health,” he said.

Adapted from CNA, 5 March 2020

**Table 1: Price elasticity of demand values for selected healthcare products and services in the United States**

Pharmaceutical Products	Emergency Services
- 0.44	- 0.04

Source: *Journal of Health Economics*, September 2017

### **Extract 3: A refresher on price elasticity**

Setting the right price for your product or service is hard. It depends on price elasticity of demand. Many managers assume they understand the full picture based on their experience pricing their products in the marketplace, that they know how consumers will respond to almost any price change. More likely, a company has a small sample of consumer responses to certain price changes, such as what happens when price is raised or lowered by 5 – 20%. More extreme changes in price may elicit significantly different consumer responses. Furthermore, what consumers have historically been willing to pay for a particular product is not necessarily what they are willing to pay today or tomorrow. Understanding the why behind consumer behaviour is critical to predicting how they will respond in the future.

Adapted from *Harvard Business Review*, 21 August 2015

### **Extract 4: Promoting overall healthier living while targeting specific sub-populations**

Preventive health care helps detect or prevent serious diseases and medical problems before they can become major. Annual check-ups, immunisations, and flu shots, as well as certain tests and screenings, are a few examples of this. Encouraging the use of preventive healthcare services can keep patients healthy, and stop them from getting sicker, so that payers do not have to pay for higher cost treatments and services.

The payers that effectively encourage the use of preventive health care will begin to see savings because they are paying less for costly treatments of chronic diseases, expensive healthcare utilisation, and the inflated costs of hospital stays. In the US, according to the CDC\*, chronic diseases that are avoidable through preventive care services account for 75% of the nation’s health care spending and lower economic output in the US by \$260 billion dollars a year.

Considering this, the Ministry of Health (MOH) in Singapore will take a life-course approach to drive population health. It will redouble efforts to promote overall healthier living, while taking targeted health measures for specific segments of society. This includes the Screen for Life (SFL) programme. The SFL is a national screening programme that offers eligible Singapore Citizens and Permanent Residents (PRs) subsidised screenings, recommended based on age and gender.

SFL aims to encourage Singapore Citizens and PRs to go for regular screenings and follow-up. With early detection and appropriate intervention, it can prevent or delay the onset of certain diseases such as diabetes, as well as complications related to them. From 1 September 2017, MOH and the Health Promotion Board (HPB) have enhanced subsidies for SFL to encourage more Singapore Citizens to go for the recommended health screenings and have the necessary follow-up.

*\*The Centers for Disease Control and Prevention (CDC) is part of the U.S. Public Health Service of the Department of Health and Human Services.*

Source: Various

### Questions

- (a) Using Figure 1, summarise the trend of Singapore's labour cost for the period given. [2]
- (b) Extract 1 states that "Rising manpower costs and the lack of available manpower, resulting from border restrictions to curb the spread of Covid-19, are some of the top challenges that companies face."
- Is the above statement a positive or a normative statement? Explain your answer. [2]
- (c) Using a demand and supply diagram, explain one factor in Extract 1 that accounts for the rise in labour prices in Singapore. [4]
- (d) With reference to Extract 2, discuss the impact of the ageing population and increased manpower costs on the market for Singapore's healthcare services. [8]
- (e) Explain why the price elasticity of demand values for pharmaceutical products and emergency services differ and comment on whether these values are reliable. [6]
- (f) Using Extract 4, explain why there is a divergence between the actual and perceived marginal private benefits in the market for preventive care. [3]
- (g) (i) Explain how the existence of positive externalities in the market for preventive care leads to market failure. [5]
- (ii) With reference to the data provided and/or using your own knowledge, discuss whether the "subsidised screenings" from the Screen for Life (SFL) programme is the best approach to address the market failure above. [10]

**[Total: 40]**

## Question 2: Infrastructure Spending in the United States (U.S.)

### Extract 5: Senate passes \$1 trillion infrastructure bill

The Senate gave overwhelming approval on Tuesday to a \$1 trillion infrastructure bill to rebuild the nation's deteriorating roads and bridges and fund new climate resilience and broadband initiatives, delivering a key component of President Biden's agenda.

This would be the largest infusion of government spending into infrastructure projects in more than a decade, touching nearly every facet of the American economy and fortifying the nation's response to the warming of the planet. The measure would provide \$65 billion to expand high-speed internet access; \$110 billion for roads, bridges, and other projects; \$25 billion for airports. It would also renew and revamp existing infrastructure and transportation programs set to expire at the end of September.

This comes amidst news that unemployment rate declined to 5.2 percent in August 2021. The number of unemployed people edged down to 8.4 million. Both measures are down considerably from their highs at the end of the February-April 2020 recession.

Source: *The New York Times*, 10 August 2021 and *US Bureau of Labor Statistics*, 9 September 2021

### Questions

- (a) State one component of AD. [1]
- (b) Using AD/AS analysis, explain the impact of the "government spending into infrastructure projects" (Extract 5) on the U.S. economic growth
  - (i) in the short run. [4]
  - (ii) in the long run. [3]
- (c) Explain a possible opportunity cost incurred when the U.S. government decided to spend \$1 trillion on infrastructure. [2]

**[Total: 10]**

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