

Answer **three** questions in total.

Section A

One of your three chosen questions must be from this section.

- 1** Rising income and influence of media resulted in rising consumption of cigarettes. To reduce the rising consumption, Singapore imposes indirect tax on cigarettes while Philippines introduces minimum price for cigarettes.

 - (a)** Explain how each of the above policy affects consumers' expenditure on cigarettes. [10]
 - (b)** Using demand and supply analysis, discuss whether indirect tax or minimum price is more effective in reducing quantity of cigarettes sold with rising income and influence of media. [15]

- 2** In an era marked by escalating threats of competition, some businesses are confronted with the need to maximise revenue or maximise profit, often using pricing and non-pricing strategies.

 - (a)** Explain the likely effects on a firm's pricing decision when its objective changes from profit maximisation to revenue maximisation. [10]
 - (b)** Discuss the alternative strategies that a profit maximising firm could adopt in view of increasing competition in the market. [15]

- 3** Education serves many key private and social objectives. The benefits of education accrue not only to individuals, in the form of greater employability and higher wages; but also to society at large.

 - (a)** Explain how the pursuit of self-interest by rational consumers may not lead to an efficient outcome in the education market. [10]
 - (b)** Discuss the view that government intervention in the education market will always lead to efficient and equitable outcomes. [15]

Section B

One of your three chosen questions must be from this section.

- 4** Governments have aims in relation to economic growth, employment, and inflation.
- (a)** Explain the consequences of failing to achieve these aims. [10]
 - (b)** Discuss whether conflicts in government macroeconomic aims limit the scope for the use of fiscal policy in an economy. [15]
- 5** In the sphere of economic governance, when governments encounter a more imminent macroeconomic challenge, they often display a proactive inclination to revise their established economic priorities.
- (a)** Explain two ways a government can achieve inclusive growth. [10]
 - (b)** Discuss the view that inclusive growth should always be the economic priority of a government. [15]
- 6** The United States (US) trade deficit rose 17.7 per cent in 2020 to US\$679 billion, highest since 2008. The US government sought to narrow the gap by imposing taxes on imported goods on a scale unseen since the trade wars of the 1930s.
- (a)** Explain the possible causes of a trade deficit in a country. [10]
 - (b)** Assess whether protectionism aimed to reduce the large and persistent balance of trade deficit might cause more problems than it solves for the United States. [15]