

Answer **three** questions in total.

Section A

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

- 1 Half of the world's population enjoys fuel subsidies. The cheapest petrol is in Venezuela, at 5 cents per litre. That makes China's subsidized pump price of 79 cents seem expensive, but even this is a bargain compared with \$1.04 in the United States and \$2.35 in Germany where fuel taxes are imposed.

Explain the economic case for these two different approaches and assess whether the pricing of fuel should instead be left to market forces. [25]

- 2 According to the data from market research firm, Euromonitor International in 2010, FairPrice has 48.1 percent of the market share, measured by total sales. Dairy Farm (Giant, Shop and Save, Cold Storage) follows with 21.7 percent and Sheng Siong has 16.5 percent.

(a) Explain the type of market structure that supermarket chains are likely to operate in. [10]

(b) Comment on whether price competition should be the primary business strategy for supermarket chains. [15]

- 3 (a) Explain the concepts of price elasticity of demand, income elasticity of demand and price elasticity of supply. [10]

(b) Discuss the usefulness of the above elasticity concepts to a government in formulating her microeconomic policies. [15]

Section B

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

- 4 (a) Explain why the value of the national income multiplier might differ between countries. [10]

(b) Discuss the extent to which the size of Singapore's national income multiplier would affect the effectiveness of her macroeconomic policies. [15]

- 5 (a) Explain the likely causes of unemployment in Singapore. [8]

(b) Discuss whether low unemployment should be the macroeconomic priority of a government. [17]

- 6 To what extent can globalization contribute towards maintaining price stability in Singapore? [25]