

TAMPINES JUNIOR COLLEGE

JC2 PRELIMINARY EXAMINATION



CANDIDATE
NAME

CIVICS GROUP

1	2			
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TUTOR
NAME

ECONOMICS

8819

Monday, 16 Sept 2013

3 hours

Additional Materials: Writing Paper

READ THESE INSTRUCTIONS FIRST

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use paper clips, highlighters, glue or correction fluid.

Section A (Case Study) [70%]

Answer **ALL** questions

Section B (Essay) [30%]

Answer **ONE** essay question

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

Section A

Answer **all** questions in this section.

Question 1 The Rise of Singapore's Integrated Resorts

Extract 1: As Casino Begins, Watch for its Social Impact

From the inception of the idea for the first casino in 2004, it has met with much resistance among concerned citizens. Several groups, including the Muslim and Christian communities and social activists, expressed their disapproval to the casinos — a move that is both peculiar and noteworthy in apathetic Singapore society.

Despite public worries over the negative social impact of casino gambling as well as opening of doors to undesirable activities including money laundering, prostitution, and organised crime, Prime Minister Lee Hsien Loong announced in April 2005: 'After weighing the matter carefully, the Cabinet has collectively concluded that we had no choice but to proceed with the (Integrated Resorts) IRs.'

As a social safeguard to combat excessive gambling, the gambling levy was put in place, together with the setting up of the National Council on Problem Gambling and measures such as 'casino exclusion', to stop problem gamblers and those in financial difficulties from entering the casinos in Singapore.

Already, the crimes are rolling in along with the chips that the casino is raking in. It is inevitable. When you want to open something like a casino, you are really opening a can of worms. Hopefully, somehow, the money the casinos make and the shot in the arm for the tourism industry will be more than enough to cover the social costs. But how high a price can society afford to pay?

Adapted from www.globalissues.org, 9 March 2010

Extract 2: Sin Galore

Since opening last April the Marina Bay Sands (MBS) casino has become perhaps the most profitable in the world. Together with Resorts World Sentosa (RWS), another casino complex opened in Singapore last February, it is close to out-grossing the entire Las Vegas strip. Singapore seems to have gone from strait-laced container port to gambling mecca in one bound.

Yet no one is bragging about it. The entrance to the MBS casino is curiously hard to find, tucked away in the basement. Neither casino is advertised anywhere in Singapore. For decades Singapore's government resisted pressure to allow casinos at all, fearful of the crime and social ills they might breed. When it finally relented, it insisted that access to the casinos by Singaporeans should be controlled. Foreign tourists enter free but locals must pay a hefty S\$100. Also, the casinos must be part of larger entertainment complexes.

MBS, which is owned by America's Las Vegas Sands, markets itself as a business and convention centre. Its 57th-floor "skypod", which seems to balance precariously atop three curving towers, is widely admired. Its infinity "skypool" is now the go-to

destination for starlets who wish to splash around in bikinis for the cameras. It also has the world's biggest ballroom and a perfectly humungous shopping centre. RWS, owned by Malaysia's Genting, projects itself as a family resort: it boasts a large Universal Studios set, as well as the obligatory fun rides.

An estimated 85-90% of the resorts' takings come from gaming. And those takings are sweet: Aaron Fischer, an analyst at CLSA, a broker, estimates that the two resorts raked in about \$5 billion in their first year—more than triple what some people expected. Mr Fischer predicts that this year they will take \$6.5 billion. That would be close to Las Vegas but well behind Macau, the only place in China where casinos are allowed, and which has more than 30.

Thanks to low taxes—roughly 17% compared with Macau's 39%—Singapore's casinos are fabulously profitable. Mr Fischer reckons that RWS will earn \$2 billion this year, enough to pay back the costs of building the entire 47-hectare site in little more than two years. Between April and November last year the two resorts paid S\$420m in taxes. This year the island's economy is expected to grow by 6-7%, of which the resorts will account for a quarter.

Source: The Economist, 24 Feb 2011

Extract 3: One year On

Just one year after opening its first casino, Singapore has emerged as Asia's hottest new gambling capital with a revamped cityscape and billions of dollars pouring into the economy.

"Singapore has made a dramatic entry to the casino gaming market," financial consultancy PricewaterhouseCoopers said in a report estimating the city-state's casino gaming market at US\$2.8 billion (S\$3.57 billion) in 2010. The first casino opened in Malaysian-controlled Resorts World Sentosa on February 14, 2010, with US-based Las Vegas Sands following two months later as the world economy was still clawing itself out of recession.

Due to the casino complexes, tourist arrivals in Singapore last year hit 11.6 million, breaking by far the previous record of 10.3 million set in 2007. Most of the visitors came from the Asia-Pacific region, with mainland China, Australia, Indonesia and India together accounting for 53%. Tourist spending helped fuel Singapore's 14.7% gross domestic product (GDP) growth in 2010, making it Asia's fastest-growing economy, after a 1.3% contraction in 2009.

PricewaterhouseCoopers predicted that Singapore would overtake South Korea and Australia this year to become the second-largest Asia-Pacific casino market behind traditional leader Macau. "In 2011, with a full year's operation for both resorts, we expect revenues to reach US\$5.5 billion, growing to US\$8.3 billion by 2014," it said.

But the resorts have also created thousands of new jobs for Singaporeans, and tourists rave over non-gambling attractions like Universal Studios.

"Visitor arrivals have really come in stronger and I think that's a direct spinoff from having the IRs on shore," said Barclays Capital senior regional economist Leong Wai Ho. The resorts were contributing in the region of 0.3 to 0.4 percent of GDP, with the

potential for that to increase to 0.7 percent in the near future. "That's only when both casinos, both IRs are up and running fully, so we're not there yet actually. Contributions to date have been significant, but I think the potential is for more to come," he said.

In the latest financial statement issued by parent company Las Vegas Sands, Marina Bay Sands was shown to have raked in US\$1.02 billion in revenues from its casino operations in 2010. Resorts World Sentosa declined to disclose specific casino revenue numbers, but its total revenue stood at \$1.53 billion for the nine-month period ending September 30, 2010.

Source: www.oneasianews.org, 13 February 2011

Table 1: Economic Indicators of Singapore

	2007	2008	2009	2010	2011	2012
GDP (At Current Market Prices, S\$million dollars)	268,062.2	269,658.1	274,655.3	315,921.2	334,092.7	345,560.5
GDP (At 2005 Market Prices, S\$million dollars)	247,218.4	251,538.9	249,559.8	286,446.7	301,228.4	305,201.5
Population (millions)	4.58	4.84	4.99	5.08	5.18	5.31
Inflation Rate (%)	2.1	6.6	0.6	2.8	5.2	4.6
Unemployment (%)	2.1	2.2	3.0	2.2	2.0	2.0

Source: Singapore Department of Statistics, 2012

Questions:

- (a) Using Table 1,
- (i) Compare between the real and nominal GDP of Singapore from 2007 to 2012. [2]
 - (ii) Describe the trend in real GDP per capita from 2007 to 2011. [2]
- (b) How far does the concept of price elasticity of demand help to explain the success of the Integrated Resorts in Singapore? [6]
- (c) (i) With reference to Extract 1, explain how the effective working of the market mechanism is being hindered. [4]
- (ii) Assess whether the policies mentioned in the extracts are adequate in reducing the welfare loss to society. [8]
- (d) Comment on how the development of the Integrated Resorts affects Singapore's standard of living. [8]

[Total: 30 marks]

Question 2 Unemployment in Greece

Extract 4: Greece's unemployed young

Jobs of any kind are scarce in today's Greece. In a country of 11 million people, the economy lost more than a million jobs as businesses shut their doors or shed staff. Unemployment has reached 27 percent—higher than the U.S. jobless rate during the Great Depression—and is expected to rise to 28 percent next year. Among the young, the figure is twice as high. Meanwhile, cuts to Greece's bloated public sector are dumping ever more people onto the job market.

Studies of joblessness in the U.S. and Japan have shown that extended periods of unemployment in the early years of a worker's career can depress earnings for decades. Greek society and the education system have done a dismal job preparing citizens to compete in a globalized, technology-driven economy. Up until the crisis, it was the dream of every parent to have their child become a doctor or a lawyer. Now the country has an excess of both. Meanwhile, with the public sector sweeping up many recent graduates, there was little incentive for universities to offer the technical skills companies now demand. The Greek government, prompted and assisted by the EU, has started to roll out measures intended to reduce youth unemployment, including training programs, grants for small businesses, and subsidies for companies that hire young people. But those policies are unlikely to do much as long as the economy continues to sink. "I admit there are structural problems in Greece," says Theodoros Ampatzoglou, governor of the Greek Manpower Employment Organization, the government agency in charge of tackling unemployment. "But the basic problem isn't matching labor supply and labor demand. The problem is that there's very little demand."

Source: www.businessweek.com, 25 July 2013

Extract 5: Migrants stay busy as unemployed Greeks spurn menial jobs

There are just over 500,000 immigrants living in Greece legally, but it's estimated that there are at least as many undocumented migrants. While illegal immigration has been a concern for years, it's become a hot-button issue now that there are 1.3 million Greeks out of work. Still, despite claims by some politicians—notably those from the far-right—that migrants are stealing jobs, locals are wary of farm work and other labor-intensive jobs, although the country has endured a deep recession since 2008. Strawberry pickers, for example, are paid between €20 and €25 a day (\$26 to \$33) for around 10 hours' work. They live mostly in makeshift huts cobbled together from plastic sheeting and pieces of wood, and have no access to toilets.

The bottom line: Even with unemployment at 27.2 percent, most Greeks won't consider taking on work now performed by illegal migrants.

Source: www.businessweek.com, 25 April 2013

Extract 6: Greek crisis and the future of the European Union

Monetary union was meant to bring the chain of 16 resilient economies closer together, sturdily linked for a globalized world. It was supposed to offer greater stability than could be achieved from disparate currency regimes built on national financial discipline and also offer the world a strong alternative to the dollar. Unity was seen as strength. The financial probity preached by Germany, the strongest member of the zone, would be adopted by other member states as virtue prevailed and laxity was banished. The euro would emerge as a second great world currency alongside the dollar.

The Greek crisis has brought the pressure of global financial markets to bear, with the inevitable potential for contagion. What the Greek crisis has shown is that union is not everything and that membership of the zone does not protect weak states from the pressures of international finance. Countries still issue their own bonds, even if they are denominated in euros, so they remain vulnerable to attacks by investors betting that these instruments will decline in value. In putting a premium on loans to Greece, governments in the euro region acknowledged that some member states are less creditworthy than others.

The respectable path generally recommended for countries with unrepayable debt and its associated problems is currency devaluation. The devaluation option is available only to countries, such as Britain, which have retained their own national currencies. However, Greece, like most other EU member-states, has long since adopted the euro as its currency. Thus, whatever may be the merits of devaluation, that option is not available to Greece.

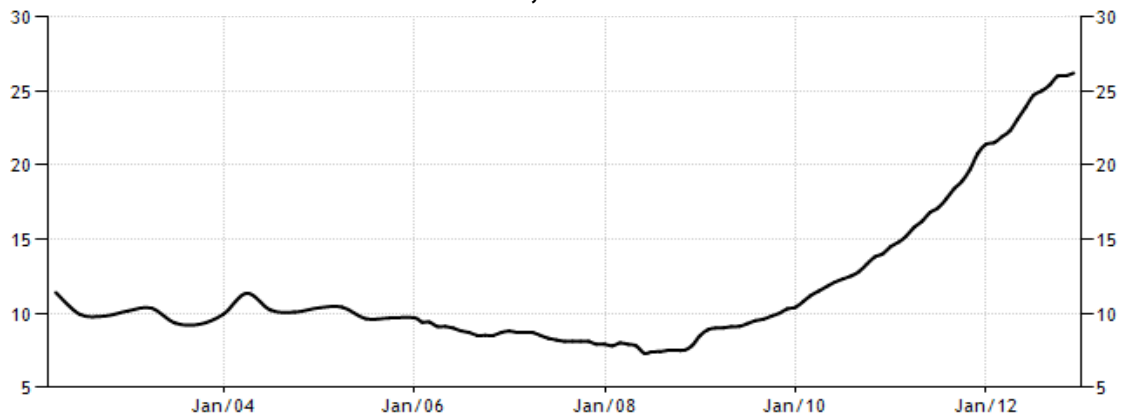
However, a recent suggestion from Germany that repeat offenders against the euro's rules should face expulsion, might change that.

Sources: <http://yaleglobal.yale.edu>, 05 May 2010,
www.newsweekly.com.au, 29 May 2010

**Table 2: Unemployment Rate
Euro Area vs Greece, 2008 – 2012**

	2008	2009	2010	2011	2012
Euro Area					
Youth Unemployment	15.8	20.1	21.1	21.4	23.0
Overall Unemployment	7.6	9.6	10.1	10.2	11.4
Greece					
Youth Unemployment	22.1	25.8	32.9	44.4	55.3
Overall Unemployment	7.7	9.5	12.6	17.7	24.3

**Chart 1: Unemployment Rate
Greece, 2002 – 2012**



Source: Eurostat (<http://epp.eurostat.ec.europa.eu>)

Questions:

- (a) With reference to Table 2, compare youth and overall unemployment in the Euro Area with that in Greece. [2]
- (b) Using Chart 1, identify the unemployment trend in Greece. [2]
- (c) (i) Using the information available, explain the possible causes of unemployment in Greece. [4]
- (ii) Examine the effectiveness of the measures in Extract 4 in reducing unemployment in Greece. [5]
- (iii) Other than the measures mentioned, comment on another way to reduce unemployment. [3]
- (d) Consider the impact of currency devaluation on Greece, should its 'expulsion' from the EU take place. [6]
- (e) Discuss how the trend towards globalization affects Greece's balance of payments. [8]

[Total: 30 marks]

Section B

Answer **one** question from this section.

3. (a) Distinguish between public and private goods, and determine if public housing is a public good. [10]
- (b) Using concepts of scarcity, opportunity costs and production possibility curves, discuss if the allocation of land use for public housing is justified. [15]
4. 'With increasing globalisation, Singapore has to invest ahead in the fundamentals that will drive Singapore's economic success and ensure that growth remains inclusive, benefiting all members of society, while encouraging a spirit of self-reliance. The government also has to ensure that resources are allocated efficiently in order to ensure environmental sustainability.'
- Adapted from Ministry of Finance, 1 February 2010*
- (a) Explain how globalisation may hinder a government in achieving its economic objectives. [10]
- (b) With reference to the above statement, discuss the usefulness of the policies adopted by the government to achieve its economic objectives. [15]

END OF PAPER