

Question 1 The Textile Conundrum**(a) (i) Compare the world consumption of cotton and synthetic fibres from 1992 to 2010. [2]**

- Both world consumption of cotton and synthetic fibres rose
- The rate of increase for synthetic fibres was higher than cotton

(ii) Explain possible reasons for the above observation. [2]

- Increase in world income → increase in the demand of these materials
- Increase in the price of cotton → higher increase in demand for synthetic fibres

(b) With the aid of a diagram, account for the projected surge in price of cotton in 2015 as shown in Table 1. [6]

- Demand for cotton expected to increase
- Soyabean are in competitive supply with cotton → farmers switching to alternative crops → decreasing their supply of cotton
- Supply of cotton is likely to be price inelastic
- Demand for cotton is relatively price inelastic as wool and synthetic fibres may not be very close substitutes
- Both demand and supply for cotton are price inelastic → fall in supply and rise in demand → 'surge' of cotton prices

(c) (i) Using Extract 2, explain the need for government intervention in the textile sector. [4]

- Production of textile → water pollution → negative externalities [1m]
- Leads to overproduction and overconsumption of textiles [1m]
- "...dye houses were dumping untreated waste water into the local river, rendering groundwater undrinkable and local farmland ruined" [1m]
- Result in deadweight loss [1m]

(ii) Discuss how governments should intervene in this market. [8]

Level	Description	Marks
L3	For a well-developed response that discusses the various policies in which the government may use to intervene in the market with reference to the source.	5 – 6
L2	For an answer with some development or an unbalanced discussion with little reference to source.	3 – 4
L1	For any undeveloped responses that make no reference to the source.	1 – 2
E	For answers that show a well substantiated evaluation	+2

(d) As a consultant, examine the policies you would recommend to the Haitian government in response to its unemployment issues. [8]

Level	Description	Marks
L3	For a well-developed response that examines the policies in the government may use to address unemployment with reference to the source.	5 – 6
L2	For an answer with some development or an unbalanced discussion with little reference to source.	3 – 4
L1	For any undeveloped responses that make no reference to the	1 – 2

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Question 2 Singapore and the Dynamic Environment of Global Trade

(a)	(i)	Explain how the current account of an economy is calculated and suggest an explanation for the 62% growth in the current account of Singapore from 2009 to 2010.	[3]															
		<ul style="list-style-type: none">The current account contains: the balance of trade in goods and services, net property income from abroad and net unilateral transfers. [1]The addition of all positive and negative payments reveals the current account balance [1]The 62% growth can be explained by the recovery of other countries from the 2008/9 recession [1]																
	(ii)	Using Tables 3 and 4, explain the change in relative importance of the USA and China as Singapore’s trading partners, from 2007 to 2012.	[2]															
		<ul style="list-style-type: none">The data reveal the relative increase in total trade with China and the relative decline in total trade with the USA [1]This could be due to the decoupling of the US and Chinese economies [1]																
(b)		Explain one reason why the Chinese government is promoting structural change.	[3]															
		<ul style="list-style-type: none">Achieve sustainable growth [1]Current pattern of growth makes China vulnerable to external shocks [1]This has caused an imbalance with a relatively low level of consumption expenditure [1]																
(c)		Extract 5 reports that the Indian middle class is expected to double by 2016. Explain how this might affect trade between India and Singapore.	[4]															
		<ul style="list-style-type: none">The rise of a significant middle class in India may boost demand for Singaporean export goods [1]Singaporean firms are eager to develop markets beyond the borders of the city-state [1]A reputation for high quality medical service may encourage Indians to seek treatment in Singapore [1]Invisible exports may also rise with more Indians visiting Singapore or travelling on Singapore Airlines [1]																
(d)		Analyse potential impacts of the “punitive tariffs” on American producers and consumers.	[8]															
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(e)	Discuss the threats and opportunities facing the economy of Singapore in light of recent developments.	[10]															
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Topic: Market Failure and Government Intervention

3 (a) Explain why education is a merit good but not a public good. [10]

(b) Discuss the view that governments should always intervene in the market for education. [15]

(a) Explain why education is a merit good but not a public good. [10]

Level	Description	Marks
L3	For a developed explanation of education as a merit good but not a public good.	7 – 10
L2	For an undeveloped explanation of merit and public goods.	3 – 6
L1	For an answer that briefly displays knowledge of merit and public goods.	1 – 2

(b) Discuss the view that governments should always intervene in the market for education. [15]

Level	Description	Marks
L3	For an analytical answer that conveys understanding and assesses the extent of government intervention in the different levels of education.	8 – 11
L2	For an undeveloped or unbalanced argument of government intervention in the market for education.	3 – 7
L1	For an answer that briefly displays knowledge of education as a source of market failure.	1 – 2
E2	For well-substantiated opinions with economic analysis.	3 – 4
E1	For non-substantiated opinions without economic analysis.	1 – 2

Topic: How the Macroeconomy works, Inflation

- 4 (a) Explain why the external consequences of inflation may seem to be more important than the domestic consequences for the economy of Singapore. [12]
- (b) Discuss whether Singapore's exchange rate policy is effective to deal with inflation stemming predominantly from a tight labour market. [13]

(a) Explain why the external consequences of inflation may seem to be more important than the domestic consequences for the economy of Singapore. [12]

Level	Description	Marks
L3	For a developed explanation of why external consequences of inflation may seem to be more important than the domestic consequences given Singapore's openness and her reliance on trade.	8 – 12
L2	For an undeveloped explanation of the external and domestic consequences of inflation in the Singapore economy, OR an unbalanced explanation of either the external or domestic consequences of inflation in the Singapore economy.	3 – 7
L1	For an answer that briefly displays knowledge of the adverse effects of inflation.	1 – 2

(b) Discuss whether Singapore's exchange rate policy is effective to deal with inflation stemming predominantly from a tight labour market. [13]

Level	Description	Marks
L3	For an analytical answer that conveys understanding and assesses the extent of the effectiveness of Singapore's exchange rate policy in mitigating inflation from a tight labour market.	6 – 9
L2	For an undeveloped discussion or unbalanced argument of how Singapore's exchange rate policy is not effective in mitigating inflation stemming from a tight labour market.	3 – 5
L1	For an answer that briefly displays knowledge of Singapore's exchange rate policy.	1 – 2
E2	For well-substantiated opinions with economic analysis.	3 – 4
E1	For non-substantiated opinions without economic analysis.	1 – 2