Name:______________________ Centre No. / Index No.:_______/______ Class:__________

PIONEER JUNIOR COLLEGE, SINGAPORE
JC2 PRELIMINARY EXAMINATION 2015
Higher 2

ECONOMICS 9732/01

Paper 1 18 Sep 2015

2 hours 15 minutes

Additional Materials: Answer Paper

9732/ 01 / PJC / 2015

READ THESE INSTRUCTIONS FIRST

Write your Centre number, index number and name on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

At the end of the examination, fasten all your work securely together.
Fasten your answers to each question SEPARATELY.

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

This document consists of **7** printed pages and **1** blank page.

Pioneer Junior College

Ministry of Education

Answer **all** questions.

Question 1 Healthcare in UK and Singapore

Extract 1: The UK National Health Service (NHS)

The NHS was launched in 1948. It was born out of a long-held ideal that good healthcare should be available to all, regardless of wealth – a principle that remains at its core. With the exception of some charges, such as prescriptions and optical and dental services, the NHS in England remains free at the point of use for anyone who is a UK resident. That is currently more than 64.1 million people in the UK and 53.9 million people in England alone. The NHS in England deals with over 1 million patients every 36 hours. Funding for the NHS comes directly from taxation.

Source: www.nhs.uk

Extract 2: Challenges facing NHS in UK

The NHS is arguably facing its most challenging period since it was created in 1948. Demands are rising, as are costs. And this is all happening at a time when money is tighter than ever. How the NHS responds to these will determine what sort of health service the UK has for the next decade and beyond.

The rise in the grey population brings with it challenges. The growing number of elderly people means more patients with multiple conditions - some of which, such as dementia, present significant difficulties in providing care and support. Two thirds of hospital beds are now estimated to be occupied by the over 65s at any one time. Paying for progress in medical technology costs the NHS an extra £10bn a year, according to estimates. Lifestyle changes (rising obesity, drinking and smoking) cause disease and death, adding billions of pounds to the NHS bill as well. There has been a sustained push to encourage people to live healthier lives for some years. The government is working with industry on a variety of schemes, which is seeing clearer labelling on food and drinks and reduced levels of salt, sugar and trans-fats.

Source: Adapted from BBC News, 26 September 2012

Extract 3: Why not... privatise the NHS

Privatisation is a slippery concept. Some see it in the opening up of NHS services to more private competition. In Germany for example a third of hospitals are run by charities, a third by for-profit companies and a third by government. Sweden has invited private providers to provide GP clinics and hospital services. By contrast only 3% of the NHS budget is spent by private providers in England.

The reason for competition is that it can drive real improvements in care. To take one current example, patients with chronic back pain in Bedfordshire will soon enjoy a much better service. The local NHS has asked different organisations to suggest the best way to deliver all musculo-skeletal healthcare services for the next five years. All qualified providers, including NHS hospitals, GP practices and private companies, are invited to submit bids to provide a world class service at the greatest value for money. Competition also puts patients at the heart of the NHS.

Opponents of competition argue that when markets are introduced into healthcare provision, providers chase income, costs soar, health outcomes suffer, fraud increases, and the system of universal care coverage collapses. Sweden put "competition at the heart" of their NHS. "Choice" grew in affluent urban areas where privately-owned clinics pushing unnecessary care now abound. Of the 196 new clinics that opened in Sweden, all privately-owned, 195 were in wealthy areas.

Competition puts revenue, not patients, at the centre of care. It's a legal requirement for firms to maximise shareholder value - not patient wellbeing. This is why the public consistently oppose privatisation; it converts a public health service to a "fantastic business".

BBC News 18 July 2013

Extract 4: Private healthcare providers under the microscope

On 4 April 2012, the Competition Commission opened its investigation into the UK's £5bn privately-funded healthcare industry to find out whether the country's private hospitals were guilty of "preventing, restricting or distorting competition". The findings are released on 28 August and, if evidence of market distortion is found, a number of private healthcare providers could be forced to sell off luxury hospitals and scale back on their UK operations.

The largest players in the UK market are HCA, BMI, Spire, Ramsay and Nuffield Health. The spotlight currently rests on the most sizeable of these companies, HCA. The US-based corporation owns six of London's seventeen private hospitals, including the Lister Fertility Clinic, the Wellington and the Portland. It manages 72 percent of private intensive care in the capital, 55 percent of overnight beds, and 56 percent of consulting rooms.

Dr Damien Marmion, managing director of Bupa Health Funding claims that the UK's insurers are keen to see an industry shake-up to bring down prices for their clients. "For too long the cost of private healthcare has been rising to unsustainable levels," he said. "Improving competition between private hospitals, ensuring we pay a fair fee to consultants in private practice and having the right information available to patients, GPs and insurers are all crucial if the private healthcare market is to work in the best interest of consumers."

Source: The Telegraph 27 Aug 2013

Extract 5: Singapore's Healthcare Industry

The Singaporean healthcare system comprises public and private healthcare. Good, affordable basic healthcare is available to Singaporeans through subsidized medical services at public hospitals and clinics. 80% of the primary healthcare services are provided by private practitioners while the government polyclinics provide the remaining 20%. However, the opposite is true for more costly hospitalization care, whereby 80% of it is provided by the public sector and 20% by the private sector. Singapore has developed a healthcare system that achieves positive health outcomes with a relatively low expenditure. The healthcare system is largely privately funded with about one-third financed by the government through taxation. The 33% of Singapore's health care spending from the government's tax revenue is focused on providing funds for public hospitals, health promotion, subsidies and assistance to those in greatest need through the Medifund scheme. The main source of private funding for hospital expenses comes from compulsory savings for health care such as Medisave. At the same time, the Singapore government actively regulates the supply and prices of health care services in the country so as to keep the overall cost low and the quality of health care services high. However, maintaining good healthcare is a "continuing challenge", said Mr Lee Hsien Loong, Prime Minister of Singapore due to progressions in medical science, an ageing population meaning an increase in the demand for healthcare, and an increase of diseases of affluence rather than poverty, such as more instances of diabetes and obesity.

Source: www.moh.gov.sg and www.channelnewsasia.com, 10 Feb 2015

Table 1: 2010 Public Health Expenditure per Capita

Country	Public Health Expenditure per Capita (US$ purchasing power parity adjusted)
United States	$3,967
United Kingdom	$2,857
Japan	$2,443
South Korea	$1,185
Singapore	$752

Source: ww.forbes.com

Table 2: Economic and Social Indicators of UK and Singapore

	2011		2012		2013	
	UK	Singapore	UK	Singapore	UK	Singapore
Real GDP per capita (US$)	40,974	53,122	40,974	54,578	41,776	55,980
Life expectancy	81	82	81	82	81	82
Number of hospital beds per 1000 people	2.88	2.0	2.81	2.02	2.76	2.03

Source: Department of Statistics Singapore and Office of National Statistics, UK

Questions

(a) **(i)** Explain the difference in the public health expenditure per capita between Singapore and UK. [2]

(ii) Explain the impact of higher public health expenditure on the potential growth of a country. [2]

(b) In Extract 2, NHS faced the challenge of "demands are rising, as are costs. And this is all happening at a time when money is tighter than ever."

Use the concept of opportunity cost to explain the effect on NHS arising from rising demand for healthcare and falling healthcare budget. [3]

(c) With the use of a diagram, explain the impact of an ageing population and medical advancement on the market for healthcare. [5]

(d) Discuss the benefits of introducing more competition by allowing more private hospitals to provide healthcare in the UK healthcare market. [8]

(e) The UK government provides healthcare free of charge while Singapore subsidises healthcare and encourages co-payment for healthcare expenditure through regulations such as Medisave.

Discuss which approach is better in achieving greater efficiency and equity in the healthcare market. [10]

[Total: 30]

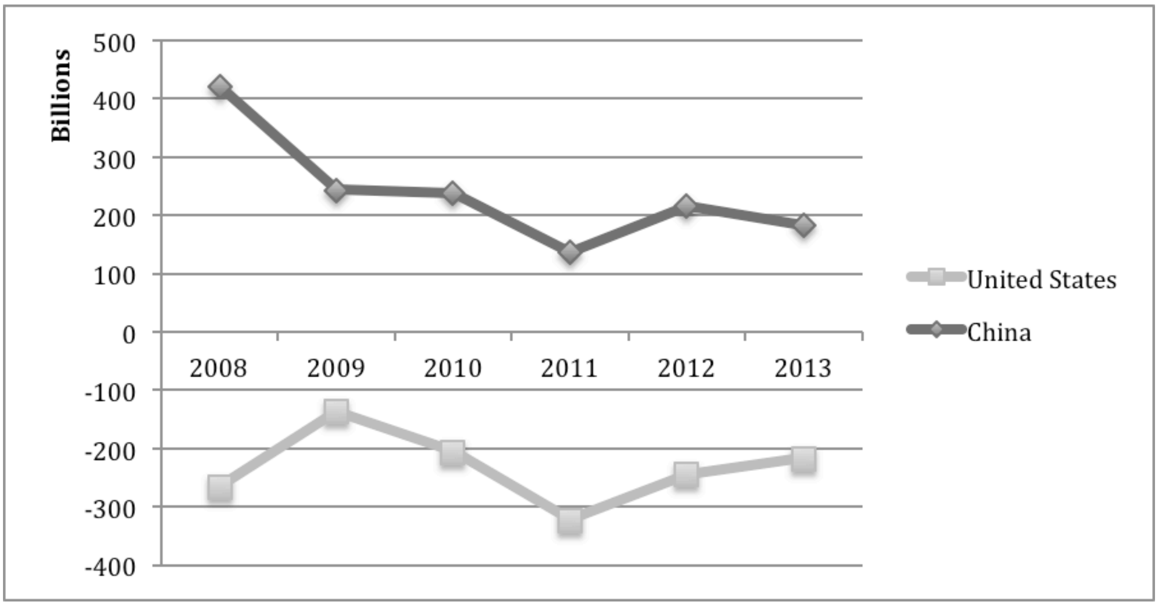
Question 2 Economic Challenges that China Faces

Table 3: China: selected economic indicators 2009 – 2013

Economic indicators	2009	2010	2011	2012	2013
Growth in real gross domestic product (% change per annum)	9.2	10.6	9.5	7.8	7.7
Consumption Expenditure (% of GDP)	48.5	49.6	50.8	49.9	49.6
Gross Savings (% of GDP)	52	51	49	50	50
Gross Capital Formation (% of GDP)	48	47	47	47	48
Exports of Goods and Services (% of GDP)	23.7	26.2	25.5	24.2	23.3
Imports of Goods and Services (% of GDP)	19.9	23.2	23.4	21.5	20.6

Source: World Trade Organization and World Bank

Figure 1: China and U.S. Current Account Balance (in billions US Dollars)



Source: World Bank

Extract 6: The slow boat in China is good for the region

China's economy is showing clear signs of slowing down.

China's economic growth on the demand side is mainly investment driven. But excess capacities in its many heavy industries, coupled with the cooling housing market, have recently depressed domestic investment. For more stable long-term growth, domestic consumption must be boosted. Currently, China's consumption level is too low, at about 40 per cent of GDP (compared with 55 per cent for India and 70 per cent for the US). Domestic consumption has not risen fast enough to compensate for the decline in domestic investment. At the same time, it is crucial for China to reduce its dependence on exports as external demand plummeted due to the erosion of China's export competitiveness as wages rise and the Yuan appreciates.

On the supply side, economic growth has been fuelled by an expanding labour force and productivity increases. However, China's growth is facing demographic constraints which is of immediate concern. Due to its ageing population and declining population growth, China will see the number of 20- to 35-year-olds decline. In order to maintain or increase productivity growth, there is a need for more investment in human capital and research and development.

It is important to note that "low growth" for China is actually not low at all by regional and global standards as growth rate stands around 7 per cent to 8 per cent, easing to 6 per cent or 5 per cent in the 2020s. China's transition from double-digit hyper expansion to more sustainable growth levels is a desirable phenomenon, not only for the country, but also for its neighbours.

Lower growth provides an opportunity to achieve better quality and more sustainable growth. Growth will go hand in hand with macroeconomic restructuring and rebalancing, hence slower growth also means more inclusive growth and less pressure on the environment. China's economic rebalancing can be a positive factor for ASEAN's development. There will be, for example, less competitive pressures on ASEAN's labour-intensive manufactured exports. More FDI may also find its way back to Southeast Asia. Meanwhile, China remains the main economic growth engine for the region. Slower growth will not diminish China's growing geo-economic predominance in the region.

Source: *Straits Times,* 1 June 2013

Extract 7: Losers of China's 'Rebalancing Act'

As China rebalances its economy from exports driven to a more consumer-oriented society, there will be growing pains. Successful rebalancing largely depends on the ability of household consumption to pick up but it has not been able to do that so far. Losers of the rebalancing China economy in the global economy are commodities exporters like Brazil and South Africa.

As China turns inward, the effects for the world is especially clear for the big commodities producers. With a rise in income in China, Chinese consumers are expected to buy more luxury goods than anyone else; more cars; take more business trips and buy homes abroad in increasing numbers. But none of this requires metal such as iron ore pellets or copper wire from the global commodities markets. Boeing won't need to build additional airplanes to take these Chinese to Paris. Beijing will not be building a bridge to Malibu. Overall commodity prices have dropped significantly and China is one of the reasons why.

Source: *Forbes*, 15 August 2013

Extract 8: China warns of 'grim' trade outlook after surprise exports fall

The world's second-largest economy is expected to be faced with a slowed down in GDP growth to 7.5 percent as weak demand dented factory output. In particular, exports to the United States, China's biggest export market, fell 5.4 percent in June, while exports to the European Union dropped 8.3 percent.

The external environment remains weak, rising labor costs and a stronger Yuan had eroded China's exports competitiveness. A customs spokesman in China stated that the economy faces relatively stern challenges in trade, and exports in the next quarter is forecasted to continue to be sluggish.

Source: *Reuters,* 10 July 2013

Extract 9: Protectionists pick your pocket again

In late 2012, a handful of American companies that make hardwood plywood in the U.S. lodged a complaint with the Commerce Department that Chinese suppliers selling hardwood plywood to U.S. have an unfair advantage because they supposedly receive Chinese-government subsidies and also that these Chinese suppliers sell at an unfairly low price.

Following the complaint, the Commerce Department levied a punitive penalty on every Chinese exporter of the plywood. Plywood is a vital raw material for U.S. manufacturers – for making cabinets, furniture, boats, paneling and in home construction, crating and packaging, store fixtures, flooring underlayment and countless other products. They depend on a steady, affordable supply of this plywood for the products they will sell at home and abroad.

The plywood tariffs have jolted supply chains, pushing up cost of imported plywood and resulting in shortages due to a lack of domestic supply. The first to suffer will be American jobs in manufacturing and woodworking. Many U.S. manufacturers that depend on imported Chinese hardwood plywood fear that the tariffs will force the production of cabinets, furniture and other products now made in the U.S. to sites overseas such as Canada and Mexico. Households will also suffer the consequences as the current U.S. plywood manufacturers already control 80% of the market for domestic hardwood plywood and now they're seeking to further exploit their stronghold by edging out overseas competition.

In conclusion, when the Commerce Department imposes tariffs on China plywood, it raises prices on the many to benefit the protected few.

Source: *Wall Street Journal,* 15 September 2013

Questions

(a) **(i)** Compare the change in China's current account balance with that of US between 2009 and 2013. [2]

(ii) With reference to Table 3 and Figure 1, explain how far the data might show that China has made progress in rebalancing the economy away from export. [4]

(b) Explain why China's "demographic constraints" is of "immediate concern"? [4]

(c) Identify one injection and one leakage (or withdrawal) shown in the Table 3 that would change if consumption became the "main engine of growth" in China in the future. [2]

(d) Extract 9 highlights that "when the Commerce Department imposes tariffs on China plywood, it raises prices on the many to benefit the protected few".

Discuss whether the US government's policy of protection for the plywood industry benefits the minority and penalises the majority? [8]

(e) Extract 6 and 7 describe China's rebalancing as moving away from export-driven growth to consumption driven growth. Assess the impact of such rebalancing on China and her trading partners, using both the case study and your own relevant knowledge. [10]

[Total: 30]

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