

2023 JC2 H2 Prelim P1 CSQ 1 Suggested Answers

a(i)	With reference to Table 1, describe the change in healthcare prices in Singapore from 2017 to 2022.	[2]
	<p><u>Suggested Answer:</u> Prices of healthcare in Singapore generally increased [1] except for the year 2020 when prices fell [1].</p> <p><u>Markers' comments:</u></p> <ul style="list-style-type: none"> - This question is straight forward and a large proportion of students were able to score full marks. - There was a large handful of students who lost marks because they were either careless or confused about falling inflation rate. These students interpreted falling inflation rate as falling prices. - There were also students who lost marks because they described the change in inflation rates, instead of describing the change in prices. 	
(ii)	With reference to Extract 1, explain one demand and one supply reason for the above trend in healthcare prices.	[4]
	<p><u>Success Criteria:</u> Explain how one demand factor led to the increase in healthcare prices. [2] Explain how one supply factor led to the increase in healthcare prices. [2]</p> <p><u>Suggested Answer:</u></p> <p>Healthcare price has increased (positive inflation rate).</p> <p><u>Demand factor:</u> From Extract 1:</p> <ul style="list-style-type: none"> - Covid pandemic → increase in need for treatment, preventive care → increase in demand for healthcare services <p>From Extract 2: Demand factor:</p> <ul style="list-style-type: none"> - Aging population – greater proportion of population who has a greater need for healthcare → increase demand for healthcare services - OR - Better quality healthcare – increase demand for treatments to improve quality of life. <p><u>Supply factor:</u> From Extract 1:</p> <ul style="list-style-type: none"> - Govt rein in subsidies → reduction in subsidies provided → rise in COP → decrease in supply of healthcare services. - Rising healthcare costs → rising COP → decrease in supply <p>From Extract 2:</p> <ul style="list-style-type: none"> - Shortages of medical workers → Increase COP → decrease supply 	

	<p>2m for each well-explained and contextual reason If evidence is taken from Extract 2, cap at 3m If factor is generic but well-explained, cap at 1m for DD factor and 1m for SS factor.</p> <p><u>Markers' comments:</u></p> <ul style="list-style-type: none"> - Good answers were able to identify the demand and/or supply factors from Extract 1 and applied theory (i.e. demand and supply determinants) to explain why the prices were rising. - Some answers lost marks because: <ul style="list-style-type: none"> o the answers did not refer to Extract 1, e.g. ageing population o the answers did not make any reference to the case material, e.g. change in income - There were also misconceptions observed. <ul style="list-style-type: none"> o Students confused change in quantity demanded with change in demand or change in quantity supplied with change in supply. E.g. when the demand increase, the shortage will cause upward pressure on prices and this will lead to an increase in supply. This is wrong. An increase in price will lead to an increase in quantity supplied instead. o Students mistook price elasticity or inelasticity to explain the extent of shift in demand and/or supply curves. - A large proportion of students also wasted time when they: <ul style="list-style-type: none"> o Explained the adjustment process in full (students should know that this question is focused on 'why', instead of 'how') o Drew separate diagrams (while diagrams are useful to illustrate, there are only 4 marks available, i.e. 2 marks each for explaining the demand / supply factors). o Applied PED and PES to explain the extent of change in prices (students should note that while PED and PES are relevant when explaining price changes, the extent of change in prices, ~2%, does not suggest large extent of change in prices and therefore PED and PES are not as relevant for this question) 	
(iii)	<p>"To moderate the increase in healthcare costs to consumers, the government has continued to subsidise healthcare substantially". Discuss whether subsidies is the most appropriate policy to increase accessibility of healthcare.</p>	[10]
	<p>F: how appropriate is subsidies to increase accessibility of healthcare. S: how appropriate is another measure at increasing accessibility of healthcare.</p> <p><u>Level of Response Mark Scheme (LORMS)</u></p> <p>Level 2 (4-7 marks): Answers in this level will show how subsidies and at least one other policy that will address the issue on accessibility of healthcare.</p> <p>Level 1 (1-3 marks): Answers in this level will show limited understanding of how subsidies and at least one other policy that will address the issue on accessibility of healthcare</p>	

	<p>Evaluation (1-3 marks): Evaluation marks will be awarded for evaluative comment that considers the relative appropriateness of the policies in addressing the issue on accessibility of healthcare. A conclusion/policy recommendation is provided.</p> <p><u>Suggested Answer:</u></p> <p>#1: Subsidies is the most appropriate:</p> <ul style="list-style-type: none"> • Explain how subsidies work: <ul style="list-style-type: none"> a. Subsidies reduces COP for firms → increase in SS → reduces price for consumers → increase affordability and accessibility (reduce health care costs for consumers) • Limitations: <ul style="list-style-type: none"> a. However, it drains the government budget. It will not be sustainable in the LR and presents opportunity costs. Government may also need to raise taxes i.e GST which may reduce the mat SOL for consumers. <p>#2: Other policies:</p> <ul style="list-style-type: none"> • Explain how other policies work: <ul style="list-style-type: none"> a. Other LT policy such as preventive healthcare → reduce burden on the healthcare system → reduce DD → cool down the increase in price and healthcare cost in the future • Strengths: <ul style="list-style-type: none"> a. This not only helps to reduce healthcare costs but also to reduce the amount the government needs to subsidise in the future. b. if successful this policy will transfer the ownership of being healthy to the individuals, reducing the burden on the government's budget in the long run. • Limitations: <ul style="list-style-type: none"> a. Though the effectiveness of the policy depends on the receptiveness of the public. <p>EV:</p> <p>Criteria for evaluation includes (but not limited to) the following:</p> <ul style="list-style-type: none"> - Sustainability of policy (i.e. SR vs LR) - Tackling root cause (e.g. rising DD, SS bottlenecks) vs tackling effects (e.g. subsidies or price control to lower prices) - Effectiveness (e.g. subsidies more direct, campaigns more uncertain and takes time) <p>Example of conclusion:</p> <p>While subsidies are needed in the SR to manage healthcare costs, it is not the most appropriate measure to achieve sustainability in the healthcare sector, especially in the long run.</p> <ul style="list-style-type: none"> • Root cause: Subsidies does not tackle the root cause of rising healthcare system and even with targeted subsidies, these expenditure are likely to rise as demand for healthcare continues to rise, resulting in a drain of the govt's budget. Targeted subsidies however, would make healthcare expenditure by the government more manageable in the SR. 	
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- By ensuring that the population is healthier, amount of government expenditure on healthcare will be significantly lessened and together with targeted subsidies will enable a greater sustainability of healthcare in Singapore.
- Healthier population also means greater productivity of workforce which may bring about better macroeconomic gains to the economy, which may help to increase revenue.

Level	Description	Marks
L2 A+A A+C A+0 or C+C	For a well-developed answer that demonstrates how subsidies and one other policy may AND may not address the issue on accessibility of healthcare.	6-7 5 4
L1 C+0 K+K K+0	Answers in this level will show limited understanding of how subsidies and one other policy may AND may not address the issue on accessibility of healthcare.	3 2 1
	Evaluation	Marks
E1	An unsupported judgement which are neither supported nor relevant to the context of the question.	1
E2	Well-explained judgement and/or an evaluation with some economic justification.	2
	A conclusion is provided.	+1

If answer applies MPC/MPB approach (e.g. subsidies reduces MPC), cap at C if answer addresses P, Q and therefore accessibility and also strengths/limitations of policies.

Markers' comments:

- Good answers were able to explain how the policies work using theory and diagrams and were able to explain the pros and/or cons of each policy and related them back to the issue of accessibility of healthcare. However, these only formed a handful of scripts. In terms of the quality of responses, the answers which explained price ceiling generally performed better (i.e. more thorough) compared to answers which explained campaigns, compared to answers which explained subsidies.
- While many students recognize the requirement of the question, they were let down by poor explanation or elaboration.
 - o Many students did not explain how subsidies actually will lower prices and went straight to describe how lower prices will benefit various consumer groups.
 - o Even when students attempted to explain or elaborate, not all of them related their answer back to the issue on accessibility and hence lost marks.
- A large number of students treated this question like a typical market failure question on healthcare and brought in the usual positive externalities, imperfect information explanation, not realizing that while this question is on healthcare, the focus is on accessibility, which is about price and quantity, and not on market failure or allocative efficiency.

	<ul style="list-style-type: none">○ Students should recognise that under consumption is not that same as not accessible and/or high demand is not the same as over-consumption.○			
(b)	Identify market structure in the Singapore insurance market and justify your answer.	[2]		
	<p><u>Success Criteria:</u> Recognise the market structure based on the data available. [2]</p> <p>Oligopoly. [1] The top 5 firms controls 75.9% of total market share suggests that industry is dominated by a few firms. [1]</p> <p>1 mark only if the supporting reason is not from the market share.</p> <p><u>Markers' comments:</u></p> <ul style="list-style-type: none">- The performance for this question is the best across all questions with majority of the students getting full credit.-			
(c)	With the aid of a diagram, explain how digital distribution will impact the profits of insurance companies.	[4]		
	<p><u>Success Criteria:</u> Explain profit-maximisation of a firm using a diagram. Explain the impact of digital distribution on the AR and MR of a firm (students may also explain how digital distribution may impact the AC and MC)</p> <p>Digital distribution → enhance offerings → increase in firm's demand → AR and MR shift right → (assuming MC and AC is constant) MC cuts MR at a higher Q and P → increase in level of profits.</p> <p>Alternative mark schemes:</p> <table><tr><td><ul style="list-style-type: none">- 1m to explain initial profit-maximisation, P1, Q1, profit area 1- 1m to explain AR and MR shift right- 1m to explain the change in eqm P, Q and profit level.- 1m for accurately labelled diagram</td><td><ul style="list-style-type: none">- 1m to explain profit-maximisation- 1m to explain AR and MR shift right- 1m to explain the change in profits- 1m for accurately labelled diagram</td></tr></table> <p>If answer only explain impact on MC/AC but did not explain impact on MR/AR, cap at 3m. If answer did not link to profit, cap at 2m. If answer adopts a DD/SS approach, cap at 1m if explains a rise in DD.</p> <p><u>Markers' comments:</u></p> <ul style="list-style-type: none">- Good answers were able to explain how digital distribution would impact the AR and MR of the firms and apply profit-maximisation to explain the changes in profit levels.<ul style="list-style-type: none">○ However, some were let down by poor diagrams.	<ul style="list-style-type: none">- 1m to explain initial profit-maximisation, P1, Q1, profit area 1- 1m to explain AR and MR shift right- 1m to explain the change in eqm P, Q and profit level.- 1m for accurately labelled diagram	<ul style="list-style-type: none">- 1m to explain profit-maximisation- 1m to explain AR and MR shift right- 1m to explain the change in profits- 1m for accurately labelled diagram	
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	<p>- There was a large proportion of students who applied DD-SS model. These students should realise that while DD-SS model can explain total revenue and total costs, these total revenue and total costs applies to all the firms in the market. Profit levels of a firm can only be explained using MC-MR diagram with the inclusion of AC curves.</p> <p>-</p>	
(d)	<p>Discuss the extent to which the merger between Aviva and Singlife is likely to benefit consumers.</p>	[8]
	<p>F: benefits of merger between Aviva and Singlife to consumers. S: cons or how the extent of benefits could be limited.</p> <p><u>Level of Response Mark Scheme (LORMS)</u></p> <p>Level 2 (4-6 marks): Answers in this level will consider both the benefits and costs of a merger between Aviva and Singlife to consumers.</p> <p>Level 1 (1-3 marks): Answers in this level will show limited understanding of the benefits and costs of a merger between Aviva and Singlife to consumers.</p> <p>Evaluation (1-2 marks): Evaluation marks will be awarded for evaluative comment that considers the extent of the benefits (or costs).</p> <p>Benefits of merger:</p> <ul style="list-style-type: none"> • Increase in consumer base → increase in scale of production → internal economies of scale, such as economies of diversification (e.g. rolling out new policies to attract policyholders), economies of specialization (e.g. deepening product range and advisory), streamlining (e.g. creating a sense of cohesion, developing mobile app for customers to access their policies on one single app) → fall in AC → firms able to transfer cost-saving to consumers in terms of lower prices (price benefits). Customers also benefit from non-price feature, e.g. new policies, better products. <p>Potential cons or how the extent of benefits could be limited:</p> <ul style="list-style-type: none"> • Merged firm has a large market share → increase market power → increase price setting abilities (more price inelastic demand) → firm may not transfer cost-saving to customers or firm may even exploit market power by charging a higher price. • Potential internal disEOS – as both companies have their own IT systems, a number of legacy policy system, it will take time to integrate. Also, there is uncertainty whether such integration will be successful. <p>Evaluation:</p> <ul style="list-style-type: none"> • As Avivia and Singlife are not the most dominant firms in the industry, the consolidation of their market share through the merger could put them in a better position to contest more effectively/efficiently. As such the benefits to consumers of the merger and a more keenly contested market will likely be observed, instead of the merged firm exploiting more market power and charge higher prices argument. • However, it is a real issue for the merged firm to sort of their integration. If integration is not successful, all the potential benefits may not be reaped. 	

	<table border="1"> <thead> <tr> <th>Level</th><th>Description</th><th>Marks</th></tr> </thead> <tbody> <tr> <td>L2 A+A A+C A+0 or C+C</td><td>For a well-developed answer that demonstrates good economic understanding of the benefits and costs of a merger of Aviva and Singlife to the consumers.</td><td>6 5 4</td></tr> <tr> <td>L1 C+0 K+K K+0</td><td>For an under-developed answer on the benefits and costs of a merger of Aviva and Singlife to the consumers.</td><td>3 2 1</td></tr> <tr> <td></td><td>Evaluation</td><td>Marks</td></tr> <tr> <td>E1</td><td>An unsupported judgement which are neither supported nor relevant to the context of the question.</td><td>1</td></tr> <tr> <td>E2</td><td>Well-explained judgement and/or an evaluation with some economic justification.</td><td>2</td></tr> </tbody> </table> <p><u>Markers' comments:</u></p> <ul style="list-style-type: none"> - While most of the answers were able to recognize the benefits and cost of the merger to consumers, only a large handful attempted to apply theory or concepts to explain, e.g. internal EOS, internal disEOS, diagram. The majority of answers merely described or listed some of the benefits or costs to consumers. - Some answers also lost marks due to: <ul style="list-style-type: none"> o Focusing on the impact on society (e.g. welfare loss, allocative efficiency, profits of firms when the question is focused on the impact on consumers. o Ignored the fact that the merged firm is still operating in an oligopoly. This makes arguments should like complacency, issues of monopoly etc. irrelevant. o 	Level	Description	Marks	L2 A+A A+C A+0 or C+C	For a well-developed answer that demonstrates good economic understanding of the benefits and costs of a merger of Aviva and Singlife to the consumers.	6 5 4	L1 C+0 K+K K+0	For an under-developed answer on the benefits and costs of a merger of Aviva and Singlife to the consumers.	3 2 1		Evaluation	Marks	E1	An unsupported judgement which are neither supported nor relevant to the context of the question.	1	E2	Well-explained judgement and/or an evaluation with some economic justification.	2	
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2023 JC2 Prelim H2 CSQ 2 Suggested Answer Scheme

(a)	With reference to Table 3, compare UK's trade balance and government budget balance from 2018 to 2022.	[2]
	<p>Both UK's trade balance and government budget generally worsen from 2018 to 2020.</p> <p>However, UK's trade balance was in surplus position in 2020 while government budget remained in deficit position.</p> <p>Similarity-1m Difference- 1m</p> <p>Markers' comment: Some students used UK Trade (% of GDP) to compare between government budget balance. Majority of the answers made valid comparisons by stating the similarity and valid differences.</p>	
(b)	Using an aggregate demand and aggregate supply diagram, explain how "expansive economic policy based wide-ranging tax cuts and investment incentives for businesses" might lead to concerns of inflation worsening in future.	[4]
	<ul style="list-style-type: none"> - Explain Higher Govt investment incentives and lower tax rates how it affect AD - Lower corporate tax → higher post tax profits → firms more willing to invest → I increase - Lower personal income tax → higher disposable income → more purchasing power → C increase - Investment incentives → subsidy → lower unit cop → firms more willing to invest → I increase - C & I increase [1] - → AD increase shift towards the right from AD₀ to AD₁[1]. - Assuming the economy is operating near full employment [1], - AD increase will run down on firm's inventory and stocks, firms step up production, compete for scarce resources → bid up factor input prices → to maintain their profit, pass on higher COP in terms of higher prices to consumers. Dd pull inflation from P₀ to P₁. [1] 	

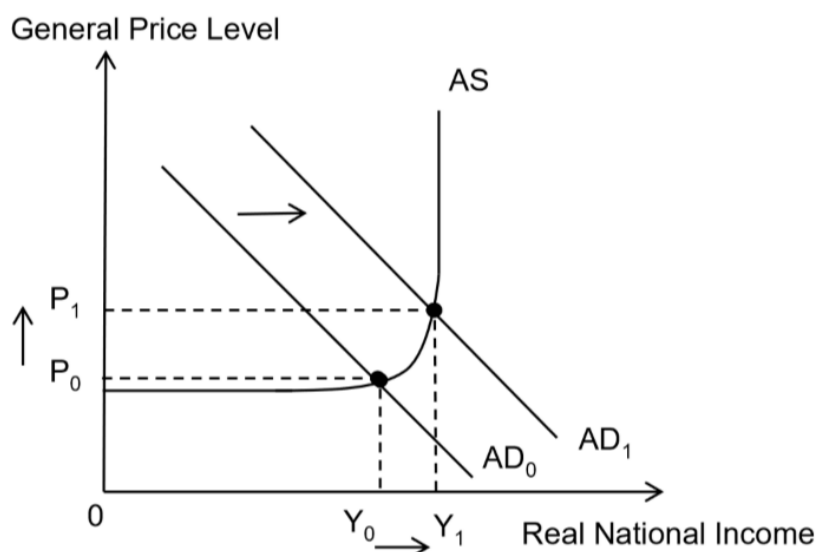


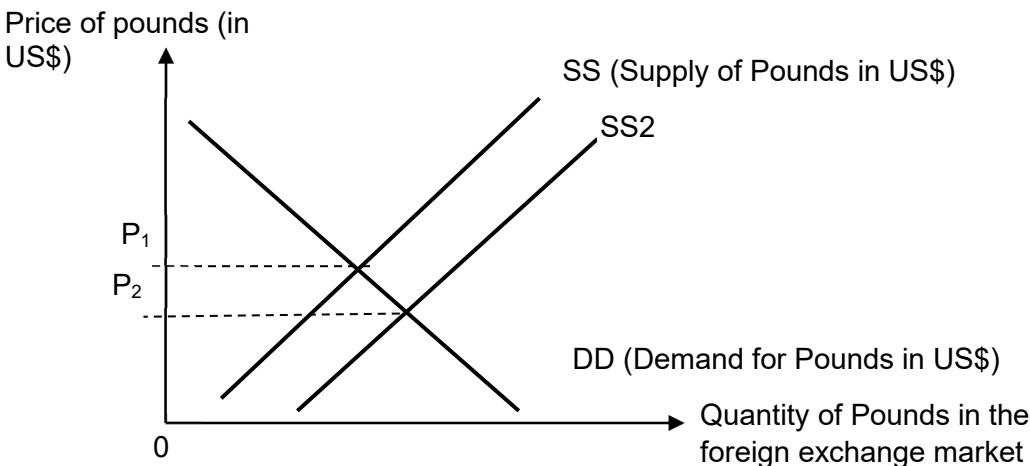
Figure 1a: A Rise in Aggregate Demand

- Growing govt debt due to lowering of taxes and investment incentives, future tax rates will rise, leading to overall COP in an economy to increase in future → SRAS fall
- Cost-push inflation

For an explanation of how the tax cuts and investment incentives might generate **demand-pull inflation** with due references to aggregate demand and aggregate supply using AD-AS diagram with appropriate axes i.e GPL and RNY. (Up to 4 marks)

For an explanation of how the tax cuts and investment incentives might generate **cost-push inflation** in future with due references to aggregate demand and aggregate supply using AD-AS diagram with appropriate axes i.e GPL and RNY. (Up to 3 marks)

Marker's comment: Students were able to explain how in detail tax cuts and investment incentives affect AD, but some students did not explain that the economy is operating near or at full employment thus any persistent increase in AD will result in demand pull inflation. Some students were confused with tax rate rates with interest rate cuts hence were unable to give appropriate analysis to explain how investment component change. Some students also mistaken investment incentives increasing government expenditure when it should be increasing investment expenditure by firms instead. Some diagrams drawn were not well-labelled.

(c)	With the aid of a diagram, explain how the “loss of investors’ confidence in government’s approach” would lead to the fall in British pound sterling.	[3]
	 <p>Figure 1: Exchange rate diagram, using Pounds as base currency [1m]</p> <ul style="list-style-type: none"> - Govt inability to reduce debt coupled with high inflation → investors confidence in UK economy decline, short term investors withdraw funds to invest in relatively better economies, thus short-term investors such as portfolio investment outflow. (1m) - supply of pounds will increase as they move their investments to relatively better stable economies with better economic outlook (1m) - thus pounds depreciated from P1 to P2. (1m) <p>For a supply and demand diagram with appropriate axes i.e. price of pounds and qty of pounds showing downward pressure on rate as a result of an fall in demand or a rise in supply. (1m)</p> <p>For explanation that shows a fall in demand or a rise in supply for pounds and link to depreciation of pounds. (2m)</p> <p>Marker’s comment: Many students did not recognise that this is a demand and supply application question on the exchange rate market and drew AD/AS diagram instead. Students who were able to explain how a loss of investors confidence leading to changes in the flow of investments were then able explain clearly how demand or supply of pounds changes that lead to its’ depreciation. Analysis should be anchored on short term investments rather than long term investments such as FDI.</p>	
(d)	With reference to Extract 7, explain the likely impact of a fall in British pound sterling on producers in the UK tourism industry.	[3]

	<ul style="list-style-type: none">- Depreciation lead to tourist finding UK tourism is relatively cheaper in terms of their domestic currencies.- Tourists will demand for more tourism activities in UK. (1m)- Eqm P & Qty increase, (1m)- Total Revenue of producers increase. (1m) <p>For a clear understanding how depreciation of pounds meant tourist will spend lesser in terms of their domestic currency and a rise in demand for UK tourism (1m)</p> <p>And an explanation of how demand for tourism in UK will rise leading to a rise in price and quantity. (1m)</p> <p>And how it impacts UK's producers in terms of total revenue. (1m)</p> <p>Marker's comment: Some students were able to use demand and supply analysis to explain but students which used firm's diagram to explain the impact on producers of that industry which is not accurate.</p> <p>Some students went further to explain about firm's profit level, by anlysing about total revenue and total cost. However, those who attempted via this method did not recognise that tourism is a service industry and has low import content, hence depreciation of pounds will not increase total cost significantly.</p>							
(e)	<p>Extract 8 highlights the ongoing deglobalisation trend, and how the pandemic has added to its momentum.</p> <p>Discuss the factors a government would consider in deciding whether to continue its "pushback against globalisation".</p>	[8]						
	<p>Question Analysis:</p> <table><tr><td>Discuss</td><td>Discuss– consider various factors and arrive at a judgement and determine the importance of the factors.</td></tr><tr><td>Content</td><td>Decision making framework, factors of considerations Benefits, Costs and Constraints.</td></tr><tr><td>Context</td><td>"Pushback against globalisation" refers to deglobalisation (protectionism)</td></tr></table> <p><u>Introduction: Identify objectives of a government</u></p> <p>Pushback against globalisation refers deglobalisation and rising protectionism, based on extracts it referred to events like UK Brexit and US trade war with China. It meant that countries are embarking more on protectionism and less of</p>	Discuss	Discuss– consider various factors and arrive at a judgement and determine the importance of the factors.	Content	Decision making framework, factors of considerations Benefits, Costs and Constraints.	Context	"Pushback against globalisation" refers to deglobalisation (protectionism)	
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Context	"Pushback against globalisation" refers to deglobalisation (protectionism)							

	<p>globalisation. Governments aim to maximise social welfare and achieve its macroeconomic objectives such as domestic employment and protect domestic industries in UK or in the case of US to reduce budget and trade deficits. Hence need to consider the benefits, costs and constraints when embarking on protectionism measures.</p> <p>Benefits: Protectionism sheltered the domestic industries from foreign competition through the imposition of trade barriers on the export or import of goods and services.</p> <ul style="list-style-type: none"> - Lesser foreign competition, infant industries in UK able to develop comparative advantage and mature their production methods to compete in the global markets, exports revenue in future increase, BOT improve and Net X increase, RNY increase, actual economic growth. - Domestic industries that employ large amount of worker in UK /US may not be as efficient as those in other countries, will not be edge out by foreign producers with CA (eg china who has CA in manufactured gds) or sunset industries, able to continue production with protectionism and prevent massive unemployment of domestic workforce. - Lesser government spending on unemployment benefits for unemployed workers looking for a job, reduce worsening government budget deficit for UK and US. - Restrict trade in critical goods such as medical gear and food so that they have sufficient supply of such goods during Covid Pandemic to ensure residents have adequate supply of medical resources and protect medical workers to maintain non-material SOL and prevent food prices from large increase and ensure price stability. <p>Costs: Pushback from globalisation increases barriers to trade, flow of investment and ideas or technology and labour flow leads could lead to costs incurred by the economy.</p> <ul style="list-style-type: none"> - Lesser FDI inflow, slow down actual and potential economic growth, material SOL will not improve. - Protectionism raises prices of goods and services due to shortages, higher cost of living with higher inflation and if workers income remained the same. - Poverty might be exacerbated as slow down in economic growth due to protectionism, workers unable to find jobs and slow economic growth limited government ability to use tax revenues to help low skilled and low-income workers. - DWL incurred when protectionism such as tariffs are implemented in the market. <p>Constraints: Unable to break supply-chain due to interconnectedness and reliance on other countries to producer raw materials and domestic firms and industries did not have the capabilities to produce such goods due to lack of</p>	
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resources or do not have the technical know-hows as previously they specialised in the production of certain goods and services only.

Conclusion: Most important factor- Benefits

Since objective of the government is to maximise social welfare and achieve its macroeconomic goals.

With the UK economy facing influx of labour migration from other European countries who are willing to accept lower wages for jobs displaces the domestic workforce thus the benefits of Brext will lead to more jobs available for domestic workforce.

Costs incurred by UK and US move towards protectionism might not be significant if its only against certain countries such as EU and China respectively, as they are still able to remain open to other countries which poses lesser threats to their economies.

US and UK are relatively large economies with large amount of resources hence constraints could be faced in short period of time instead.

Hence overall benefits of pushing back against globalisation would be the most important factor economies like UK and US would take into considerations when deciding to go ahead or not.

Level 2 (4-6 marks): Answers in this level will show the various factors government will consider in their decision-making process with priority given to benefits and costs of the decision to go against globalization and embrace protectionism by economies like US or UK.

Level 1 (1-3 marks): Answers in this level will show limited understanding of the various factors government will consider in their decision making process to go against globalization and embrace protectionism by economies like US or UK.

Evaluation (1-2 marks): Evaluation marks will be awarded for considerations on which of these factors is the most important factor on whether government go against globalization and embrace protectionism. Provide a convincing explanation on the relative importance of the factors considered. A conclusion will be provided.

Level	Description	Marks
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	L2 A+A A+C A+0 or C+C	For a well-developed answer that demonstrates the various factors government will consider in their decision-making process with priority given to benefits and costs of the decision to go against globalization and embrace protectionism by economies like US or UK.	6 5 4	
	L1 C+0 K+K K+0	Answers in this level will show limited understanding of the various factors government will consider in their decision making process to go against globalization and embrace protectionism by economies like US or UK..	3 2 1	
		Evaluation	Marks	
	E1	An unsupported judgement which are neither supported nor relevant to the context of the question.	1	
	E2	Well-explained judgement and/or an evaluation with some economic justification.	2	
	<p>Marker's comment:</p> <p>There was a wide variation of answers given for this question. Students who give valid various factors that government might consider before pushing on with protectionism were given credit. Students who went on to explain about different measures of protectionism and outcomes of protectionism were not answering the question directly, hence attempts to link back to question is required. Students who went on to explain costs and benefits of globalisation are also expected to make the links back the question. Students who made attempts to link to the context such as UK, US, Japan or China and recognise the benefits and costs incurred were able to give better and explained valid judgement.</p>			
(f)	Assess the view that Singapore should focus on “enhancing long-term competitiveness...rather than undertaking short-term fixes to boost demand” in light of the deglobalisation trend as outlined in Extracts 8 and 9.			[10]
Question Analysis:				
Assess		Assess the view- consider both sides (i.e. enhancing long term competitiveness and boost demand via short-term fixes) and arrive at a reasoned conclusion whether it will help Singapore in view of the deglobalisation trend around the world.		
Content		Enhance long-term competitiveness refers to supply-side policies.		
		Short term fixes to boost demand refers to demand side policies.		

	Threats that Singapore faced in light of deglobalised world refers to macroeconomic objectives not achieved during increasing protectionism measures among countries.	
Context	In light of deglobalisation trends (increasing protectionism), the threats Singapore faced.	
<p>Introduction: Identify threats/challenges SG face in today's increasingly deglobalised world and what are enhancing long term competitiveness and short term fixes to boost demand.</p> <p>Threats/challenges: Rising prices in global markets, imported cost-push inflation. Falling trade flows, capital and labour flow. Unable to achieve sustained EG</p> <p>Viewpoint 1: Enhancing long term competitiveness is important to Singapore as it is trade reliant for growth and helps to maintain trade surplus and sustained growth.</p> <p><u>Explain why it is important to anchor on SSP (Innovation, Skills training etc)</u> Deglobalisation leads to lesser trade flow and global prices of goods increases and being import dependent, will suffer from higher imported prices that leads to higher import expenditure and falling export revenue, thus need to improve long term competitiveness.</p> <p>SSP that works to improve state of technology and encourage product innovation will help to develop exports which are unique and their demand will be less price elastic, hence will reduce the substitutability of Singapore's exported goods. Thus quantity demand for our exports will not fall due to deglobalisation and it will help to maintain our export revenue.</p> <p>Encouraging entrepreneurship into agriculture, water and green energy production, leads to improvement in production process and hence lower cost of production and more efficient in producing such goods leading to increase in LRAS and thus ensuring potential economic growth. Development in these areas resulted in available substitutes in domestic market and thus import expenditure reduces as they switch away from imported goods, this also help to reduce reliance on imported goods and increasing Singapore's ability to be more self-sustainable. BOT surplus can continue to maintain as a surplus situation.</p> <p>Improving competitiveness can also spur actual and potential growth as firms increase investment expenditure and development to of new efficient method of production increase productive capacity of the economy.</p> <p>Limitations of long term competitiveness:</p>		

	<p>Innovation will take a long time and it might not always guarantee success; hence it might not be able effectively helped Singapore to mitigate the negative impacts of increasingly deglobalised world in the short run. In the long run, with success in innovation and thus implementation, it can help to mitigate.</p> <p>Transition:</p> <p>Thus in the short run, it is still important to have short term fixes to help with those left behind or even to boost demand especially when the economy is facing major economic downturn to prevent sharp increase in prices or a worsening negative economic outlook due to covid pandemic and prevent downward spiraling effect.</p> <p>Viewpoint 2: Focusing on short term fixes to boost demand is also important to Singapore as deglobalisation can bring about higher prices of imported goods and raw materials, lesser trade, capital and labour flow.</p> <p><u>Explain why it is also important to focus for SG to focus on demand management policies</u></p> <p>Short term fixes like expansionary fiscal policy which focus on increasing government transfer payments such as subsidies to help those who have been left behind with the forward movement of the economy into other new industries.</p> <p>Transfer payments such as subsidies to consumers will help to increase disposable income and purchasing power, helps consumers maintain consumption expenditure and AD will not fall as much.</p> <p>While subsidies to firms to help with labour costs during Covid will help firms to reduce cost of production and keep the firm operating without retrenchment hence business and consumers outlook will not worsen and lead to drastic fall in AD thus able to prevent huge fall AD and fall in real national income.</p> <p>Limitations of such policies: Transfer payments might not be fiscally sustainable as it will draw down on reserves and it is hard to rebuild its reserves without strong rebound of economic growth. Furthermore, such policies will not help Singapore to improve its net exports which is the largest contribution to its growth.</p> <p>Conclusion: Provide a judgement It is inevitable to have demand management policies to minimize impacts brought about by deglobalisation but however long-term planning is still required to ensure sustainable efforts and it will not cause unnecessary fluctuations in the economy. Long-term enhancing policies is still the most important to Singapore economy for us to stay ahead of competition and ensure self-sufficiency in view of increasingly deglobalised economy.</p>	
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Level 2 (4-7 marks): Answers in this level will show how threats/challenges to Singapore will result from the deglobalisation and how enhancing competitiveness and demand side policies will and will not address some of the challenges.

Level 1 (1-3 marks): Answers in this level will show limited understanding of how threats/challenges to Singapore will result from the deglobalisation and how competitiveness and demand side policies will and will not address some of the challenges.

Evaluation (1-3 marks): Evaluation marks will be awarded for evaluation that considers whether competitiveness or demand side policies will address these threats/challenges that result from the deglobalisation trend. A conclusion will be provided.

Level	Description	Marks
L2 A+A A+C A+0 or C+C	For a well-developed answer that demonstrates how threats/challenges to Singapore will result from the deglobalisation and how enhancing competitiveness and demand side policies will and will not address some of the challenges.	6-7 5 4
L1 C+0 K+K K+0	Answers in this level will show limited understanding of how threats/challenges to Singapore will result from the deglobalisation and how competitiveness and demand side policies will and will not address some of the challenges.	3 2 1
	Evaluation	Marks
E1	An unsupported judgement which are neither supported nor relevant to the context of the question.	1
E2	Well-explained judgement and/or an evaluation with some economic justification.	2
	A conclusion is provided.	+1

Marker's comment:

Students were generally able to explain how long term competitiveness can be improved via different examples of such policies administered in Singapore and were able to give appropriate limitations of such policies in Singapore context, however some students forget to link and address to the impacts of deglobalisation faced by Singapore.

Students did not do as well for explanation on short term fixes to explain either for an increase in export revenue or to explain increase in AD. Limited responses were provided this part.

[Total: 30]

