



# ANGLO-CHINESE JUNIOR COLLEGE

## JC1 Economics 2023

H1  
H2

### CENTRAL ECONOMIC PROBLEM Tutorial Worksheet

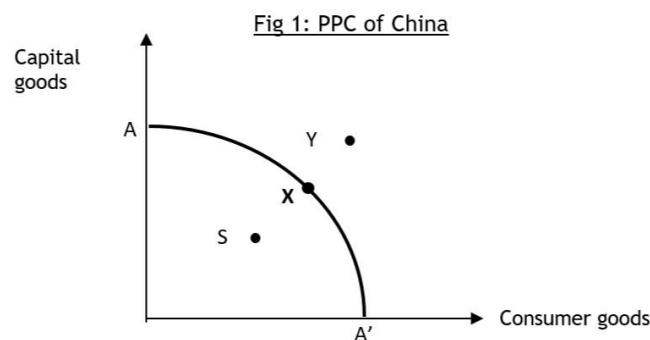
#### Section A: Discussion Questions

##### Question 1: Rational Decision Making (Adapted from 2021 H2 A Levels Question 1)

- (a) Explain how consumers act rationally to decide whether or not to buy a bicycle.
- (b) Explain how producers of bicycles act rationally to determine their level of output.

##### Question 2: The China Economy

Assume that China is only producing capital goods and consumer goods. Currently, the PPC of China is AA', and China is producing at point X. Each question starts with curve AA' as the initial PPC.



- (a) China's production moves from point S to X, explain what happens to the resources in China and the amount of goods produced.
- (b) Explain one possible way for China to increase its production from point S to point Y.
- (c) For each of the scenario below, illustrate how China PPC and/or production point may change and explain the change.
  - i. Massive new sources of oil and land are discovered.
  - ii. There is a major technological breakthrough in the consumer goods industry
  - iii. There has been a rise in unemployment rate over the pandemic years in China.

- (d) Suppose the China's government is deciding to invest \$1 billion into either consumer or capital goods. Explain how the investment into the different types of goods would affect China's current and future standard of living.

## Section B: Mini Case Study Questions

### Question 3 (Adapted from 2019 H1 A Levels Case Study 1)

Egypt experienced a political revolution in early 2011, a popularly-backed military coup in 2013 and then a series of high-profile airline disasters. The results has been disastrous for the country's tourist industry. Tourist numbers recovered considerably after the shocks of 2011 and 2013, but by 2016 were 60% below their peak 2008 level. The impact on the whole economy, including in particular employment, has been devastating, and the government's promises to take effective action to repair the economic the economic damage have been ineffective.

Source: *The Guardian*, 21 October 2016

Assess whether or not the statement that the Egyptian 'government's promises to take effective action to repair the economic damage have been ineffective' is a normative one. [4]

### Question 4 (Adapted from 2013 H2 A Levels Case Study 1)

#### **Extract: UK real household disposable incomes fall for the first time in 30 years**

Real take-home pay in the UK fell for the first time in three decades after prices rose faster than incomes in 2010, dealing a further blow to the prospect of an economic recovery. Less than a week after George Osborne, the Chancellor of the Exchequer, downgraded the UK's growth forecasts for 2011 in his budget presentation, figures revealed that real household disposable incomes dropped by 0.8% in 2010.

Source: *The Guardian*, 29 March 2011

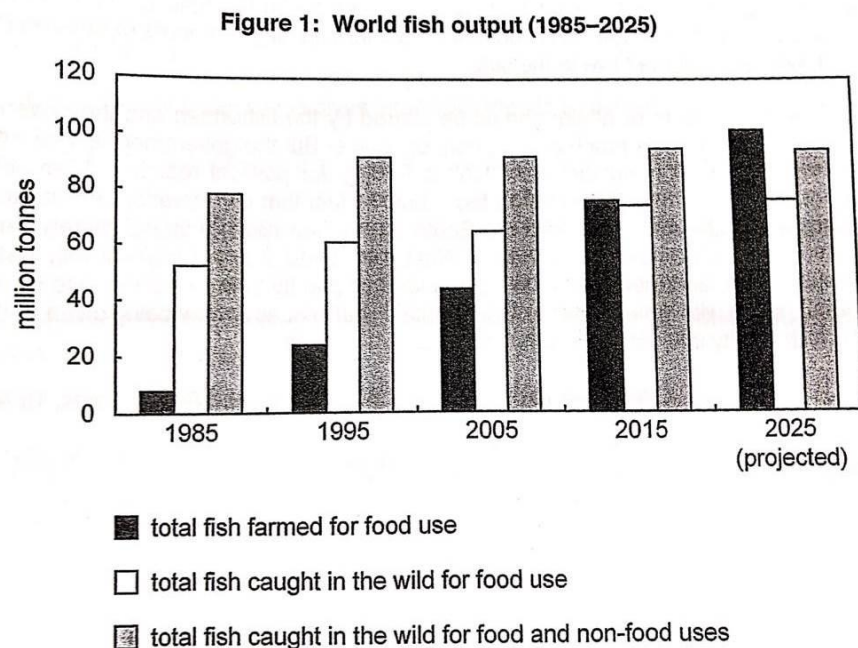
Using the concept of opportunity cost to explain one effect on each of consumers, firms, and the government arising from the fall in real household disposable incomes described in Extract 1. [6]

### Question 5 (2018 H1 A level Question 1ai and 1aii)

#### Challenges facing the global fishing industry

##### Extract 1: World fish output

Fish can either be caught in the wild or bred in fish farms. It can be used both for food and for non-food purposes, such as fish oil. Figure 1 below, from the Food and Agriculture Organisation of the United Nations (FAO), shows actual and projected future world output from both fish farming and from fish caught in the wild, 1985 - 2025.



##### Extract 2: How China can save Asia's depleted oceans

A recent analysis from the FAO warns that if we keep pulling fish out of our seas and rivers at the current rate, we are going to run out of fish. In China, the pursuit of growing fish volume has exacted a terrible environmental toll. Today, the Yangtze River produces less than a quarter of the fish it did 60 years ago, and most of its 170 fish species are on the verge of extinction. At sea, the situation is no better, for example with damage being done to coral reefs. The Chinese government acknowledges that fishermen routinely exceed annual sustainable catch limits in Chinese territorial waters by 30% or more; a visit to any Chinese seafood market will turn up larger numbers of under-sized fish that should have been returned live to the sea.

#### Questions:

- Using a production possibility curve diagram, explain the trade-off that exists between fish farmed for food use and fish farmed for non-food use. [2]
- Explain the likely opportunity cost of catching and landing large numbers of young, under-sized fish. [3]

## Section C: Essay Questions (Optional for H1)

### Question 6 (2014 A Level Question 1):

Prospective students and governments each make decisions that affect the scarce resources that are devoted to university education.

- (a) Explain the determinants of a rational prospective student's decision on whether to participate in university education. [10]
- (b) Discuss the factors that governments should consider in allocating resources to university education. [15]

### Question 7 (2016 A Level Question 2) [Stretch Question]

Singapore's spending on healthcare is about 4% of GDP. This is lower than many developed countries. However, Singapore's population is ageing and economic growth may not be as high as before. The government's share of national healthcare expenditure is expected to rise from 33% in 2012 to over 40% in the future.

Source: Adapted from Singapore Public Sector Outcomes Review, 2014

Discuss how the opportunity cost of increased healthcare expenditure differs, depending on whether it is financed by individuals or the Singapore government. [15]

#### *Guiding Questions:*

- *Explain the opportunity cost of financing increased healthcare expenditure for individuals.*
- *Explain the opportunity cost of financing increased healthcare expenditure for the Singapore government.*
- *In your opinion, who do you think has a greater opportunity cost?*
- *Who do you think should finance the increased healthcare expenditure?*