

TJC 2014 H2 Economics Paper 2 Mark Scheme

Question 1

(a) Using the concept of opportunity cost, explain why countries trade. [10]

Level	Description	Marks
L3	For an answer that uses diagrams and/or tables to effectively illustrate opportunity cost and comparative advantage	7 – 10
L2	For an answer that displays good understanding of opportunity cost and comparative advantage	3 – 6
L1	For an answer that displays knowledge of opportunity cost and comparative advantage, or for a brief and undeveloped answer	1 – 2

(b) In Singapore, the government levies a sales tax on cigarettes and tobacco products, and is amongst the highest in the world. In contrast, the Chinese government levies a comparatively lower sales tax and an additional import duty on cigarettes and tobacco products. Assess the economic case for these two different approaches. [15]

Level	Description	Marks
L3	For an analytical answer that justifies the economic case for the two approaches. This could include discussions on the limitations and unintended consequences of the policies. In order to score the full 11 marks, candidates must compare and analyse the economic case for the two different approaches.	8 – 11
L2	For an answer that displays good understanding of the economic objectives and the respective policies used to tackle these economic issues	3 – 7
L1	For an answer that displays knowledge of negative externality or demerit good, or for a brief and undeveloped answer	1 – 2
E2	Evaluative points that are well substantiated with evidence and clear theoretical analysis.	3 – 4
E1	Evaluative points that are not substantiated and without economic analysis	1 – 2

Question 2

Casual video game publisher G5 Entertainment has reported growth of 500% in mobile game downloads in 2011. Mobile games tend to be cheap or free with game upgrades that can be bought. That makes a mobile game cheaper than a \$60 console game.

Adapted from: News10, 29 Feb 2012

(a) Using relevant economic concepts, explain the likely reasons for the proliferation of mobile games downloads. [10]

Level	Description	Marks
L3	For an answer that explains demand and supply factors of mobile gaming with appropriate use of examples and diagrams AND uses elasticity concepts to account for the proliferation of mobile games downloads.	7-10
L2	For an answer that explains demand and/or supply factors of mobile gaming with appropriate use of diagrams.	4-6
L1	For an answer that shows some knowledge of demand and/or supply factors influencing mobile game downloads.	1-3

(b) Assess how related markets might be affected by the growth in mobile gaming. [15]

Level	Description	Marks
L3	For an answer that provides a well considered, balanced and well justified argument on how the related markets might be affected by the growth in mobile gaming.	9 - 11
L2	For an answer that provides an adequate analysis of the impact on related markets but answer lacks in scope and depth. There are also attempts to provide a balanced argument.	4 – 8
L1	For an answer that is mostly descriptive, with some inaccuracies.	1 - 3
E2	For a judgment based on economic analysis / adequately substantiated.	3 - 4
E1	For an unexplained judgment, or one that is not supported by economic analysis.	1 – 2

Question 3

3. The theory of natural monopoly has been criticised as an excuse for defending monopolistic privileges, and has no place in the 21st century. Explain the “theory of natural monopoly” and discuss to what extent is the statement valid for the case of 21st century Singapore. [25]

Level	Description	Marks
L3	For an analytical answer that conveys understanding of what the theory of natural monopoly means and assesses whether the theory of natural monopoly is still relevant in the 21 st century Singapore context, well substantiated with authentic evidence. Assessment of the statement should be based on the understanding of past and present situations.	15 – 21 (7)
L2	For a developed understanding of the theory of natural monopoly but shows an unbalanced argument on the validity of the statement, with clear application to the Singapore context OR a balanced argument on the validity of the statement, without clear application to the Singapore context.	6 – 14 (9)
L1	For an answer that briefly displays knowledge of the theory of natural monopoly without any analysis of the statement.	1 – 5 (5)
E2	For a well-substantiated opinion with economic analysis.	3 – 4
E1	For a non-substantiated opinion without economic analysis.	1 – 2

Question 4

- 4 ‘The Monetary Authority of Singapore’s [MAS] traditional defence of a strong Singapore dollar policy is built on balancing imported inflation against export competitiveness.’**

The Straits Times, 29th July 2014

Assess the extent to which an improvement in the living standards of an economy requires that managing inflation be the top economic priority. [25]

Level	Description	Marks
L3	A balanced answer that displays strong economic analyses and conveys good understanding of question requirements by assessing the extent of improvement in living standards through the management of inflation.	15 – 21
L2	For an undeveloped discussion or unbalanced argument on how managing inflation will improve living standards.	6 – 14
L1	For an answer that briefly displays knowledge of macroeconomic objectives and living standards OR a brief and undeveloped answer.	1 – 5
E2	For well-substantiated opinions with economic analysis.	3 – 4
E1	For non-substantiated opinions without economic analysis.	1 – 2

Question 5

In response to the global financial and economic crisis that started in 2008, countries around the world embarked on an unprecedented level of intervention with the aim to keep the economy buoyant and stop a full-scale assault on the labour market.

Explain the major macroeconomic indicators used by the government of Singapore to guide economic policy decisions.

[10]

Level	Description	Marks
L3	The writing conveys a strong understanding and provides developed explanations of the four major macroeconomic indicators in relation to the Singapore context.	7 – 10
L2	For an answer which is underdeveloped (explanations for indicators are incomplete) OR some explanations for the indicators are inaccurate.	3 – 6
L1	For an answer that has insufficient scope and breadth (only 1 – 2 indicators are mentioned), displaying brief knowledge and poor understanding of the indicators.	1 – 2

Discuss the view that short-term fiscal interventions create more problems than they solve.

[15]

Level	Description	Marks
L3	The writing conveys a sense of discussion and demonstrates that the writer understands Keynesian fiscal intervention and can weigh success against potential trade-offs or consequences. Higher marks can only be awarded if the answer acknowledges the contextual issues raised in the preamble.	8 – 11
L2	The writing has a sound knowledge base but may exhibit error and/or omission.	4 – 7
L1	For any responses that make demonstrate incomplete understanding of fiscal intervention and potential problems of policy implementation.	1 – 3
E2	The writer expresses a sensible conclusion to a discussion that is sensitive to the preamble that pertains to the extraordinary crisis of 2008.	3 – 4
E1	The discussion is drawn to an evaluative conclusion although the conclusion may lack supporting arguments or contextual accuracy.	1 – 2

Question 6

(a) Explain the impact of a quota on a small, open economy. [8]

Level	Description	Marks
L3	For an elaborated answer that explains the welfare impacts of a quota with a well-explained diagram.	6 – 8
L2	For a developed explanation of a quota and its impacts.	3 – 5
L1	For an undeveloped explanation of a quota.	1 – 2

(b) Assess the threats and opportunities presented by the openness of the Singapore economy. [17]

Level	Description	Marks
L3	For well-developed and balanced arguments with relevant examples that analyse threats and opportunities from Singapore's openness.	10 – 13
L2	For more developed arguments that explain threats AND opportunities posed by Singapore's openness.	6 – 9
L1	For a one-sided, unbalanced explanation of the threats OR opportunities posed by the openness of Singapore's economy.	1 – 5
E2	For an evaluative assessment of threats and opportunities posed by the openness of the Singapore economy.	+2
E1	For a judgment on whether openness of Singapore's economy poses threats or opportunities.	+2