



MERIDIAN JUNIOR COLLEGE
JC2 PRELIMINARY EXAMINATION 2015

H2 Economics

9732/01

Paper 1 Case Study Questions

14 September 2015

2 Hours 15 Minutes

Additional Materials: Writing Paper

READ THESE INSTRUCTIONS FIRST

Do not open this booklet until you are told to do so.

Write your name, class and register number in the spaces at the top of the answer sheets.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

You are reminded of the need for good English and clear presentation in your answers.

Section A : Case Study (2h 15 min)

Answer **all** questions.

Begin each compulsory case study question on a fresh sheet of paper.

At the end of the examination, fasten all your work securely to the cover sheet with the string provided.

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

[Turn Over]

This document consists of 7 printed pages and 2 cover sheets.

Answer **all** questions.

Question 1: Healthcare woes

Extract 1: Healthcare costs a concern among Singaporeans

In a dialogue session held by Singapore's Health Minister, Gan Kim Yong, four main concerns regarding the country's healthcare financing system were raised. Firstly, Singaporeans are concerned over rising healthcare costs. Currently, Singapore's national healthcare expenditure is about 4% of GDP, which is low among developed countries. Over time, Singaporeans can expect national healthcare spending to continue to rise. "So what drives healthcare costs? Firstly, the cost of the same treatment goes up over time, due to rising cost of manpower and medical supplies. Next, as we age, we will spend more on healthcare" said Mr Gan. The third reason is that healthcare is getting significantly better and more accessible. Singapore has adopted more advanced medical treatments and technologies that achieve better outcomes for patients.

The second concern of Singaporeans is how much out-of-pocket cash they have to pay. Thirdly, it is the concern of incurring exceptionally large healthcare bills. The ministry will carefully explore how it can provide Singaporeans with greater assurance against very large out-of-pocket payments. The fourth feedback received was that while there are many help schemes available, Singaporeans do not know how to get the help they need. Mr Gan said that the starting point is for every Singaporean to take ownership of his health and make informed choices. For this reason, it is important to preserve the principle of co-payment, but at the same time ensuring that it remains affordable.

Source: Channel News Asia, 13 March 2013

Extract 2: Singapore's healthcare system

Singapore's health system is lauded internationally for its ability to achieve outstanding health outcomes at very low national spending. Yet, 72 per cent of Singaporeans believe "we cannot afford to get sick these days due to high medical costs", according to a 2012 Mindshare survey. In many developed countries, healthcare is funded collectively. Citizens are enrolled into a national health scheme and funds drawn based on individual needs.

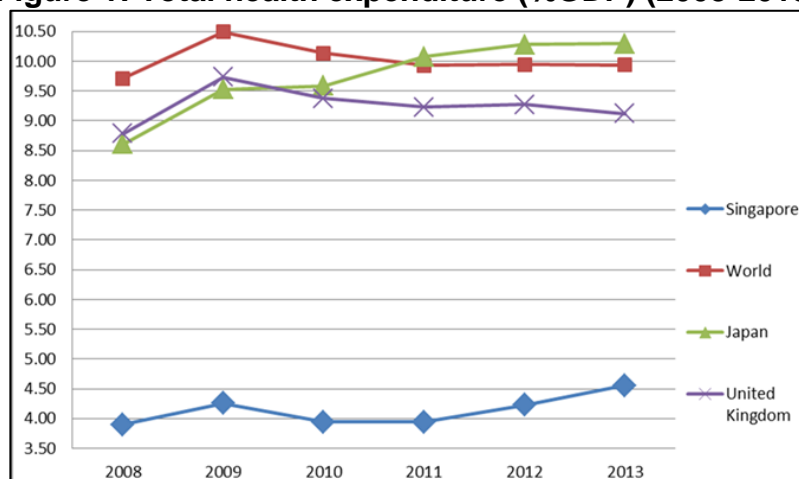
Singapore has eschewed this path, with then-Prime Minister Lee Kuan Yew asserting: "Subsidies are wrong and ruinous... for however wealthy a nation, it cannot carry health benefits without massive taxation, reducing the incentives to work and to save and care for one's family." The Government declared health an "individual responsibility" in the 1980s and established Medisave and MediShield, enabling individuals to finance and hence be "responsible" for personal healthcare. Meanwhile, support from Medifund is only upon application and on a case-by-case basis. C-class wards provide subsidies which can be as high as 80 per cent, but paying even the remaining 20 per cent may be impossible for hefty bills especially for the low-income Singaporeans.

Defenders of the system will point out the many financially struggling "welfare states" and proclaim Singapore must never go there. But it should be noted that between

where we are today and the “fiscal extravagance” of the welfare states, there is a huge middle ground. Singapore’s government spending on healthcare is just above one-third the total, with a long way to go before even sniffing the four-fifths that is the case in the United Kingdom.

Source: Today Online, 22 February 2013

Figure 1: Total health expenditure (%GDP) (2008-2013)



Source: World Bank

Extract 3: Proposed merger of radiopharmaceutical companies blocked in Singapore

The global radiopharmaceuticals market is driven mostly by an ageing population and cardiovascular disorders. Radiopharmaceuticals are now a crucial part of the healthcare industry, due to their ability to identify various disease processes much earlier.

The Competition Commission of Singapore (CCS) has blocked the proposed acquisition of RadLink-Asia and its subsidiaries by Parkway Holdings. CCS stated that the proposed merger would result in Parkway becoming the only commercial supplier of radiopharmaceuticals in Singapore. CCS's market inquiries have also indicated that no potential new radiopharmaceutical supplier would enter the market in the next two to three years to compete with the merged entity. Currently, RadLink is Parkway's closest competitor in the area of radiology and imaging services for private outpatients in Singapore. Besides gaining "very substantial market share", the merged entity would enjoy "moderate to high" entry barriers, and weak bargaining power of customers.

Source: Adapted from the Business Times, 16 March 2015

Extract 4: Health care provision in UK

The National Health Service (NHS) offers care free of charge to all residents of the United Kingdom. This policy ensures that anyone can receive the medical care they need, regardless of their age, circumstances or financial situation. However, this policy did not come without any problems.

Due to limited resources, waiting lists are always a problem and a source of patient frustration. These waiting lists aim to ensure that patients are seen on a first-come-first-

served basis, but also ensured that those patients who require more urgent treatment are seen before those with less serious condition. Many people thus choose to pay for private treatment when they are concerned about a medical condition.

The NHS also costs the British people a huge amount of money. For 2007-2008, the NHS budget is approximately 90 billion pounds, and it is set to rise to approximately 110 billion pounds by 2010-2011. Although the NHS is consistently monitored to ensure that it is delivering value for money, it is likely to remain an expensive investment: quality healthcare for all is an expensive ideal.

Source: Monetos, <http://www.monetos.co.uk/>, accessed 1 August 2015

Table 1: Statistics for Singapore, 2009-2014

	2009	2010	2011	2012	2013	2014
GDP growth (annual %)	-0.6	15.2	6.2	3.4	4.4	2.9
Life expectancy at birth (years)	81.4	81.7	81.9	82.1	82.4	82.8
Total Population ('000)	4,987.6	5,076.7	5,183.7	5,312.4	5,399.2	5,469.7
Gini Coefficient (before government transfers and taxes)	0.471	0.472	0.473	0.478	0.463	0.464

Source: Singapore Department of Statistics, 1 August 2015

Questions

- (a) Using Figure 1, describe the main features of the total health expenditure for Singapore and Japan relative to the world from 2008 to 2013. [2]
- (b) With reference to Table 1, explain two pieces of information which would be useful in assessing living standards in Singapore. [4]
- (c) Using supply and demand analysis, account for the rising healthcare expenditure in Singapore. [4]
- (d) Use the concept of opportunity cost to explain one effect on the government arising from the increase in healthcare expenditure. [2]
- (e) Discuss whether the disadvantages to consumers outweigh any benefits they may have gained from the merger of RadLink-Asia and its subsidiaries by Parkway Holdings (Extract 3). [8]
- (f) In light of an ageing population, would you recommend that the Singapore government adopts UK's approach in the healthcare market (Extract 4)? Justify your answer. [10]

[Total: 30]

Question 2: An alternative growth approach for small and developed countries

Table 2: Budget balance of small* countries (% of GDP)

	2007	2008	2009	2010	2011	2012
Singapore	11	8	2	8	9	9
Switzerland	0	1	0	0	1	not available
Greece	-6	-9	-15	-10	-10	-9
Norway	18	20	11	12	14	14
Portugal	-2	-3	-9	-9	-4	-7

*small countries are defined as countries with a population of less than 20 million.

Source: World Development Indicators

Extract 5: Worries of global deflation and slow economic growth

Slow global economic growth, falling consumer prices and other signs highlight a concern among monetary policymakers and market watchers that the risk of deflation in the world's economy is increasing. And if prices fall far enough and long enough, the economy could spiral into a worldwide recession.

Though consumers' money stretches further when prices fall, the profits of businesses erode, which tends to cause higher rates of unemployment thereby reducing consumer spending. And when people expect prices will fall in the future, they will spend less in the present, further weakening demand and dragging down prices. Deflation also increases the costs of borrowing, discouraging business investment and making it harder for existing borrowers to pay back loans.

To counteract risks of deflation and slow economic growth, central banks can cut interest rates, reducing borrowing costs, or buy government assets, pouring money into the economy. But central banks already slashed interest rates to record lows and deployed large-scale purchases of government bonds to recover from the financial crisis of 2008-2009. Now policymakers now face more policy constraints and have fewer tools in their belt to coax the global economy into stronger growth, though deflationary pressures are hovering.

Source: *International Business Times*, 16 October 2014

Extract 6: Traditional vs productivity growth approach to support sustained and inclusive growth

One of the legacies of the economic crisis is the acceleration of income inequality in many countries, which can cause important economic and social tensions if not properly addressed. Past traditional approaches, mainly based on expansionary demand management policies such as monetary policies, have helped to temporarily avoid a deeper recession and set the foundations for the global recovery in the short term.

However, ensuring sustained and inclusive growth in the long run will depend not on traditional approaches such as monetary policies, but on boosting the level of productivity of economies. This will necessitate the eventual creation of productive employment for the entire labour force. In order to achieve higher levels of productivity, new actions in terms of engaging in much-needed structural reform and productivity-enhancing investments for economic diversification and competition are required. The creation of productive employment will also focus on skills upgrading and higher productivity, which will enable the market mechanism to deliver respectable wage growth for the majority of the workforce. These measures are not only important, as they have always been, but they are also becoming urgent if we are to solidify and accelerate the recovery to create new opportunities and new jobs for larger segments of the population.

Source: Chandran Nair, *The Banker*, January 2011

Extract 7: A small-country perspective on the Greek crisis

Small countries face more policy constraints, are more exposed to shocks, and have a more limited margin for error. It matters that Greece is a small country, with a population of 11 million people. But for many years Greece has not acted as a small country, has not taken seriously the experiences of other small countries, and is now suffering the consequences.

First, Greece's industrial policies have not focused on building a productive economy with firms that can compete in global markets. Greece has neither a lean, productive domestic sector nor an innovative, competitive external sector. Indeed, even with a massive internal devaluation in Greece over the past few years, and now a much lower euro because of quantitative easing by the European Central Bank, Greek exports have been reduced. This is in stark contrast with other southern European countries, such as Spain and Portugal, whose exports grew after similar events.

Second, Greece has run large, sustained fiscal deficits, reaching 14 per cent of GDP in 2008, leading to a very high public debt stock (at about 130 per cent of GDP before the euro zone crisis). This is compounded by the severe tax evasion observed in Greece where it is far too easy for contractors, people in the professions and some big companies not to declare all or part of their earnings. This lack of fiscal sustainability became obvious when growth rates slowed during the global financial crisis. This record contrasts sharply with small advanced economies, which act as fiscal conservatives - fiscal balance, low public debt - because they know fiscal space can erode quickly in small countries. This is why many small advanced economies made strong efforts to restore fiscal balance after the crisis.

The creditor institutions also share some of the blame. This is not so much because they imposed excessive austerity, worsening the Greek recession, but that not enough focus was placed on developing a growth strategy. Many specific demands were made of Greece, but these measures do not amount to a small-country economic strategy with a sharp focus on where and how the economy is going to compete in global markets

Extract 8: Productivity growth boost for the developed economies - a fantasy or reality?

Although the history of industrialisation and rapid developments in information technology have led to an expectation that the world should continue to increase its production with technological advances, recent facts paint a different story in mature economies. The financial crisis of 2008-2009 caused serious problems to economies in developed countries and they are still struggling to recover.

In 2012 Robert Gordon, an American economist, controversially argued that advanced countries have exhausted the potential for productivity driven growth fostered by information technology developments in the late twentieth century (what he called the Third Industrial Revolution).

Gordon speculated that the technologies now driving the creation of new markets (digital media and computerized wearables), services (energy management and DNA sequencing), products (smartphones and robotics), and technology companies (Alibaba and Apple) were not as transformative as the inventions of the Industrial Revolution including the steam engine, electricity, and indoor plumbing, which altered the production and manufacturing processes completely and that these changes will be extremely hard to replicate. Moreover, he believed that although the everyday use of the new technologies greatly spurred a new surge in productivity growth, their returns were already diminishing and that there was little room for a further boost.

Adapted from Baker Tilly International and Project Syndicate, 2015

Questions

- (a) Compare the government budget balance among Singapore, Switzerland and Greece between 2007 and 2012. [2]
- (b) Explain how “if prices fall far enough and long enough, the economy could spiral into a worldwide recession” (Extract 5). [3]
- (c) With reference to Extract 7, explain how firms’ behaviour can account for the changes in export revenue in Greece despite the fall in Euro dollar. [5]
- (d) Explain one possible policy constraint faced by Greece in fighting the economic recession that she faces. [2]
- (e) Discuss the extent to which the austerity measures which were meant to restore fiscal sustainability and economic growth had worsened the Greek recession [8]
- (f) Using the evidence in the data, comment on the view that the productivity growth approach remains the key to sustained and inclusive growth. [10]

[Total:30]

- End of Paper -



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COVER SHEET

H2 ECONOMICS

Paper 1: Case Study Question 1

Name: _____

Civics Group: _____

Register Number: _____

Tutor : _____

14 September 2015

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Write your name, civics group, register number and tutor's name in the spaces at the top of this cover page and on all the work you hand in.

At the end of the examination, fasten this cover sheet to your answer scripts for Case Study Question 1 with the string provided before submission.

QUESTIONS ATTEMPTED	MARKS
(a)	
(b)	
(c)	
(d)	
(e)	
(f)	
TOTAL	/30



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COVER SHEET

H2 ECONOMICS

Paper 1: Case Study Question 2

Name: _____

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Register Number: _____

Tutor: _____

14 September 2015

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At the end of the examination, fasten this cover sheet to your answer scripts for Case Study Question 2 with the string provided before submission.

QUESTIONS ATTEMPTED	MARKS
(a)	
(b)	
(c)	
(d)	
(e)	
(f)	
TOTAL	/30