

Q2a)	Explain the key economic aims of a country. [10]
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Question FOCUS

- Students are expected to explain 3 key economic aims of a country, including at least one internal or external macroeconomic aim of a country.
- The economic analysis should also illustrate 2 different countries and justify how an particular aim is a key aim of the country based on its unique characteristics

Introduction

- Explain the different macroeconomic aims of a country
- Explain that while there are many aims of the country, it is impossible to achieve all goals at the same time → governments need to prioritise on the importance of each aim and conduct cost benefit analysis to decide on the focus each year
- Key aim will differ in each country depending on its nature of the economy and key aim of each government

Example 1 : Singapore

- **Nature of Singapore's economy** → compelling need to remain plugged into global economy (open nature), constrained by a small domestic market and limited resource
 - KEY aim: Healthy BOP
 - Healthy BOP signify trade performance of Singapore → Given export driven nature of the economy → good trade performance → high actual economic growth → low cyclical unemployment → achievement of 3 macroeconomic goals of the government.
 - **Students to explain the benefits of achieving these 3 macroeconomic aims.**
 - Key aim: Income equity (Singapore 2012 budget)
 - Rising cost of economic development → widening income gap between the rich and poor in Singapore (lowest 20th percentile of the population are not facing problem of stagnating wage and retrenchment risk)
 - Problem further worsened by trend in globalisation → erosion of comparative advantage in low value added manufacturing → quickened pace of obsolete in skills → depressed wages and structural unemployment.
 - **Students to explain the benefits of achieving income equity**

Example 2: US

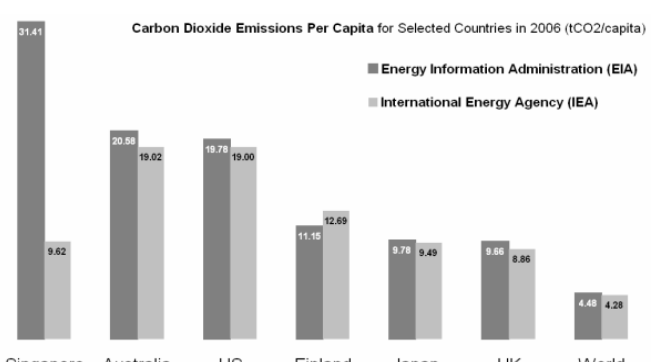
- Nature of US's economy → Largely internally driven + US's continued weak economic recovery and against pressure of improving trade performance
 - Key Aim:
 - US to focus on improving economic growth, reducing cyclical unemployment and BOP.
 - Students to explain benefits of achieving these aims

Level	Description	Mark
L3	Clear explanation and justification of the key economic aims of a country. Answer is well organized with application to different country context.	7-10
L2	Undeveloped analysis on the key aims of a country. Limited application to specific countries and justifying the chosen the aims. Explained at least 2 aims well but could be limited to internal goals only.	5-6
L1	Sketchy answer that demonstrates little or no economic analysis.	1-4

b)	It is said that globalisation comes at the cost of the macroeconomic objectives, environment and equity. Discuss the policies currently adopted by the Singapore government to deal with the impact of globalisation. [15]
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Question FOCUS

- Students are required to explain 3 cost of microeconomic and macroeconomics objectives, including environment and equity of globalisation.
- Students are to discuss policies adopted by the Singapore government to deal with the impact of the globalisation.

	Costs of globalisation	Policies
1	<p><u>Environmental costs</u> Eg: Pollution from increased production due to increase in economic activities from globalisation. (explain with diagram)</p>  <p>The graph below shows the CO2 emissions per capita for selected countries in 2006 based on statistics from EIA's International Energy Statistics and IEA's Key World Energy Statistics 2008. If the EIA data is used, the CO2 emissions per capita for Singapore is much higher than the US, other developed countries and the world average. If the IEA data is used, the carbon intensity for Singapore is lower than the world average and other developed countries such as the US, Australia and Finland.</p> <p>The discrepancy between the EIA and IEA statistics is due to the different calculation of energy consumption. The energy consumption based on the EIA is higher as it includes marine bunkers in its calculation and as Singapore is the largest marine bunkering centre in the world, our energy consumption is thus overestimated, which</p>	<p>Policies to tackle negative externalities in production</p> <p>Eg: Taxes (diagram required), regulation and legislation</p> <p>EV:</p> <ul style="list-style-type: none"> - Difficulty in measuring extent of negative externalities and its effectiveness to reduce production to optimal Qs level. - Regulation and legislation are appropriate given the strict enforcement laws in Singapore.

	in turn leads to higher CO2 emissions and carbon intensity for Singapore. On the other hand, IEA excludes marine bunkers from its calculation of energy consumption.	
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2	Costs of globalisation	Policies
	<p><u>Income inequity</u> Globalisation → widening rich poor gap due to unequal benefits received between the rich, middle class and poor → Income inequity</p> <p>i.e The Singapore's Gini coefficient⁴ increased slightly from 0.472 in 2010 to 0.473 in 2011 before government transfers and taxes.</p> <p>After adjusting for Government transfers and taxes, the Gini coefficient in 2011 was reduced from 0.473 to 0.452, reflecting the redistributive effect of government transfers.</p>	<p><u>Supply- side policies</u></p> <ul style="list-style-type: none"> Retraining programmes to help increase productivity and remain employable of the low income and low-skilled workers <ol style="list-style-type: none"> <u>Continuing Education and Training (CET)</u> <ul style="list-style-type: none"> The plan will form the fundamentals of a lifelong learning system to help workers find their niches, seize opportunities in new growth areas and remain relevant and employable. CET will enable the workers, including rank-and-file workers and professionals, managers, executives and technicians (PMETs) to remain employable with new and better skills. <u>The Workfare Training Support Scheme (WTS)</u> complements the WIS scheme by encouraging employers to send their older low-wage workers for training, and workers to go for and complete training. The WTS scheme came into effect on 1 July 2010 and will run for a period of three years. <ul style="list-style-type: none"> The WTS scheme comprises three components: <ul style="list-style-type: none"> An Employer Grant that provides 90% to 95% course fee subsidies and absentee payroll funding for employers who send their low-wage workers for training; A Training Commitment Award of up to \$400 a year for WIS recipients who complete the requisite training modules; and Workfare-Skill Up provides customised training programmes for low-skilled workers, especially those without secondary education. This covers all low-skilled workers regardless of their employment status.

		<p><u>Transfer payments</u></p> <p>Eg: Workfare income supplement (WIS)</p> <p>The Workfare Income Supplement (WIS) Scheme was introduced in 2007 to supplement wages, encourage older low-wage workers to work regularly and build up their CPF savings. For employees, a major component of WIS goes towards <u>building up their CPF assets while a portion of WIS is paid in cash to help employees meet their immediate needs.</u></p>
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3	Costs of globalisation	Policies
	<p>Inflation</p> <p>1) Demand-pull inflation Philips curve (Cost of rapid economic growth from globalisation)</p>	<p><u>Supply side policies</u></p> <p>Measures to increase the productivity of the nation so as to increase quality of labour and capital in the economy-achieve sustainable economic growth and manage inflation. In budget 2012,</p> <p>The PIC scheme will be enhanced to benefit smaller companies:</p> <ul style="list-style-type: none"> • Increase in cash payout from 30% to 60% for up to \$100,000 of firms' PIC expenditures per YA. This will apply for YA2013 to YA2015. • Companies can claim cash payouts on a quarterly basis instead of at the end of the financial year. This will apply from 1 Jul 2012. • Claims for in-house training costs of up to \$10,000 a year will not require external certification. This will apply from YA2012.

Level	Description	Mark
L3	Clear and well-developed analysis on at least 2 policies by the Singapore government in tackling the costs of globalisation. Good application to the Singapore context.	9-11
L2	Undeveloped analysis on the policies by the Singapore government in tackling the costs of globalisation. Explained at least 2 costs and policies, but could be limited to in scope and depth. Limited application to the Singapore context.	6-8

L1	Sketchy answer that demonstrates little or no economic analysis on the policies by the Singapore government. The costs of globalisation are also not explained.	1-5
E2	Evaluation well- supported with justification	3-4
E1	Unexplained justification	1-2