

	<b>NANYANG JUNIOR COLLEGE</b>
	2022 JC2 Preliminary Examination <b>H1 ECONOMICS</b>

Paper No: 8823/01

31<sup>st</sup> August 2022  
Wednesday

Time : 0800 – 1100 hrs  
Duration : 3 hours

### **INSTRUCTIONS TO CANDIDATES**

**Do not flip the pages of this paper until you are told to do so.**

Write your name, class and name of your economics tutor in the space provided on the answer booklet.

**You are required to answer ALL questions.**

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

Write your answers on the answer booklet provided. If you use more than one answer booklet, slot the additional booklets into the first booklet.

Please start each case study on a fresh page.

You are advised to spend several minutes reading through the questions and data before you begin writing your answers.

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There are **7** printed pages including this cover page.

## Question 1: Education for All

**Table 1: Singapore government's expenditure per student (Singapore Dollars)**

	2017	2018	2019	2020
Primary	11,338	11,835	11,526	11,265
University	21,624	22,186	22,022	21,538

*Source: SingStat, accessed 9 July, 2022*

### Extract 1: Fees hike for preschools

To cope with the rising need of preschool services due to the prevalence of dual-income families, and more grandparents working, the Singapore government has been expanding the number of government-supported preschool places. Despite its efforts, preschool fees continue to increase.

About 330 childcare centres in Singapore will be raising their fees for full-day childcare for Singapore citizens next year, said the Early Childhood Development Agency (ECDA). From time to time, preschools adjust their fees to keep up with the rising operational costs.

It is estimated that by 2020, 3,000 more teachers are needed to be in place. That is an 18 per cent increase in the current number of 17,000 teachers. Despite recruitment drives for the sector and steps to make the profession more attractive, it is still hard to recruit and retain preschool teachers. There are now calls for salaries of preschool teachers to be raised to address the challenges in recruitment.

*Source: Channel News Asia, 17 Sep 2019*

### Extract 2: More preschool subsidies as Singapore set to spend more on preschool education

The early years are important for a child's development. Quality preschool education will provide developmentally appropriate learning experiences for young children to develop holistically and nurture positive attitudes towards learning. It will also help the children develop foundational literacy and numeracy skills and build up confidence as well as self-management and social skills. This foundational development will enable children to have a smoother transition from preschool to formal education in primary schools, a fact that many parents are unaware of.

Preschool education also benefits the society as it propels them to move towards early academic standards. Pre-kindergarten programmes pay off in the long run by reducing the teen incarceration rate, lowering the crime rate, lessening welfare reliance and unemployment, and creating potential solutions for the future workforce.

Furthermore, as inequality remains one of the most serious issues now facing Singapore, the government wants to tackle it early and believes that the best chance of addressing it is during a child's preschool years. Singapore's annual spending of about S\$1 billion on early childhood education will "more than double" over the next few years, as the Government looks to make preschools more affordable for parents here, said Prime Minister Lee Hsien Loong on Sunday (Aug 18). This includes plans to increase the number of government-supported preschools to 80 per cent over time. At the moment, just over half of all preschool places are government-supported.

Citing a recent survey by the People's Action Party Women's Wing, Mr Lee said young parents remained concerned about the affordability of preschools. He added that he agreed with a point made by the MPs involved in the survey, in that “preschools should be like housing and healthcare” where there are good and affordable government-funded options for all Singaporeans. Preschool subsidies will also be enhanced, announced Mr Lee in his National Day Rally speech.

At the moment, families are only eligible for additional means-tested subsidies if their monthly household incomes do not exceed S\$7,500. To offer more help to those from the middle-income, this income ceiling will be raised to S\$12,000 per month. This will extend the means-tested subsidies to 30,000 more households. There will also be an increase in the quantum of preschool subsidies across the board, said Mr Lee.

In recent years, Mr Lee noted that a “major shift” has been made to improve preschool education here. “We want to start earlier in a child’s life because these years make a big difference to his development. A good preschool education can make a crucial difference” he explained.

*Source: Adapted from Channel News Asia, 18 Aug 2019*

### **Extract 3: What can be learned from Ireland’s move to free tuition?**

Beginning in 1995, Ireland eliminated tuition fees for full-time university undergraduates with improving access for disadvantaged students as the principal motivation.

Enrolments in Irish higher education have doubled since free tuition was introduced, fuelled both by one of the fastest growing populations in Europe and an increase in the college-going rate from one-third in the 1990s to more than one-half in recent years.

The most remarkable Irish achievement since tuition fees were eliminated was the tripling in the attainment rate – the share of workers who hold a college degree. As a result, Ireland now has one of the highest attainment rates in the world and, so, is viewed as one of the great success stories in international higher education over the past quarter century.

The Irish experience with free tuition has a number of lessons for the various countries that are actively exploring free college options.

To be successful, tuition-free college demands sustained high levels of government investment to replace the tuition fees that students would have paid and to increase resources beyond that. Without such a sustained financial commitment, quality will suffer, especially if enrolments grow rapidly.

It is also clear from the Irish experience that eliminating tuition fees does not guarantee greater equity of access to college. Without additional measures, such as help with living expenses for impoverished students and more counselling services, stratification will continue as students from wealthier families will enrol in larger proportions in the most selective institutions.

Not charging tuition fees does not mean that students will not have to pay anything to go to college. When tuition fees were eliminated in the 1990s, Ireland’s modest registration fee seemed a reasonable way to ensure that some costs would still be paid by students. But the rapid growth in registration fees over time means that they have replaced a large chunk of what would have been tuition fees.

*Source: University World News, 25 Oct 2021*

#### **Extract 4: More government intervention risks being counterproductive**

How much should a government intervene in the economy? This is one of the main issues in economics and free market economists argue that government intervention should be strictly limited as government intervention tends to cause an inefficient allocation of resources. However, others argue there is a strong case for government intervention in different fields, such as externalities and public goods.

In a free market, provision tends to be patchy and unequal. For example, universal education provided by the government ensures that, in theory, everyone can gain an education, which has a strong social benefit. However, too much government intervention may create excess bureaucracy and inefficiency.

*Source: Adapted from The Economist, 10 Jan 2022*

#### **Questions**

- (a) With reference to Table 1, compare the government expenditure per student for primary and university education from 2017 to 2020. [2]
- (b) Extract 1 states that 'To cope with the rising need of preschool services due to the prevalence of dual-income families, and more grandparents working, the Singapore government has been expanding the number of government-supported preschool places.'
- Using a supply and demand diagram, explain the impact of these changes on the market for preschool education. [6]
- (c) Discuss the extent to which the presence of positive externalities should be the main reason for government intervention in the market for preschool education. [10]
- (d) Explain how the concept of price elasticity of demand can be used to estimate the possible effects of rising salaries of preschool teachers on the revenue of preschools in Singapore and comment on whether raising salaries can be justified. [8]
- (e) Explain whether higher education in Ireland is considered a public good. [4]
- (f) With reference to Extract 3,
- (i) State a constraint faced by the Irish government in providing free tuition for higher education. [1]
- (ii) Using the concept of opportunity cost, explain one possible effect on the Irish government arising from the provision of free tuition for higher education. [2]
- (g) Governments, having the most significant influence on the markets today, can create some consequences which leads to greater inefficiency.
- Using that data provided and your own knowledge, discuss the extent to which this is a valid assertion in the market for education. [12]

**[Total: 45]**

## Question 2: Impacts of Covid-19 on Singapore and UK

**Figure 1: Singapore's Gini Coefficient**



Source: Ministry of Finance, Singapore

**Table 2: Selected Indicators of Singapore**

Indicator	2020	2010
GDP Per Capita at Current Prices (Dollars)	83,789	64,408
Total Population Growth	-0.3%	1.8%
Unemployment Rate	4.1%	3.1%
Total Greenhouse Gas Emissions (Gigagram)	52,178	46,142
Life Expectancy at Birth (Years)	83.7	81.7

Source: Singstat, accessed 15 June 2022

### Extract 5: Singapore Sinks into Recession Due to Covid-19

Singapore's GDP shrank 41.2 per cent in the April to June period, deepening the 3.3 per cent contraction in the preceding three months, said the Ministry of Trade and Industry (MTI). This means that Singapore has entered a technical recession, defined by economists as two consecutive quarter-on-quarter contractions. Several months of COVID-19 restrictions, including stay-at-home orders, movement controls and workplace closures have battered Singapore's retail and tourism sectors, with little sign of the pain abating.

The services sector shrank 37.7 per cent compared to the last quarter. Global and domestic travel curbs had "severely" affected tourism-related sectors, while outward-oriented services sectors such as wholesale trade were adversely hit by falling external demand, said MTI. Meanwhile, domestically oriented services sectors such as food services, retail and business services were also "significantly affected" by the circuit breaker rules, it said.

Source: ChannelNewsAsia, 14 July 2020

### **Extract 6: Singapore's Response to Covid-19**

The COVID-19 pandemic was a great shock to the global economy. As a small, open economy, Singapore was not spared from its effects and fell into recession. The Government responded decisively and continued to adapt its responses as the crisis evolved. Five Budgets were delivered over a span of nine months to avert a deeper recession and prevent the unemployment rate from rising.

Key initiatives include:

- To provide broad-based emergency relief for workers and businesses, the Government subsidised up to 75% of wages for all resident workers through the Jobs Support Scheme, to which the Government devoted \$26.9 billion. In addition, the Government also rolled out various tax and rental relief measures to help businesses.
- To facilitate resource reallocation, measures such as SG United Jobs and Skills Package (SGUJS) helped individuals get into jobs in demand. Opportunities remained available for locals prepared to consider a wider range of options. There were close to 130,000 available jobs and skills opportunities for jobseekers as at end December 2020, with most of the available opportunities being jobs of a long-term nature. SGUJS provided traineeships to ensure fresh graduates had meaningful roles to build their skills for these jobs.

*Source: Ministry of Finance, Singapore, accessed 5 May 2022*

### **Extract 7: Singapore in Deflation, First Time in a Decade**

Singapore's main price gauge slipped into deflation for the first time in more than a decade in February, data showed on Monday (Mar 23). Core inflation fell 0.1 per cent from a year earlier into the negative range, according to a joint release by the Monetary Authority of Singapore (MAS) and Ministry of Trade and Industry (MTI).

"In the quarters ahead, external sources of inflation are likely to remain benign, amid weak demand conditions and generally well-supplied food and oil commodity markets," MTI and MAS said. They added that oil prices declined sharply in March and could stay depressed for an extended period amid the global economic slowdown and an anticipated rise in oil supply.

"The COVID-19 outbreak has weighed heavily on the aviation and tourism industries, which could in turn lower the prices of travel-related items and cause the Consumer Price Index to fall marginally. In addition, the implementation of safe distancing measures and fall in tourist arrivals have dampened consumer demand and will cap any price increases for discretionary goods and services," the authorities said.

Labour market conditions are expected to continue to soften and dampen wage growth in 2020. The economic uncertainty is also likely to discourage firms from passing any cost increases to consumers, they added. "Inflationary pressures are thus expected to remain subdued in the near term," the joint statement said.

The authorities added that they will closely monitor the falling price trends and assess the impact of the Covid-19 outbreak on price levels.

*Source: ChannelNewsAsia, 23 March 2020*

### Extract 8: Bank of England Cuts Rates in Emergency Move

The Bank of England (BOE) announced Wednesday an emergency cut to interest rates in an attempt to limit the economic impact from the new coronavirus. "At its special meeting ending on 10 March 2020, the Monetary Policy Committee (MPC) voted unanimously to reduce Bank Rate to 0.25%," the Bank of England said in a statement on Wednesday.

The announcement follows a similar decision by the U.S. Federal Reserve last week. The virus that began in China late last year has spread worldwide and is impacting all major economies, with flight cancellations and strict quarantine measures in some cases. Data released last month showed that the UK economy stagnated in the last part of 2019. The country has been embroiled in economic uncertainty since its decision to leave the European Union in 2016.

"If we are now trying to encourage people to stay at home and not travel, what on earth is a rate cut supposed to do?" Jim O'Neill, chair at UK thinktank Chatham House, told CNBC. "The rate cut part strikes me as a mistake and too soon because they might need these bullets if demand does get a lot weaker". Karen Ward, chief market strategist at JPMorgan Asset Management, said in an email: "We believe altering the value of the pound sterling could prove more effective than rate cuts".

*Source: Adapted from CNBC, 7 May 2020*

### Questions

- (a) With reference to Figure 1, explain why Singapore's Gini coefficient after taxes and transfers is always lower than before taxes and transfers. [4]
- (b) With reference to Table 2, discuss whether the standard of living in Singapore has improved from 2010 to 2020. [7]
- (c) Using a production possibility curve diagram, explain the macroeconomic impact of Covid-19 restrictions on the Singapore economy. [3]
- (d) With the aid of diagram(s), explain how the policies implemented by the Singapore government have "prevented the unemployment from rising" (Extract 6) and comment on its effectiveness. [7]
- (e) With reference to Extract 7,
  - (i) With the aid of a diagram, explain how Singapore has "slipped into deflation". [5]
  - (ii) Explain why the Consumer Price Index falls marginally when prices of travel-related items fall. [3]
  - (iii) Explain two possible reasons why the authorities will "closely monitor the falling price trends". [4]
- (f) "We believe altering the value of the pound sterling could prove more effective than rate cuts" (Extract 8).  
To what extent do you agree with this statement? [12]

**[Total: 45]**

