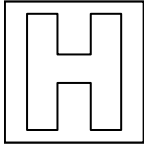


Name: \_\_\_\_\_ Class: \_\_\_\_\_



RIVER VALLEY HIGH SCHOOL  
 YEAR 6 Preliminary Examination II  
 in preparation for General Certificate of Education Advanced Level  
 Higher 1

**ECONOMICS****8819/01**

Paper 1

**12 September 2017****3 hours**

Additional Materials: Answer Paper

**READ THESE INSTRUCTIONS FIRST**

Write your index number and name 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.  
 Start each case study on a **new** sheet of paper.

**Section B**

Answer **one** question.  
 Start this question on a **new** sheet of paper.

At the end of the examination, fasten all your work securely together.  
 Your answers for each case study in Section A and the essay in Section B are to be handed in **separately**.

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

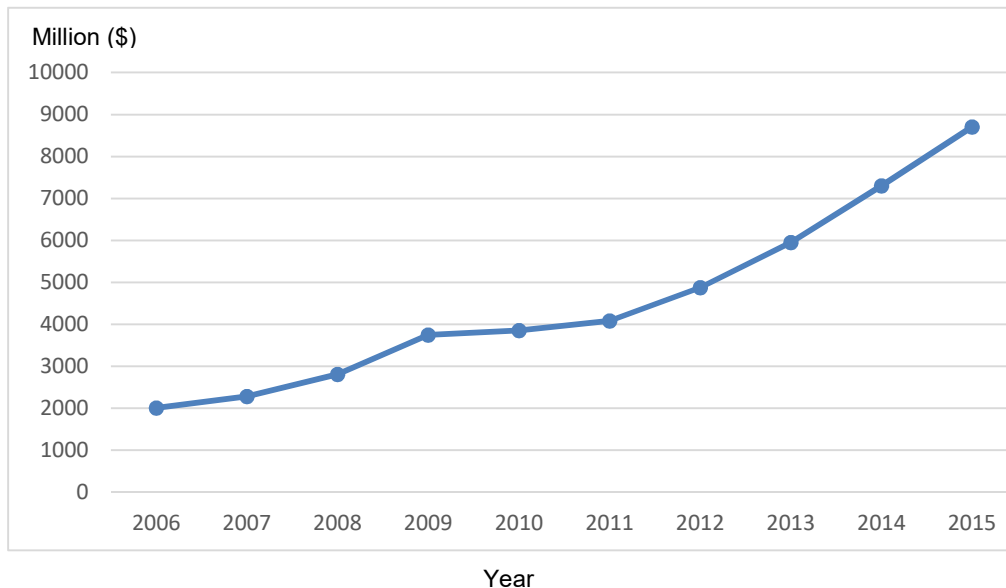
This document consists of **8** printed pages.**[Turn over**

## Section A

Answer **all** questions in this section.

### Question 1 Healthcare in Singapore

**Figure 1: Singapore Government healthcare spending**



Source: Ministry of Health, accessed 31 July 2017

#### Extract 1: More healthcare workers needed in Singapore

The number of elderly Singaporeans is growing faster than ever. There were 460,000 people aged above 65 in 2015. By 2020, this number will rise to 610,000.

As Singapore's population ages rapidly and more suffer from chronic age-related ailments, 30,000 more healthcare workers would be required in 2020 as compared to 2015. In addition, Singapore will also need to completely rethink the way it cares for the elderly, said Health Minister Gan Kim Yong.

These workers - including doctors who specialise in healthcare services for the elderly and highly trained nurses capable of helping clinics in primary and community health settings - will be required to staff the additional facilities on the way. These include six new polyclinics, 2,100 public hospital beds, 9,100 beds in community hospitals and nursing homes and 7,600 more places in day, home and palliative care.

Source: *The Straits Times*, 20 October 2016

#### Extract 2: Medical tourism ambitions under threat

Indonesians, Thais and Malaysians came in droves to receive quality medical treatment in Singapore's private hospitals. But 15 years on, Singapore's ambition to become a healthcare hub appear to be receding quietly. The region's well-to-do medical tourists are looking elsewhere for treatment, meaning that local players have had to extend their reach abroad.

The main reason Singapore is falling behind is that hospitals in countries such as Malaysia and Thailand have stepped up their game, said Mr Jean-Luc Butel, president of consulting firm K8 Global. While they may not have the state-of-the-art technology that Singapore's private hospitals possess, they can carry out standard surgery at a fraction of the cost. "This makes the competition very, very tough - our ability to attract the low- or medium-budget traveller is virtually gone." Mr Butel said.

Dr Zubin Daruwalla, healthcare director of PwC South East Asian Consulting, said that "The value of the Singapore dollar and its appreciation make us less affordable." In Singapore, a relatively low-cost simple treatment like the total hip replacement surgery at a private hospital would set a patient back around \$14,000. In comparison, the same procedure at Mahkota Medical Centre in Malaysia - which treats more than 80,000 foreign patients a year - costs the equivalent of only \$8,800.

In the face of all this, some hospitals have developed innovative ways to make medical travel more than just treatment. At Farrer Park Hospital, where foreigners make up half the number of patients, a tablet can be used to view medical records, order meals and even shop online, and have the purchases delivered to a location of the patient's choice.

"If we can manage our services and costs properly, maintain our high standards of care, there is no reason why Singapore cannot be at the forefront of not just the regional, but also the global medical tourism market," said Mr Roy Quek, chairman of Thomson Medical. He added that Singapore will always be a popular destination for complex treatments, a sentiment echoed by Dr Kelvin Loh, chief executive of Parkway Pantai's Singapore operations division.

"There is a growing trend of international patients coming to Singapore for complex medical treatment," he said, adding that its ability to handle such cases has drawn patients from new markets such as China and India.

Source: *The Straits Times*, 17 October 2016

### **Extract 3: Singapore's healthcare success did not come cheap or easy**

Singapore's success in providing affordable and accessible acute healthcare is a result of strong controls, argues one expert.

The issue of healthcare reform has become ever more contentious, as governments look to curb spending and limit their fiscal responsibilities. In the face of anxieties over rising healthcare costs, Singapore's healthcare model has caught the world's eye, especially its medical savings account scheme, Medisave. Observers see it as a clever mechanism for reducing the fiscal obligations of the government while building households' capacity to pay for their own healthcare needs.

Singapore's healthcare system is not without its challenges. Though Singapore has managed to maintain modest overall spending, it has a rapidly ageing population and most healthcare expenditures continue to be financed out-of-pocket. Then for outpatient services, poorer and older Singaporeans are finding it increasingly unaffordable and inaccessible. Although the government maintains a safety net, Medifund, for patients who cannot cover their bills, there are still Singaporeans who struggle to afford the medicine when they need them.

Source: *Channel NewsAsia*, 24 May 2017

### Extract 4: The benefits of a healthy workforce

When it comes to your workforce, the aim is to keep employees happy and motivated enough to work at maximum productivity no matter the job role or task.

The biggest benefit of a healthy workforce for an employer is undoubtedly a lower absentee rate. On average, employees in the UK lose over 2% of their working hours per year due to absence. Usually there are a number of costs associated with this, such as the cost of cover whilst the person is off, potential additional overtime costs for other employees and possible retraining depending on the terms and length of the absence.

If an employee is fit and well, their productivity is much higher than if they are working whilst ill. Also, studies have shown the link between employee engagement and their health or well-being. This means that if your workforce is generally well and healthy, they will be more engaged in their role, offering a happier and more efficient environment to work in.

Being unaware, the consumers are also not taking steps to prevent their conditions from becoming severe. The bottom line is that screening tools that can alert people in the early stages of a disease exist. Whatever the reason - fear, ignorance, lack of interest - the fact is that people aren't making use of them, even when screening programmes are free or heavily subsidised.

Source: *Glasgow Medical Rooms Journal*, 12 May 2016

### Questions

- (a) (i) Describe how Singapore government healthcare spending has changed from 2006 to 2015. [2]
- (ii) Explain the change in opportunity cost given this change in healthcare spending. [2]
- (b) Extract 1 states that the number of elderly Singapore will rise to 610,000 by 2020.
  - (i) Using supply and demand analysis, explain how this estimation serves to impact the market for private healthcare services. [6]
  - (ii) Comment on how the above analysis might affect Singapore government healthcare spending going forward. [2]
- (c) (i) Explain how the expenditure of foreign patients seeking different types of treatment in Singapore might change given the strengthening of the Singapore dollar. [4]
- (ii) Given that "medical tourists are looking elsewhere for treatment", explain **one** strategy private hospitals in Singapore can employ to attract them back to Singapore. [2]
- (d) Discuss whether the government should provide full subsidy for health screening. [4]
- (e) There tends to be under-consumption in the healthcare market. Discuss whether the medical saving account scheme described in Extract 3 is sufficient to tackle this under-consumption. [8]

**[Total: 30]**

**Question 2****Problems in the European Union****Extract 5: Germany needs migrants as workforce dwindles, but must pay for them**

German chancellor Angela Merkel has refused to put a cap on refugee numbers to a country where the population of around 82 million is set to shrink by 15 percent by 2050, according to government forecasts, with the workforce falling by 30 percent.

But many of the people currently arriving from countries such as Syria do not speak German and have few formal qualifications, so it will take time and investment to reduce their dependence on state welfare and get them into work. Each unemployed refugee costs taxpayers 12,000 euros a year, government figures show. Only 8 percent find work in the first year and most rely on the state for everything from food and housing to language courses. However, the costs will be offset within 5 to 10 years as more and more refugees start working and paying taxes, according to a study by the German Institute for Economic Research (DIW). The study forecast that rising migrant employment would gradually drive up German national output, with per capita income increasing by 0.5 percent by 2030. In addition, Germany, the largest economy in European Union, is expected to post a budget surplus this year and thus, has the means to accommodate the refugees.

To tackle a lack of formal qualifications or schooling, an extra 30,000 teachers are needed for refugees and their children to boost their chances in the labour market, according to the Cologne Institute for Economic Research.

Source: *Reuters*, 11 December 2015

**Extract 6: Germany's record trade surplus is a bigger threat to European Union than Greece**

This is the fifth consecutive year that Germany's surplus has been above 6 percent of GDP and is surely more dangerous for European Union unity than anything going on in Greece. International Monetary Fund warned last year that the German surplus is destructive for the Economic and Monetary Union (EMU) as a whole. It is not in Germany's own economic interest, and makes it even harder for the EMU crisis-states to claw their way out of trouble. Germany's trade surplus was achieved by squeezing wages in the early years of EMU, undercutting the production cost in the South. Efforts by France, Spain, Italy, Portugal and Greece to claw back lost ground by doing the same at this late stage is precisely what pushed the EMU system as a whole into a deflationary slump from 2011 to 2014. The imbalance is also getting worse because the German regulatory and tax structure is geared in favour of output and exports, and against consumption.

Chronic surpluses are a way of stealing demand from elsewhere as they export unemployment to other countries. The sooner Germany abandons fiscal control and invests its own money in its own country for its own good, the better it will be for everybody.

Source: *Telegraph*, 5 May 2015

### **Extract 7: Don't Blame Germany for Greece's Debt Crisis**

The prevailing narrative of the Greek crisis was that the Germans, the European Central Bank and the International Monetary Fund (IMF) had saddled too much debt on the Greeks and imposed counterproductive austerity policies on its government.

But the prevailing narrative overlooked a number of inconvenient truths. The first fact is that this is actually the third bailout in the last five years, and in 2012, the Greeks did benefit from a \$117 billion write-off of debt owed to private banks. Second, much of the roughly \$380 billion in remaining debt is owed to sovereign nations, meaning that the true creditors are German, Dutch, French and other European taxpayers. Third, while Greece did adopt painful fiscal austerity in recent years, it has been slow to carry out many of the needed structural reforms (such as privatizing state-owned enterprises) it agreed to under previous bailouts.

Furthermore, countries most adamant about being tough on the Greek were not the Germans, but poorer eastern European Union member nations where people are understandably frustrated at bailing out Greece. On the other side, however, German taxpayers will now pay a good chunk of a third Greek bailout.

Source: *Times*, 31 July 2015

### **Extract 8: Borders are closing and banks are in retreat. Is globalisation dead?**

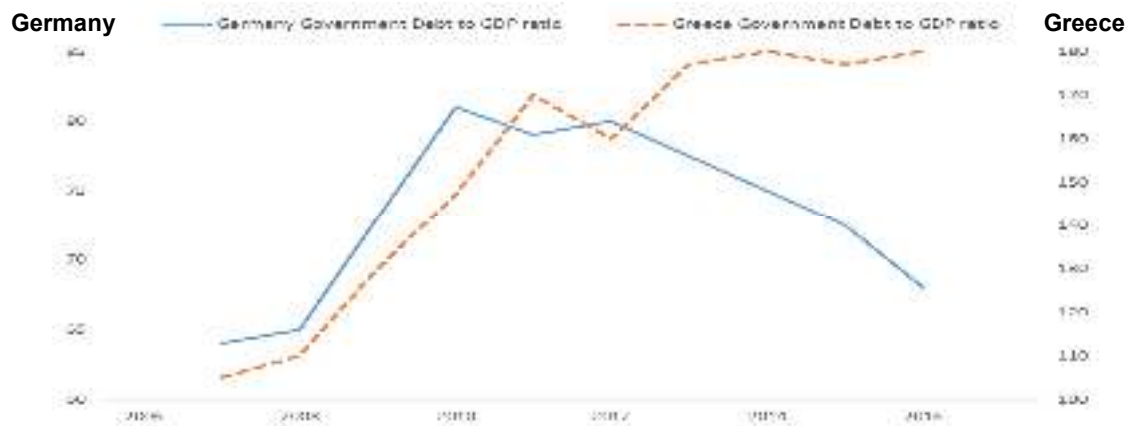
Globalisation was meant to be the unstoppable economic force bringing prosperity to all but that was before the financial crisis. For the past four years, international trade flows have increased more slowly than global GDP. Even though global trade flows are still expanding, crisis-scarred global banks are retreating from risky cross-border lending. There are also some sectors where globalisation is in substantial retreat, like the steel industry where trade flows have never returned to pre-2007 levels. From 2009, although governments have generally not resorted to blatant protectionist measures, quieter ways of giving domestic firms an unfair advantage, like tax rebates for exporters, have often been undertaken.

With globalisation, IMF has suggested that developing countries must be cautious about expanding their banking sectors and opening up their capital markets without tough regulation as inflows of speculative "hot money" can be dangerous. In addition, just as governments have not always been good at protecting their citizens from rapid inflows and outflows of foreign money, the failure to shield workers from foreign competition has also undermined faith in globalisation.

Globalisation has been an extraordinary force for lifting people out of poverty in the global economy of big, low-income countries like China and India. At the same time, it has been a boon for consumers in the west, who have feasted on imports of cut-price goods. But globalisation has also become a scapegoat for mass layoffs and stagnating wages among workers in some developed countries, as manufacturing jobs have been shifted offshore especially in the US. Even though US is a big winner from globalisation, but within that there are probably millions of losers as US does not have an effective social safety net for workers who lose their jobs. In the European Union, it has been migration flows that have caused controversy but there is little evidence that migration lowers domestic wages. However, with median wages stagnating, the free movement of goods or workers often gets the blame.

In the long term, globalisation will only be supported if there are better social safety nets at home and proper controls on cross-border capital flows to make trade more stable.

Source: *The Guardian*, 23 May 2015

**Figure 2: Debt to GDP Ratio in Germany and Greece**

Source: [www.tradingeconomics.com](http://www.tradingeconomics.com) accessed on 7 August 2017

**Table 1: Germany's exports to trading partners in 2015**

	% of total exports
United States	9.53
France	8.58
United Kingdom	7.43
Netherlands	6.61
China	5.98

Source: World Bank, accessed on 7 August 2017

### Questions

- (a) Compare the patterns of the government debt to GDP ratio in Greece and Germany between 2010 and 2015. [2]
- (b) Extract 7 suggests that austerity measures were imposed on Greece to help reduce her debt. Explain the likely factors that may influence the effectiveness of these measures. [4]
- (c) Extract 5 mentions that German chancellor Angela Merkel had refused to put a cap on refugee numbers into Germany.
- (i) With the help of an AD/AS diagram, explain the impact in both the short and the long run of an influx of refugees on Germany's economy. [6]
- (ii) Explain how Germany's government budget could possibly be affected with the influx of refugees. [4]
- (d) Analyse and comment on whether the problems posed by Germany's trade surplus or Greece's debt will be more serious to the European Union. [6]
- (e) With reference to the data, discuss whether the benefits associated with a less globalised world will outweigh the costs. [8]

**[Total: 30]**

**Section B**

Answer **one** question from this section.

- 3** Rational decision making involves the consideration of the marginal costs and marginal benefits of the choices available.
- (a) Using demand and supply analysis, explain how consumers and firms make rational decisions in the free market. [10]
- (b) Discuss the view that the free market inevitably fails and government intervention always leads to an improvement in resource allocation. [15]
- 4** (a) Explain the factors that will affect the external value of Singapore dollar. [10]
- (b) Discuss whether exchange rate policy is the best policy to achieve price stability in Singapore. [15]