

Answer **three** questions in total.

Section A

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

- 1** The Singapore economy has grown at an average of 3% in recent years. However, there is growing concern by consumers over the higher prices of food and beverages due to a significant rise in labour and rental costs by approximately 10%.
- Discuss how the combination of economic growth and rising costs might affect expenditure by consumers on hawker food and high-end fine dining. [25]
- 2 (a)** Using appropriate examples, explain the difference between internal and external economies of scale. [10]
- (b)** Discuss how greater free trade and internet advancement might enable a firm to reap the above economies of scale and practise price discrimination. [15]
- 3** In many countries, governments hope that their citizens would unite in cheering for their respective nations for the World Cup. Hence, viewers watch the tournament for free on free-to-air television, or pay a very low price. On the other hand, viewers in countries where pay-TV providers have the exclusive broadcast rights are charged a high price. Besides, productivity is believed to be affected by the month-long season as workers may suffer from prolonged sleep deprivation.
- (a)** Distinguish between public goods and private goods and consider whether a TV broadcast signal is a public good. [8]
- (b)** Discuss whether governments should intervene in the World Cup TV broadcast market. [17]

Section B

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

- 4 (a)** Explain how equilibrium national income is determined. [8]
- (b)** Discuss the view that monetary policy is preferred to fiscal policy in raising national income during a recession. [17]
- 5** In order to raise productivity in Singapore, the Government will spend S\$2.5 billion over the next 5 years on the training of workers and also provide tax incentives to help companies grow their R&D spending. In addition, the government will raise the foreign worker levies and tighten the inflow of foreign workers so as to support companies' innovation and automation efforts.
- Discuss the possible trade-offs in economic goals that may arise as the government implements these strategies to raise productivity in Singapore. [25]
- 6** Despite the risks associated with globalisation, many countries are still embracing it. This has resulted in significant changes in the patterns of international trade.
- (a)** Explain possible reasons for changes in the pattern of trade between countries. [10]
- (b)** Discuss if the size of the economy is the key factor in influencing its ability to gain from globalisation. [15]